BOARD MEETING OF SEPTEMBER 13, 2007

Beth Anderson, Chair

C. Kent Conine, Vice-Chair

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Shadrick Bogany, Member
Sonny Flores, Member
Norberto Salinas, Member
Gloria Ray, Member

MISSION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING
September 13, 2007

ROLL CALL

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

______________________, Presiding Officer

AUDIT COMMITTEE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

September 13, 2007
8:30 am
Capitol Extension, E1.028
1500 N. Congress

AGENDA

CALL TO ORDER, ROLL CALL — Shadrick Bogany, Chair

CERTIFICATION OF QUORUM — Shadrick Bogany, Chair

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

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

Approval of the following items presented in the Board materials:

General Administration:
a) Minutes of the Audit Committee Meeting of February 1, 2007 and May 10, 2007

REPORT ITEMS MATERIALS AVAILABLE IN BOARD BOOK FOR SEPTEMBER 13, 2007
Item 1 Presentation and Discussion of Audit Results from HUD's Consolidated Review – Section 8

Item 2 Presentation and Discussion of Audit Results of State Auditor's Office's Classification Compliance Review

Item 3 Status of Prior Audit Issues

Item 4 Status of Internal/External Audits

EXECUTIVE SESSION
a) The Board may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551

b) The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee

ADJOURN — Shadrick Bogany, Chair

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Nidia Hiroms, TDHCA, 221 East 11th Street Austin, Texas 78701-2410, 512-475-3934 and request the information.

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

Non-English speaking individuals who require interpreters for this meeting should contact Nidia Hiroms, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

EXECUTIVE OFFICE – BOARD

BOARD ACTION REQUEST
September 13, 2007

Action Item

Minutes of the Audit Committee Meeting of February 1, 2007.

Required Action

Review minutes Audit Committee Meeting of February 1, 2007 and make any necessary corrections.

Background

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

Recommendation

Staff recommends approval of minutes with any requested corrections.

AUDIT COMMITTEE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Capitol Extension Auditorium
February 1, 2007; 8:00 am

SUMMARY OF MINUTES

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Audit Committee Meeting of the Texas Department of Housing and Community Affairs of February 1, 2007 was called to order by the Chair, Shadrick Bogany at 8:05 a.m. It was held at 1100 Congress Ave, Capitol Extension Auditorium, Austin, Texas 78701. Roll call certified a quorum was present.

Members Present:
Shadrick Bogany – Chair
Gloria Ray – Member

Member Absent:
Sonny Flores – Member

PUBLIC COMMENT

The Audit Committee of the Board of the Texas Department of Housing and Community Affairs will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by the department staff and motions made by the Committee.

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

ACTION ITEMS

AGENDA ITEM 1:
Presentation, Discussion and Possible Approval of 2007 TDHCA Internal Audit Plan
David Gaines, Director of Internal Audit, introduced his new staff member, Greg Magness along with staff members Lorrie Lopez and Colleen Bauer. Mr. Gaines provided report on the Internal Audit Plan.
Motion made by Ms. Ray to hold recommendation to add reviews of the HOME and the tax credit cycle to the plan in abeyance until we can get an assessment from Mr. Gaines as to the scope of the additions to the 2007 Audit Plan; seconded by Mr. Bogany. Ms. Ray withdrew her motion and made a motion to accept the Housing Tax Credit program, the HOME program procedures, to be a part of the 2007 Audit Plan; seconded by Mr. Bogany; passed unanimously. Motion made by Ms. Ray to accept the total plan, including the two amendments; seconded by Mr. Bogany; passed unanimously.

AGENDA ITEM 2:
Presentation, Discussion and Acceptance of Audit Report from Deloitte and Touche, LLP (Fiscal Year 2006):
1. **Communications with Audit Committee Letter**
2. **Opinion Audit on FY 2006 Basic Financial Statements**

3. **Opinion Audit on FY 2006 Revenue Bond Program Financial Statements**
4. **Opinion Audit on FY 2006 Computation of Unencumbered Fund Balances**
5. **Report to Management (Management Letter)**

Julia Petty from Deloitte and Touche, provided report.
Bill Dally, Deputy Director of Administration, provided report.
Motion by Ms. Ray to accept report; seconded by Mr. Bogany; passed unanimously.

REPORT ITEMS

AGENDA ITEM 3:

External Quality Assurance Review Report of the TDHCA Internal Audit Division
David Gaines, Director of Internal Audit, provided report.

AGENDA ITEM 4:

Internal Audit of the Energy Assistance Weatherization Assistance Program - Subrecipient Monitoring
David Gaines, Director of Internal Audit, provided report.

AGENDA ITEM 5:

Status of Prior Audit Issues
David Gaines, Director of Internal Audit, provided report.

AGENDA ITEM 6:

Status of Internal/External Audits
David Gaines, Director of Internal Audit, provided report.

EXECUTIVE SESSION

The Board may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551
Executive Session not held.

ADJOURN

Since there was no other business to come before the Audit Committee, the meeting was adjourned at 9:05 a.m.

____

Mr. Kevin Hamby
Board Secretary

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

EXECUTIVE OFFICE – BOARD

BOARD ACTION REQUEST
September 13, 2007

Action Item

Minutes of the Audit Committee Meeting of May 10, 2007.

Required Action

Review minutes of the Audit Committee Meeting of May 10, 2007 and make any necessary corrections.

Background

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

Recommendation

Staff recommends approval of minutes with any requested corrections.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
AUDIT COMMITTEE MEETING

May 10, 2007; 8:30 am
Travis Building, Room 1-111, 1701 N. Congress

AUDIT COMMITTEE SUMMARY OF MINUTES

CALL TO ORDER, ROLL CALL CERTIFICATION OF QUORUM

The Audit Committee Meeting of the Texas Department of Housing and Community Affairs of May 10, 2007 was called to order by the Chair, Shadrick Bogany at 8:30 a.m. It was held at Travis Building, Room 1-111, 1701 N. Congress, Austin, Texas 78701. Roll call certified a quorum was present.

Members Present:

Shadrick Bogany – Chair
Sonny Flores – Member
Gloria Ray – Member

Kent Conine in attendance.

PUBLIC COMMENT

The Audit Committee of the Board of the Texas Department of Housing and Community Affairs will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by the department staff and motions made by the Committee.

No public comment.

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

ACTION ITEMS

AGENDA ITEM 1:

Presentation, discussion and possible approval of amendments to the 2007 TDHCA Internal Audit Plan
David Gaines, Internal Audit Director, provided report.
Motion by Ms. Ray to approve; seconded by Mr. Flores; passed unanimously.

REPORT ITEMS

AGENDA ITEM 2:

Presentation and Discussion of Audit Results from KPMG's Statewide Federal Single Audit as related to TDHCA
David Gaines, Internal Audit Director, provided report.
No action taken.

AGENDA ITEM 3:

Presentation and Discussion of Internal Audit of CDBG Disaster Hurricane Recovery Program - Project/Program Plan
David Gaines, Internal Audit Director, provided report.
No action taken.

AGENDA ITEM 4:

Presentation and Discussion of Internal Audit of CDBG Disaster Hurricane Recovery Program – Control Design over Project Set-up and Draw Processing Functions
David Gaines, Internal Audit Director, provided report.
No action taken.

AGENDA ITEM 5:

Status of Prior Audit Issues
David Gaines, Internal Audit Director, provided report.
No action taken.

AGENDA ITEM 6:

Status of Internal/External Audits
David Gaines, Internal Audit Director, provided report and noted a typographical error in the Board Book. The KPMG Audit Plan is for 2007, not 2006 as written.
No action taken.

EXECUTIVE SESSION

The Board may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551
Executive Session not held.

ADJOURN

Since there was no other business to come before the Audit Committee, the meeting was adjourned at 9:20 a.m.

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Mr. Kevin Hamby
Board Secretary

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

September 13, 2007
9:30 am
Capitol Extension, E1.028
1500 N. Congress

A G E N D A

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

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

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

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

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

General Administration:
a) Minutes of the Board Meeting of July 30, 2007

Community Affairs Division Items:
b) Presentation, Discussion and Possible Approval of Section 8 Streamlined Annual PHA Plan for Fiscal Year 2008

Multifamily Division Items:
c) Presentation, Discussion and Possible Action for Memorandum of Understanding (MOU) between the Texas Bond Review Board and TDHCA for the Issuance of 501(c)(3) bonds

ACTION ITEMS

Item 2: Presentation, Discussion and Approval of HOME Division Items:

a) Presentation, Discussion and Possible Approval of award recommendations for the 2007 Housing Programs for Persons with Disabilities from the following list:

2007-0001	Burke Center
2007-0002	Spindletop MHMR Services
2007-0003	Community Council of Southwest Texas, Inc.
2007-0004	Tri-County Mental Health Mental Retardation
2007-0005	Tri-County Mental Health Mental Retardation
2007-0006	Foundation Communities, Inc.
2007-0007	Lifetime Independence for Everyone, Inc.dba LIFE
2007-0008	Southeast Texas HFC
2007-0009	Southeast Texas HFC
2007-0010	El Paso Rehabilitation Center
2007-0011	United Cerebral Palsy of Texas
2007-0012	United Cerebral Palsy of Texas
2007-0013	Fort Worth Area Habitat for Humanity, Inc.

2007-0014	United Cerebral Palsy of Texas
2007-0015	United Cerebral Palsy of Texas
2007-0016	Central Texas Health Mental Retardation
2007-0017	United Cerebral Palsy of Texas
2007-0018	United Cerebral Palsy of Texas
2007-0019	United Cerebral Palsy of Texas
2007-0020	El Paso Rehabilitation Center
2007-0021	ARCIL, Inc
2007-0022	ARCIL, Inc.
2007-0023	ARCIL, Inc.
2007-0024	ARCIL, Inc
2007-0025	Coastal Bend Center For Independent Living
2007-0026	Valley Association of Independent Living
2007-0027	Valley Association of Independent Living
2007-0028	Tyler AIDS Services, Inc
2007-0029	Coalition for Barrier Free Living/ Houston Center
2007-0030	Life Rebuilders, Inc
2007-0032	Coastal Bend Center For Independent Living

b) Presentation, Discussion and Possible Approval of policy regarding HOME assistance to properties where construction occurred prior to loan closing

c) Presentation, Discussion and Possible Approval of the 2008 Housing Trust Fund Annual Funding Plan

Item 3: Presentation, Discussion and Possible Approval of Disaster Recovery Division Items:

a) Presentation, Discussion and Possible Decision for the applicant's appeal of Department determination relating to a Community Development Block Grant (CDBG) Disaster Recovery Multifamily Rental Application

Appeals Timely Filed

b) Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report for CDBG Round 1 Funding relating to housing

c) Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report relating to non-housing activities for CDBG Round 1 Funding, and infrastructure activities for CDBG Round 2

d) Presentation, Discussion and Possible Award of Community Development Block Grant (CDBG) Disaster Recovery Multifamily Rental Applications (all applications listed below)

07901	Pointe North
07902	Gulfbreeze Plaza I & II
07903	Brittany Place Homes
07905	Orange Navy Homes
07906	Sunlight Manor Apartments
07907	Virginia Estates Apartments
07908	Carver Terrace Townhomes

e) Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG contracts administered by TDHCA for CDBG Round 1 Funding

C060003	South East Texas Regional Planning Commission

f) Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG contracts administered by Office of Rural Community Affairs for CDBG Round 1 Funding

DRS060067	Pine Forest
DRS060030	Groveton
DRS060068	Pinehurst
DRS060083	Sour Lake
DRS060072	Port Arthur

Item 4: Presentation, Discussion and Approval of Texas Homeownership Division Items:

a) Presentation, Discussion and Possible Approval of $100,000 in Housing Trust Fund (HTF) funds for a foreclosure prevention plan on delinquent mortgage loans from the Single Family Mortgage Revenue Bond portfolio

Item 5: Presentation and Discussion of Internal Audit Division Items:

a) Presentation and Discussion of Audit Results from HUD's Consolidated Review – Section 8

b) Presentation and Discussion of Audit Results of State Auditor's Office's Classification Compliance Review

c) Status of Prior Audit Issues

d) Status of Internal/External Audits

Item 6: Presentation, Discussion and Possible Approval of Legal Division Items:

a) Presentation, Discussion and Possible Approval to publish the proposed repeal of 10 TAC Chapter 53, HOME Investment Partnership Program, and a draft of proposed new 10 TAC Chapter 53, HOME Program Rule for comment in the *Texas Register*

b) Presentation, Discussion and Possible Approval to publish a draft of proposed new 10 TAC Chapter 60, Subchapter B, Accessibility Requirements for comment in the *Texas Register*

c) Presentation, Discussion and Possible Approval of the selection of an outside counsel for Disclosure Counsel in response to the RFP issued June 29, 2007

d) Presentation, Discussion and Possible Approval of an RFP for Disclosure Counsel to be re-issued

Item 7: Presentation, Discussion and Possible Approval of Multifamily Division Items:

a) Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits Associated with Mortgage Revenue Bond Transactions with Other Issuers and Possible Award of HOME Rental Development funds:

07437 Creek View Apartments, Johnson City
Capital Area HFC is the Issuer
Requested Tax Credit Amount: $188,425
Requested HOME Award: $930,000

07438 Park Ridge Apartments, Llano
Capital Area HFC is the Issuer
Requested Credit Amount: $247,996
Requested HOME Award: $930,000

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

07443	Regency Park Apartments, Houston Houston HFC is the Issuer Recommended Credit Amount of $1,189,095
07445	Lakeside Apartments, Texas City Southeast Texas HFC is the Issuer Requested Credit Amount of $1,111,936
07446	Runnymede Apartments, Austin Austin HFC is the Issuer Requested Credit Amount of $508,803

c) Presentation, Discussion, and Possible Action for Housing Tax Credits Appeals:

Appeals Timely Filed

d) Presentation, Discussion and Possible Approval to publish a draft of proposed Right of First Refusal Policy for comment in the *Texas Register*

e) Presentation, Discussion and Possible Approval of a Housing Tax Credit Amendment Process (policy)

f) Presentation, Discussion and Possible Action for Housing Tax Credit Amendments:

04118	Churchill at Commerce Apartment Community
99005	The Homes of Parker Commons

g) Presentation, Discussion and Possible Action for Housing Tax Credit Extensions:

05207	Cityview at the Park	Austin

EXECUTIVE SESSION **Elizabeth Anderson**

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b) The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee

c) Consultation with Attorney Pursuant to §551.071(a), Texas Government Code:

1. With Respect to pending litigation styled *Dever v. TDHCA* Filed in Federal Court
2. With Respect to pending litigation styled *Brandal v.TDHCA* Filed in State Court in Potter County
3. With Respect to pending litigation styled *Ballard v. TDHCA* Filed in Federal Court
4. With regard to contract negotiations with selected vendor on HAP Disaster Recovery RFP
5. With regard to implementation of Legal issues of SB 1908
6. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

OPEN SESSION **Elizabeth Anderson**

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS
Executive Director's Report

1. TDHCA Outreach Activities, August 2007
2. Monthly Report on HOME Amendments Granted
3. Historically Underutilized Businesses
4. 2nd and 3rd Quarterly Reports for Ownership Transfers with Housing Tax Credit Developments

ADJOURN **Elizabeth Anderson**

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Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

EXECUTIVE OFFICE – BOARD

BOARD ACTION REQUEST
September 13, 2007

Action Item

Minutes of the Board Meeting of July 30, 2007.

Required Action

Review minutes of the July 30, 2007 Board Meeting and make any necessary corrections.

Background

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

Recommendation

Staff recommends approval of minutes with any requested corrections.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

July 30, 2007; 8:30 am
Capitol Extension Auditorium
1500 N. Congress

SUMMARY OF MINUTES

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of July 30, 2007 was called to order by Chair, Elizabeth Anderson at 8:37 a.m. It was held at the Capitol Auditorium, Austin, Texas. Roll call certified a quorum was present.

Members Present:

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

PUBLIC COMMENT

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

Blaire Parker, on behalf of the Honorable Representative Robert R. Puente, provided testimony in support of 07171, San Juan Square II.
Henry Alvarez, president and CEO of the San Antonio Housing Authority, provided testimony in support of 07171, San Juan Square II.
The Honorable Hutch White, City Councilman, Buda, Texas, provided testimony in support of 07234, Tuskany Park at Buda.
The Honorable Bobby Lane, Mayor pro tem for the City of Buda, provided testimony in support of 07234, Tuscany Park at Buda.
T.J. Higginbotham, chair of the Historic Commission in Buda, provided testimony in support of 07234, Tuscany Park at Buda.
Warren Ketteman, Buda Economic Development Corp., provided testimony in support of 07234, Tuscany Park at Buda.
Delores Groneck, provided testimony regarding 07220, San Gabriel Crossing.
Gilberto de los Santos, provided testimony in support of 07206 Villa Estella Trevino.
Estella Trevino, provided testimony in support of 07206 Villa Estella Trevino.
Diana Martinez, on behalf of the Honorable Senator Carols Uresti, provided testimony in support of Tammye's Point.
Inez Arroyo, provided testimony in support of 07171, San Juan Square II.
Ricardo Rangel, provided testimony in support of 07171, San Juan Square II.
Richard Dennis, on behalf of the Honorable Representative Tan Parker, provided testimony in support of 07272, Plantation Valley Estates.
Byron Ballas, provided testimony in support of 07272, Plantation Valley Estates.

Vince Dodds, president and CEO of the El Paso Housing Authority, provided testimony in favor of a forward commitment for Alamito Place.
Brad Mink, Director of Economic Development, City of Carrollton, provided testimony in support of Raiford Road, elderly housing.
Bernadine Spears, Executive Director for the Odessa Housing Authority, provided testimony in support of Key West Senior Village Phase II.
Mike Sugrue, Solutions Plus, provided testimony in support of 07133, Stoneleaf at Dalhart.
Juan J. Pattan, on behalf of Mike Lopez, Executive Director of the Hidalgo County Housing Authority in Weslaco, provided testimony in support of 07205, North Manor Estates.
Orelia Campos, Sears Park Neighborhood Org., provided testimony in support of 07285, Anson Park Seniors.
Huelon Harrison, LRG Development, provided testimony in support of forward commitment for 07303, Villas on Raiford.
Laura Waller-DeLaRosa, provided testimony regarding 07220, San Gabriel Crossing.
Terri Anderson, Anderson Capital, LLC, provided testimony in support of forward commitment for 07303, Villas on Raiford.
Pastor Zeke Pecina, New Life Housing Foundation, provided testimony in support of Anson Park Seniors.

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

CONSENT AGENDA

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

AGENDA ITEM 1:

Approval of the following items presented in the Board materials:

General Administration:

a) Minutes of the Board Meeting of June 28, 2007

Disaster Recovery Division:

b) Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG contracts administered by Office of Rural Community Affairs (ORCA)

Multifamily Finance Division:

c) Presentation, Discussion and Possible Action for Housing Tax Credit Extensions: (if recommended)

05004	Samuels Place	Ft. Worth
05020	Hereford Central Place	Hereford
05092	Vida Que Canta	Mission

At the Chair's request, Consent Agenda Items d, e, f and g are removed from Consent to be discussed following the vote on the Consent Agenda.

Motion made by Mr. Conine to approve items 1a, 1b and 1c; seconded by Mr. Bogany; passed unanimously.

Multifamily Finance Division:

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

07405 Alamito Terrace, El Paso, El Paso County, Texas; Alamito Public Facilities Corporation is the Issuer; Recommend Credit Amount of $346,251
Vince Dodds provided testimony

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

HOME Division:

e) **Presentation, Discussion and Possible Approval of a Notice of Funding Availability (NOFA) for approximately $10,000,000 utilizing unawarded and deobligated HOME funds for the HOME Rental Housing Development (RHD) Program**
Mike Harms, Executive Director, San Antonio Outreach and Economic Opportunities, provided testimony.
Walter Moreau, director of Foundation Communities, provided testimony.
Motion by Ms. Ray to approve staff recommendation, as amended with the addition of the permissive language; seconded by Mr. Conine; passed unanimously.

f) **Presentation, Discussion and Possible Approval of a Notice of Funding Availability (NOFA) for approximately $6,000,000 utilizing unawarded and deobligated HOME CHDO funds for the HOME Community Housing Development Organization (CHDO) Rental Housing Development Program**
Motion by Mr. Conine to approve staff recommendation, as amended with the addition of the permissive language; seconded by Mr. Bogany; passed unanimously.

g) **Presentation, Discussion and Possible Approval of a Notice of Funding Availability (NOFA) for $1,000,000 of local revenues from the Housing Trust Fund for the Texas Veteran's Housing Support Program**
Motion made by Mr. Bogany to approve staff recommendation; seconded by Mr. Conine.

Chairman Anderson requested an amendment to the motion to clarify language relating to the statutory requirement that at least 50% of funds should be targeted to those earning 60% or less of AMFI. The amendment was accepted by the Ms. Ray and Mr. Conine and was included in the original motion; passed unanimously.

ACTION ITEMS

Mr. Gouris recognized Ms. Lisa Vecchietti, who is leaving the Department to return to school.

AGENDA ITEM 2:

Presentation, Discussion and Possible Approval of Real Estate Analysis Items:

a) **Presentation Discussion and Possible Action for the 2007 Competitive Housing Tax Credits Appeals of Credit Underwriting Reports**
07263 Constitution Court Copperas Cove
Emanuel Gloctezin, developer of Constitution Court, provided testimony.
Motion made by Mr. Conine to approve staff recommendation; seconded by Ms. Ray; passed unanimously.
07268 Mid-Towne I Apartments Tomball
Dennis Hoover, provided testimony.
Benjamin Farmer, provided testimony.
Motion made by Mr. Conine to approve staff recommendation; seconded by Mr. Bogany; passed unanimously.
07228 Las Palmas Homes Los Fresnos
Saleem Jafar, on behalf of the Cameron County Housing Authority; the vice chairman of the Board of Commissioners, and Mr. Javier Hernandez, provided testimony.

Bill Fisher, on behalf of the development working with the Cameron County Housing Authority, provided testimony.
John Shackelford, representing Cameron County Housing Authority and the developer, provided testimony.
Robert Thompson, PCA Consultants, provided testimony.
Motion made by Mr. Conine to approve staff recommendation; seconded by Mr. Bogany; passed unanimously.

Appeals timely Filed
07141 Pinnacle at Pleasant Humble, TX
John Shackelford, provided testimony.
Motion made by Mr. Bogany to approve staff recommendation; seconded by Mayor Salinas; Mr. Conine votes No; motion passed.

Board adjourned for a brief recess.

AGENDA ITEM 3:
Presentation, Discussion and Possible Approval of Multifamily Division Items:

a) **Presentation, Discussion, and Possible Action for Housing Tax Credits Appeals**
Appeals Timely Filed
None filed.

b) **Presentation, Discussion, and Possible Action for the Inducement Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2007, Resolution No. 07-023**
07626 Costa Clemente Angleton
Debra Guerrero, NRP Group, provided testimony in favor of this project.
Linda Carroll, provided testimony in opposition to this project.
The Honorable Commissioner Mary Ruth Rhodenbaugh, Brazoria County, provided testimony in favor of this project.
Charlotte Yoes, Angleton, TX, provided testimony in opposition to this project.
Mildred Wauson, Director, St. Thomas Center, provided testimony in favor of this project.
Wayne Oswald, Angleton, TX, provided testimony in opposition to this project.
Melanie Oldham, Angleton, TX, provided testimony in favor of this project.
Carla Luan, Angleton, TX, provided testimony in favor of this project.
The Honorable Representative Dennis Bonnen, provided testimony in opposition to this project.
Darrell Jack, Apartment Market Data, provided testimony in favor of this project.
Motion by Mr. Conine to approve resolution #07-023; seconded by Mr. Bogany; passed unanimously.

Board adjourned for one hour, fifteen minutes.

EXECUTIVE SESSION

At 11:45 a.m. Ms. Anderson convened the Executive Session. The Executive Session concluded at 1:00 p.m.

a) The Board may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551
b) The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee

c) Consultation with Attorney Pursuant to §551.071(a), Texas Government Code:
1. With Respect to pending litigation styled *Dever v. TDHCA* Filed in Federal Court
2. With Respect to pending litigation styled *Brandal* v.*TDHCA* Filed in State Court in Potter County
3. With Respect to pending litigation styled *Ballard v. TDHCA* Filed in Federal Court
4. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

OPEN SESSION

Ms. Anderson reconvened Open Session at 1:00 p.m. and announced that no action had been taken during Executive Session and certified that the posted agenda was followed.

AGENDA ITEM 3: *CONTINUED*

Presentation, Discussion and Possible Approval of Multifamily Division Items:

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

07422- 07434 Rainbow Housing Assistance Corporation, Texas Bond Portfolio Texas State Affordable Housing Corporation is the Issuer; Requested Credit Amount of $2,306,979

Withdrawn from consideration.

d) Presentation, Discussion, and Possible Approval of the Final Commitments from the 2007 Credit Ceiling for the Allocation of Competitive Housing Tax Credits and the Waiting List for the 2007 Application Round from the list of all applications below:

Dev. No.	Development Name	City	Region
07101	Carpenter's Point	Dallas	3
07103	Oak Tree Village	Dickinson	6
07104	Country Lane Seniors-Greenville Community	Greenville	3
07108	Paseo Palms	El Paso	13
07109	Elrod Place	Katy	6
07110	Poteet Housing Authority Farm Labor	Poteet	9
07114	Washington Village Apartments	Wichita Falls	2
07115	Heights Apartments	Big Spring	12
07117	Deer Creek Apartments	Levelland	1
07118	Lakeside Apartments	Mount Pleasant	4
07123	Tower Village	Nacogdoches	5
07124	King's Crossing Phase II	Kingsville	10
07126	Oak Timbers-Caplin Drive	Arlington	3
07131	StoneLeaf at Dalhart	Dalhart	1
07133	StoneLeaf at Tye	Tye	2
07137	Hampton Villages	Pampa	1
07141	Pinnacle of Pleasant Humble	Humble	6
07149	Residences at Eastland	Fort Worth	3
07151	Key West Village Phase II	Odessa	12
07153	Los Ebanos Apartments	Alton	11
07162	Pointe North	Beaumont	5
07164	Covington Townhomes	Texarkana	4
07165	Gates of Dominion North	Houston	6
07166	Jeremiah Seniors	Hurst	3
07167	Meadowlake Village Apartments	Mabank	3
07169	Costa Madera	Laredo	11
07170	Gibraltar	Clute	6
07171	San Juan Square II	San Antonio	9
07173	West End Baptist Manor Apartments	San Antonio	9
07174	LULAC Hacienda Apartments	Corpus Christi	10

Dev. No.	Development Name	City	Region
07175	Austin Place	Mount Pleasant	4
07177	Hamilton Senior Village	Hamilton	8
07178	Tammye's Pointe	Eagle Pass	11
07179	Villas at Goose Creek	Baytown	6
07180	Holland House Apartments	Holland	8
07182	Retama Village - Phase II	McAllen	11
07183	Sunset Terrace	Pharr	11
07185	Bluebonnet Senior Village	Alamo	11
07189	Sunlight Manor Apartments	Beaumont	5
07190	Stephen Austin School Apartments	Greenville	3
07191	Washington Hotel Lofts	Greenville	3
07192	Historic Lofts of Waco High	Waco	8
07193	Stone Brook Senior Apartments	Palestine	4
07194	377 Villas	Brownwood	2
07198	West Durango Plaza Apartments	San Antonio	9
07199	Kingsville LULAC Manor Apartments	Kingsville	10
07203	Melbourne Apartments	Alvin	6
07204	Notting Hill Gate Apartments	Missouri City	6
07205	North Manor Estates Apartments	Weslaco	11
07206	Villa Estella Trevino	Edinburg	11
07210	New Hope Housing at Bray's Crossing	Houston	6
07217	Victory Place Seniors	Houston	6
07219	Canyons Retirement Community	Amarillo	1
07220	San Gabriel Crossing	Liberty Hill	7
07222	Riverbend Trails	San Angelo	12
07223	Shady Oaks Apartments	Georgetown	7
07224	Sierra Ridge Apartments	Georgetown	7
07226	Candlewick Apartments	Brownsville	11
07227	Champion Home at La Joya	La Joya	11
07228	Las Palmas Homes	Los Fresnos	11
07233	Ingram Square Apartments	San Antonio	9
07234	Tuscany Park at Buda	Buda	7
07235	Woodchase Senior Community	El Paso	13
07236	Green Briar Village Phase II	Wichita Falls	2
07242	Paseo de Paz Apartments	Kerrville	9
07244	Alamito Place	El Paso	13
07245	Sphinx at Fiji Seniors	Dallas	3
07246	Lexington Square	Angleton	6
07247	Terry Street Apartments	Malakoff	4
07249	Bluffs Landing Senior Village	Round Rock	7
07252	Brooks Manor Apartments	West Columbia	6
07254	Evergreen at Farmers Branch	Farmers Branch	3
07256	Evergreen at The Colony	The Colony	3
07257	Orange Palm Garden Apt Homes	Orange	5
07258	Trinity Garden Apt Homes	Liberty	6
07259	Montgomery Meadows Phase II	Huntsville	6
07260	Victoria Place Addition	Athens	4
07261	Lexington Court Phase II	Kilgore	4
07262	Santour Court	College Station	8
07263	Constitution Court	Copperas Cove	8

Dev. No.	Development Name	City	Region
07267	Buena Vida Apartments	La Feria	11
07268	Mid-Towne I Apartments	Tomball	6
07271	Hyatt Manor Apartments	Gonzales	10
07272	Plantation Valley Estates	Krum	3
07275	Mansions at Briar Creek	Bryan	8
07280	Andalusia	Houston	6
07282	Palermo	Midland	12
07285	Anson Park Seniors	Abilene	2
07289	Peachtree Seniors	Balch Springs	3
07291	Cypress Creek at Reed Road	Houston	6
07292	North Eastman Residential	Longview	4
07293	Morningstar Villas	Texas City	6
07294	Grove at Brushy Creek	Bowie	2
07295	Bluestone	Mabank	4
07300	Wentworth Apartments	Atascocita	6
07302	Casa Alton	Alton	11
07303	Villas on Raiford	Carrollton	3
07306	Zion Village Apartments	Houston	6
07309	Glenwood Trails	Deer Park	6
07310	Gardens at Friendswood Lakes	Friendswood	6
07313	Villas at Rabbit Hill	Round Rock	7
07318	Buena Vida Senior Village	Corpus Christi	10

The Honorable Representative Bill Callegari, provided testimony in opposition to 07109, Elrod Place.
Peter McElwain, Sr. Administrator, Katy ISD, provided testimony in opposition to 07109, Elrod Place.
William Haddock, provided testimony in opposition to 07109, Elrod Place.
Bill Ehrie, chairman of the Texas Military Preparedness Commission, provided testimony in opposition to 07133 Stoneleaf at Tye.
Dr. Jim Webster, retired physician and vice chair of the Military Affairs Committee of Abilene Chamber of Commerce, provided testimony in opposition to 07133 Stoneleaf at Tye.
The Honorable Representative Susan L. King, provided testimony in opposition to 07133 Stoneleaf at Tye.
Mark Barineau, an owner of Reed Park Town Homes, Scott Street Town Homes, and South Union Place in South Houston, provided testimony in opposition to 07291 Cypress Creek Apts.
Willie Alexander, an owner of Reed Park Town Homes, Scott Street Town Homes, and South Union Place in South Houston, provided testimony in opposition to 07291 Cypress Creek Apts.
Tammy Bonner, occupancy and compliance manager for Radney Management & Investments, Inc., provided testimony in opposition to 07291 Cypress Creek Apts.
Christine Ramirez, and I'm the operations coordinator for Radney Management & Investments, Inc., provided testimony in opposition to 07291 Cypress Creek Apts.
Mary Ainsworth, provided testimony on behalf of Mr. John Barineau, in opposition to 07291 Cypress Creek Apts.
Claudia Vassar, attorney with Cochran and Baker, LLP, provided testimony in opposition to 07291 Cypress Creek Apts.
Michael Lyttle, Director, Policy and Public Affairs, read for the record a letter from the Honorable Representative Beverly Woolley, in opposition to 07291 Cypress Creek Apts.
Bob Coe, O'Connor and Associates, provided testimony.
Reverend Elberth R. Curvey, pastor of the Sunnyside Missionary Baptist Church in Sunnyside, provided testimony in favor of 07291 Cypress Creek at Reed Road.

Donald Sampley, assistant director of Housing & Community Development, City of Houston, provided testimony in favor of 07291 Cypress Creek at Reed Road.
Neal Rackleff, Locke, Liddell and Sapp, provided testimony in favor of 07291 Cypress Creek at Reed Road.
Ron Dagley, provided testimony in favor of 07291 Cypress Creek at Reed Road.
Stuart Shaw, developer and president of Bonner Carrington, provided testimony in favor of 07291 Cypress Creek at Reed Road and read letter from the Honorable Representative Alma Allen into record.
Barry Palmer, Coates Rose, provided testimony in favor of 07291 Cypress Creek at Reed Road.

Motion by Mr. Conine to approve the award list with the following amendments: removing 07110, Poteet Housing Authority Farm Labor project; 07021, and 07183, which is Sunset Terrace until such a time as legal matters could be cleared; seconded by Mayor Salinas. Motion by Mr. Flores to amend the list by removing 07291, Cypress Creek at Reed Road. Mr. Conine did not accept the amendment motion made by Mr. Flores. Motion by Ms. Anderson to amend the list by removing 07133, Stone Leaf at Tye. Mr. Conine and Mayor Salinas accepted the Chair's amendment to remove 07133 Stone Leaf at Tye; passed unanimously.

Motion by Mr. Flores to further amend the list by removing 07291, Cypress Creek at Reed Road; seconded by Mr. Bogany; Mr. Bogany, Mr. Flores vote aye and Mr. Conine, Mayor Salinas, and Ms. Ray vote nay; motion failed.

Board tabled the motion and adjourned for a brief period.

AGENDA ITEM 3d: *CONTINUED*

Audrey Martin, Competitive Housing Tax Credit Program Administrator, summarized the Board's action on Item 3d and reported that the results from those approved amendments would add two applications. The added applications would be: 1) 07114, Washington Village Apartments, in urban/exurban Region 2. An underwriting report has not been completed for this application therefore, staff recommends an award not to exceed $877,338. This recommendation will be conditioned upon underwriting, and in addition will be conditioned on compliance and financial administration reviews by the Department; and 2) 07206, Villa Estella Trevino. An underwriting report has been completed for this application, and the recommended credit amount is $1,151,989. Staff originally recommended a partial award of 2007 and 2008 credits for 07234, Tuscany Park at Buda, in urban/exurban Region 7. This award recommendation remains the same, but the dollar amounts have changed as a result of this movement. Staff recommends that 07234, Tuscany Park at Buda, receive an award of $681,450 from the 2007 credit ceiling, and the remainder of the credit amount, which is $518,550, from the 2008 credit ceiling unless additional funds become available in the 2007 ceiling.

Motion by Mr. Conine to approve the 2007 housing tax-credit award list, as amended and subject to staff recommendations and conditions; seconded by Mr. Bogany; passed unanimously.

AGENDA ITEM 4:

Presentation, Discussion and Possible Approval of Financial Division Items:

a) **Presentation, Discussion and Possible Approval of FY 2008 Final Draft Operating Budget**
Motion by Mr. Conine to approve; seconded by Ms. Ray; passed unanimously.
b) **Presentation, Discussion and Possible Approval of FY 2008 Final Draft Housing Finance Budget**
Motion by Mr. Conine to approve; seconded by Mr. Bogany; passed unanimously.

AGENDA ITEM 5:

Presentation, Discussion and Possible Approval of HOME Division Items:

a) Presentation, Discussion and Possible Approval of the 2007 HOME Investment Partnerships Program Preservation and Rental Housing Development Program award recommendations in the amount of $2,812,125 from the list of applications below:

07124	King's Crossing Phase II	Kingsville
07175	Austin Place	Mount Pleasant
07177	Hamilton Senior Village	Hamilton
07223	Shady Oaks Apartments	Georgetown
07234	Tuscany Park at Buda	Buda
07247	Terry Street Apartments	Malakoff
07255	Evergreen at Jollyville	Jollyville
07282	Palermo	Midland
07131	Villas at Rabbit Hill	Round Rock
07343	Parkwood Apartments	Nixon
07417	Park Ridge Apartments	Llano
07418	Creek View Apartments	Johnson City

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

b) Presentation, Discussion and Possible Approval of the 2007 HOME Investment Partnerships Program Community Housing Development Organization (CHDO) Rental Development Program award recommendations in the amount of $1,210,000 from the list of applications below:

07199	Kingsville LULAC Manor	Kingsville
07249	Bluffs Landing Senior Village	Round Rock
07256	Evergreen at The Colony	The Colony
07260	Victoria Place Addition	Athens
07261	Lexington Court Phase II	Kilgore
07263	Constitution Court Phase II	Copperas Cove
07340	Copper Creek Homes	Hudson
07624	Ennis Senior Estates	Ennis

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

AGENDA ITEM 6:

Presentation, Discussion and Possible Approval of Disaster Recovery Division Items:

a) **Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report**

No action taken.

AGENDA ITEM 7:

Presentation, Discussion and Possible Approval of Bond Finance Items:

a) **Presentation, Discussion and Possible Approval of a loan reservation procedure for the Single Family Mortgage Revenue Bond (MRB) Program 70 Targeted Area set-aside**

Elizabeth Rippy, Vinson and Elkins, bond counsel, provided testimony.

Motion made by Mr. Conine to accept option five of staff's recommendation with a cap of $10 million per lender; seconded by Mr. Bogany; passed unanimously.

Motion made by Mr. Conine to exclude the 22 county GO Zone from the non-dedicated funds available leaving the 80% of mortgage not required for specially designated areas to not be used within the 22 county GO ZONE; seconded by Mr. Bogany; passed unanimously.

REPORT ITEMS

Executive Director's Report

1. Monthly Report on HOME Amendments Granted
2. Construction Cost Research by Real Estate Analysis Division
3. 2007 Competitive Housing Tax Credit Challenges

ADJOURN

Since there was no other business to come before the Board, the meeting was adjourned at 4:15 p.m.

____

Mr. Kevin Hamby
Board Secretary

NOTE:

For a full transcript of this meeting and the related Board Book and staff recommendations, please see the TDHCA website at: www.TDHCA.state.tx.us under board materials

COMMUNITY AFFAIRS DIVISION
SECTION 8 PROGRAM

BOARD ACTION REQUEST
September 13, 2007

Action Item

Approval of Section 8 Streamlined 2008 Annual Public Housing Agency (PHA) Plan.

Required Action

Staff recommends approval of the proposed Streamlined 2008 PHA Plan for the Texas Department of Housing and Community Affairs (Department) Section 8 Program written in compliance with 42 U.S.C.1437(c-1)(a) and (b).

Background

Section 511 of the Quality Housing and Work Responsibility Act (QHWRA), (Public Law No. 105-276), signed into law on October 21, 1998, made several changes to the requirements for entities which administer the Section 8 Housing Choice Voucher Program (HCVP). 42 U.S.C. 1437(c-1)(b) requires public housing agencies such as the Department to submit an Annual Plan.

On June 24, 2003 (FR-4753-F-02), HUD published in the *Federal Register* (Vol. 68, No. 121, Page 37664) a final rule "Deregulation for Small Housing Agencies," that simplifies and streamlines HUD's regulatory requirements for small PHAs that administer the public housing and voucher assistance programs under the United States Housing Act of 1937.

PHAs administering only vouchers (no public housing) are eligible to submit the new streamlined Annual PHA Plan. This year's plan covers the fourth year of the five year plan currently in effect. The streamlined annual plan is limited to reporting only a few select components, and a certification listing any components (programs and policies) changed since submission of the last Annual Plan.

The primary policy changes included in this Plan are as follows:

(1)Addition of a Disaster Preference for Section 8 Housing Choice Voucher Program, described on page 12 of the plan, and approved by the Board on July 12, 2007. This disaster preference will allow the Department to provide Housing Choice Vouchers promptly to individuals and families in communities impacted by a disaster where the Department currently has oversight of the Section 8 program.

(2) The Department operates a Section 8 initiative called Project Access, which assists disabled persons that are institutionalized to move out of institutions and into independent living. The Department intends to continue its Project Access initiative, described on page 13 of the plan, and due to the current utilization rate of the Project Access vouchers, will expand the program from 35 to 50 vouchers for FY 2008.

Recommendation

Approve 2008 Streamlined Annual PHA Plan as presented by staff.

PHA Plans

Streamlined Annual Version

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB No. 2577-0226
(exp. 08/31/2009)

This information collection is authorized by Section 511 of the Quality Housing and Work Responsibility Act, which added a new section 5A to the U.S. Housing Act of 1937 that introduced 5-year and annual PHA Plans. The full PHA plan provides a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, and informs HUD, families served by the PHA, and members of the public of the PHA's mission and strategies for serving the needs of low-income and very low-income families. This form allows eligible PHAs to make a streamlined annual Plan submission to HUD consistent with HUD's efforts to provide regulatory relief for certain types of PHAs. Public reporting burden for this information collection is estimated to average 11.7 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information and respondents are not required to complete this form, unless it displays a currently valid OMB Control Number.

Privacy Act Notice. The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in this form by virtue of Title 12, U.S. Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. Information in PHA plans is publicly available.

"Proposed"

Streamlined Annual PHA Plan for Fiscal Year: 2008 PHA Name: Texas Department of Housing and Community Affairs

NOTE: This PHA Plan template (HUD-50075-SA) is to be completed in accordance with instructions contained in previous Notices PIH 99-33 (HA), 99-51 (HA), 2000-22 (HA), 2000-36 (HA), 2000-43 (HA), 2001-4 (HA), 2001-26 (HA), 2003-7 (HA), and any related notices HUD may subsequently issue.

Streamlined Annual PHA Plan
Agency Identification

PHA Name: Texas Department of Housing and Community Affairs

PHA Number: TX901

PHA Fiscal Year Beginning: (01/2008)

PHA Programs Administered:

☐ **Public Housing and Section 8**
Number of public housing units:
Number of S8 units:

☒ **Section 8 Only**
Number of S8 units: **1540**

☐ **Public Housing Only**
Number of public housing units:

☐ **PHA Consortia: (check box if submitting a joint PHA Plan and complete table)**

Participating PHAs	PHA Code	Program(s) Included in the Consortium	Programs Not in the Consortium	# of Units Each Program
Participating PHA 1:				
Participating PHA 2:				
Participating PHA 3:				

PHA Plan Contact Information:

Name: **E. E. Fariss**
Phone: **(512) 475-3897**
TDD: **1-800-735-2989**
Email (if available): **efariss@tdhca.state.tx.us**

Public Access to Information

Information regarding any activities outlined in this plan can be obtained by contacting: (select all that apply)

☒ PHA's main administrative office ☐ PHA's development management offices

Display Locations For PHA Plans and Supporting Documents

The PHA Plan revised policies or program changes (including attachments) are available for public review and inspection. ☒ Yes ☐ No.

If yes, select all that apply:

☒ Main administrative office of the PHA
☐ PHA development management offices
☒ Main administrative office of the local, county or State government
☐ Public library ☒ PHA website ☐ Other (list below)

PHA Plan Supporting Documents are available for inspection at: (select all that apply)

☒ Main business office of the PHA ☐ PHA development management offices

☐ Other (list below)

Streamlined Annual PHA Plan
Fiscal Year 2008

[24 CFR Part 903.12(c)]

Table of Contents

[24 CFR 903.7(r)]

Provide a table of contents for the Plan, including applicable additional requirements, and a list of supporting documents available for public inspection.

A. PHA PLAN COMPONENTS

☐ 1. Site-Based Waiting List Policies

903.7(b)(2) Policies on Eligibility, Selection, and Admissions

☐ 2. Capital Improvement Needs

903.7(g) Statement of Capital Improvements Needed

☐ 3. Section 8(y) Homeownership

903.7(k)(1)(i) Statement of Homeownership Programs

☐ 4. Project-Based Voucher Programs

☐ 5. PHA Statement of Consistency with Consolidated Plan. Complete only if PHA has changed any policies, programs, or plan components from its last Annual Plan.

☐ 6. Supporting Documents Available for Review

☐ 7. Capital Fund Program and Capital Fund Program Replacement Housing Factor, Annual Statement/Performance and Evaluation Report

☐ 8. Capital Fund Program 5-Year Action Plan

B. SEPARATE HARD COPY SUBMISSIONS TO LOCAL HUD FIELD OFFICE

Form HUD-50076, *PHA Certifications of Compliance with the PHA Plans and Related Regulations*: *Board Resolution to Accompany the Streamlined Annual Plan* identifying policies or programs the PHA has revised since submission of its last Annual Plan, and including Civil Rights certifications and assurances the changed policies were presented to the Resident Advisory Board for review and comment, approved by the PHA governing board, and made available for review and inspection at the PHA's principal office;

For PHAs Applying for Formula Capital Fund Program (CFP) Grants:

Form HUD-50070, *Certification for a Drug-Free Workplace;*

Form HUD-50071, *Certification of Payments to Influence Federal Transactions*; and

Form SF-LLL &SF-LLLa, *Disclosure of Lobbying Activities*.

1. Site-Based Waiting Lists (Eligibility, Selection, Admissions Policies)

[24 CFR Part 903.12(c), 903.7(b)(2)]

Exemptions: Section 8 only PHAs are not required to complete this component.

***N/A to AGENCY**

A. Site-Based Waiting Lists-Previous Year

1. Has the PHA operated one or more site-based waiting lists in the previous year? If yes, complete the following table; if not skip to B.

Site-Based Waiting Lists				
Development Information: (Name, number, location)	**Date Initiated**	**Initial mix of Racial, Ethnic or Disability Demographics**	**Current mix of Racial, Ethnic or Disability Demographics since Initiation of SBWL**	**Percent change between initial and current mix of Racial, Ethnic, or Disability demographics**

2. What is the number of site based waiting list developments to which families may apply at one time?

3. How many unit offers may an applicant turn down before being removed from the site-based waiting list?

4. ☐ Yes ☐ No: Is the PHA the subject of any pending fair housing complaint by HUD or any court order or settlement agreement? If yes, describe the order, agreement or complaint and describe how use of a site-based waiting list will not violate or be inconsistent with the order, agreement or complaint below:

B. Site-Based Waiting Lists – Coming Year

If the PHA plans to operate one or more site-based waiting lists in the coming year, answer each of the following questions; if not, skip to next component.

1. How many site-based waiting lists will the PHA operate in the coming year?

2. ☐ Yes ☐ No: Are any or all of the PHA's site-based waiting lists new for the upcoming year (that is, they are not part of a previously-HUD-approved site based waiting list plan)?

If yes, how many lists?

3. ☐ Yes ☐ No: May families be on more than one list simultaneously
If yes, how many lists?

4. Where can interested persons obtain more information about and sign up to be on the site-based waiting lists (select all that apply)?
   - ☐ PHA main administrative office
   - ☐ All PHA development management offices
   - ☐ Management offices at developments with site-based waiting lists
   - ☐ At the development to which they would like to apply
   - ☐ Other (list below)

2. Capital Improvement Needs

[24 CFR Part 903.12 (c), 903.7 (g)] ***N/A to AGENCY**

Exemptions: Section 8 only PHAs are not required to complete this component.

A. Capital Fund Program

1. ☐ Yes ☒ No Does the PHA plan to participate in the Capital Fund Program in the upcoming year? If yes, complete items 7 and 8 of this template (Capital Fund Program tables). If no, skip to B.

2. ☐ Yes ☐ No: Does the PHA propose to use any portion of its CFP funds to repay debt incurred to finance capital improvements? If so, the PHA must identify in its annual and 5-year capital plans the development(s) where such improvements will be made and show both how the proceeds of the financing will be used and the amount of the annual payments required to service the debt. (Note that separate HUD approval is required for such financing activities.).

B. HOPE VI and Public Housing Development and Replacement Activities (Non-Capital Fund)

Applicability: All PHAs administering public housing. Identify any approved HOPE VI and/or public housing development or replacement activities not described in the Capital Fund Program Annual Statement.

1. ☐ Yes ☐ No: Has the PHA received a HOPE VI revitalization grant? (if no, skip to #3; if yes, provide responses to the items on the chart located on the next page, copying and completing as many times as necessary).

2. Status of HOPE VI revitalization grant(s):

HOPE VI Revitalization Grant Status
a. Development Name: b. Development Number:
c. Status of Grant: ☐ Revitalization Plan under development ☐ Revitalization Plan submitted, pending approval ☐ Revitalization Plan approved ☐ Activities pursuant to an approved Revitalization Plan underway

3. ☐ Yes ☐ No: Does the PHA expect to apply for a HOPE VI Revitalization grant in the Plan year?
If yes, list development name(s) below:

4. ☐ Yes ☐ No: Will the PHA be engaging in any mixed-finance development activities for public housing in the Plan year? If yes, list developments or activities below:

5. ☐ Yes ☐ No: Will the PHA be conducting any other public housing development or replacement activities not discussed in the Capital Fund Program Annual Statement? If yes, list developments or activities below:

3. Section 8 Tenant Based Assistance--Section 8(y) Homeownership Program

(if applicable) [24 CFR Part 903.12(c), 903.7(k)(1)(i)]

1. ☒ Yes ☐ No: Does the PHA plan to administer a Section 8 Homeownership program pursuant to Section 8(y) of the U.S.H.A. of 1937, as implemented by 24 CFR part 982 ? (If "No", skip to the next component; if "yes", complete each program description below (copy and complete questions for each program identified.)

The Department may collaborate with one or more PHAs that have a successful voucher homeownership program.

2. Program Description:

The Department may implement a Section 8 Homeownership program.

a. Size of Program
☒ Yes ☐ No: Will the PHA limit the number of families participating in the Section 8 homeownership option?

If the answer to the question above was yes, what is the maximum number of participants this fiscal year? **25 or fewer participants**

b. PHA-established eligibility criteria

☐ Yes ☒ No: Will the PHA's program have eligibility criteria for participation in its Section 8 Homeownership Option program in addition to HUD criteria? If yes, list criteria:

c. What actions will the PHA undertake to implement the program this year (list)?

3. Capacity of the PHA to Administer a Section 8 Homeownership Program:

The PHA has demonstrated its capacity to administer the program by (select all that apply):

☐ Establishing a minimum homeowner downpayment requirement of at least 3 percent of purchase price and requiring that at least 1 percent of the purchase price comes from the family's resources.

☐ Requiring that financing for purchase of a home under its Section 8 homeownership will be provided, insured or guaranteed by the state or Federal government; comply with secondary mortgage market underwriting requirements; or comply with generally accepted private sector underwriting standards.

☐ Partnering with a qualified agency or agencies to administer the program (list name(s) and years of experience below):

☐ Demonstrating that it has other relevant experience (list experience below):

The Department may collaborate with one or more PHAs that have a successful voucher homeownership program.

4. Use of the Project-Based Voucher Program

Intent to Use Project-Based Assistance *N/A to AGENCY

☐ Yes ☒ No: Does the PHA plan to "project-base" any tenant-based Section 8 vouchers in the coming year? If the answer is "no," go to the next component. If yes, answer the following questions.

1. ☐ Yes ☐ No: Are there circumstances indicating that the project basing of the units, rather than tenant-basing of the same amount of assistance is an appropriate option? If yes, check which circumstances apply:

   ☐ low utilization rate for vouchers due to lack of suitable rental units
   ☐ access to neighborhoods outside of high poverty areas
   ☐ other (describe below:)

2. Indicate the number of units and general location of units (e.g. eligible census tracts or smaller areas within eligible census tracts):

5. PHA Statement of Consistency with the Consolidated Plan

[24 CFR Part 903.15]

For each applicable Consolidated Plan, make the following statement (copy questions as many times as necessary) only if the PHA has provided a certification listing program or policy changes from its last Annual Plan submission.

1. Consolidated Plan jurisdiction: (provide name here)

2. The PHA has taken the following steps to ensure consistency of this PHA Plan with the Consolidated Plan for the jurisdiction: (select all that apply)

- ☐ The PHA has based its statement of needs of families on its waiting lists on the needs expressed in the Consolidated Plan/s.
- ☐ The PHA has participated in any consultation process organized and offered by the Consolidated Plan agency in the development of the Consolidated Plan.
- ☐ The PHA has consulted with the Consolidated Plan agency during the development of this PHA Plan.
- ☐ Activities to be undertaken by the PHA in the coming year are consistent with the initiatives contained in the Consolidated Plan. (list below)
- ☐ Other: (list below)

3. The Consolidated Plan of the jurisdiction supports the PHA Plan with the following actions and commitments: (describe below)

6. Supporting Documents Available for Review for Streamlined Annual PHA Plans

PHAs are to indicate which documents are available for public review by placing a mark in the "Applicable & On Display" column in the appropriate rows. All listed documents must be on display if applicable to the program activities conducted by the PHA.

List of Supporting Documents Available for Review		
Applicable & On Display	**Supporting Document**	**Related Plan Component**
X	*PHA Certifications of Compliance with the PHA Plans and Related Regulations and Board Resolution to Accompany the Standard Annual, Standard Five-Year, and Streamlined Five-Year/Annual Plans*;	5 Year and Annual Plans
X	*PHA Certifications of Compliance with the PHA Plans and Related Regulations and Board Resolution to Accompany the Streamlined Annual Plan*	Streamlined Annual Plans
X	*Certification by State or Local Official of PHA Plan Consistency with Consolidated Plan.*	5 Year and standard Annual Plans
X	Fair Housing Documentation Supporting Fair Housing Certifications: Records reflecting that the PHA has examined its programs or proposed programs, identified any impediments to fair housing choice in those programs, addressed or is addressing those impediments in a reasonable fashion in view of the resources available, and worked or is working with local jurisdictions to implement any of the jurisdictions' initiatives to affirmatively further fair housing that require the PHA's involvement.	5 Year and Annual Plans
N/A	Housing Needs Statement of the Consolidated Plan for the jurisdiction(s) in which the PHA is located and any additional backup data to support statement of housing needs for families on the PHA's public housing and Section 8 tenant-based waiting lists.	Annual Plan: Housing Needs
N/A	Most recent board-approved operating budget for the public housing program	Annual Plan: Financial Resources
N/A	Public Housing Admissions and (Continued) Occupancy Policy (A&O/ACOP), which includes the Tenant Selection and Assignment Plan [TSAP] and the Site-Based Waiting List Procedure.	Annual Plan: Eligibility, Selection, and Admissions Policies
N/A	Deconcentration Income Analysis	Annual Plan: Eligibility, Selection, and Admissions Policies
N/A	Any policy governing occupancy of Police Officers and Over-Income Tenants in Public Housing. ☐ Check here if included in the public housing A&O Policy.	Annual Plan: Eligibility, Selection, and Admissions Policies
X	Section 8 Administrative Plan	Annual Plan: Eligibility, Selection, and Admissions Policies
N/A	Public housing rent determination policies, including the method for setting public housing flat rents. ☐ Check here if included in the public housing A & O Policy.	Annual Plan: Rent Determination
N/A	Schedule of flat rents offered at each public housing development. ☐ Check here if included in the public housing A & O Policy.	Annual Plan: Rent Determination
X	Section 8 rent determination (payment standard) policies (if included in plan, not necessary as a supporting document) and written analysis of Section 8 payment standard policies. ☐ Check here if included in Section 8 Administrative Plan.	Annual Plan: Rent Determination
N/A	Public housing management and maintenance policy documents, including policies for the prevention or eradication of pest infestation (including cockroach infestation).	Annual Plan: Operations and Maintenance
N/A	Results of latest Public Housing Assessment System (PHAS) Assessment (or other applicable assessment).	Annual Plan: Management and Operations
N/A	Follow-up Plan to Results of the PHAS Resident Satisfaction Survey (if necessary)	Annual Plan: Operations and Maintenance and Community Service & Self-

List of Supporting Documents Available for Review		
Applicable & On Display	**Supporting Document**	**Related Plan Component**
		Sufficiency
X	Results of latest Section 8 Management Assessment System (SEMAP)	Annual Plan: Management and Operations
X	Any policies governing any Section 8 special housing types ☐ Check here if included in Section 8 Administrative Plan **The Department may apply for special-purpose vouchers targeted to families with disabilities, should they become available. The Department will affirmatively market to local non-profit agencies that assist families with disabilities.**	Annual Plan: Operations and Maintenance
N/A	Public housing grievance procedures ☐ Check here if included in the public housing A & O Policy	Annual Plan: Grievance Procedures
X	Section 8 informal review and hearing procedures. ☒ Check here if included in Section 8 Administrative Plan.	Annual Plan: Grievance Procedures
N/A	The Capital Fund/Comprehensive Grant Program Annual Statement /Performance and Evaluation Report for any active grant year.	Annual Plan: Capital Needs
N/A	Most recent CIAP Budget/Progress Report (HUD 52825) for any active CIAP grants.	Annual Plan: Capital Needs
N/A	Approved HOPE VI applications or, if more recent, approved or submitted HOPE VI Revitalization Plans, or any other approved proposal for development of public housing.	Annual Plan: Capital Needs
N/A	Self-evaluation, Needs Assessment and Transition Plan required by regulations implementing Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. See PIH Notice 99-52 (HA).	Annual Plan: Capital Needs
N/A	Approved or submitted applications for demolition and/or disposition of public housing.	Annual Plan: Demolition and Disposition
N/A	Approved or submitted applications for designation of public housing (Designated Housing Plans).	Annual Plan: Designation of Public Housing
N/A	Approved or submitted assessments of reasonable revitalization of public housing and approved or submitted conversion plans prepared pursuant to section 202 of the 1996 HUD Appropriations Act, Section 22 of the US Housing Act of 1937, or Section 33 of the US Housing Act of 1937.	Annual Plan: Conversion of Public Housing
N/A	Documentation for required Initial Assessment and any additional information required by HUD for Voluntary Conversion.	Annual Plan: Voluntary Conversion of Public Housing
N/A	Approved or submitted public housing homeownership programs/plans.	Annual Plan: Homeownership
N/A	Policies governing any Section 8 Homeownership program (Section ______of the Section 8 Administrative Plan)	Annual Plan: Homeownership
N/A	Public Housing Community Service Policy/Programs ☐ Check here if included in Public Housing A & O Policy	Annual Plan: Community Service & Self-Sufficiency
N/A	Cooperative agreement between the PHA and the TANF agency and between the PHA and local employment and training service agencies.	Annual Plan: Community Service & Self-Sufficiency
N/A	FSS Action Plan(s) for public housing and/or Section 8. **The Department has an exemption until October 2009.**	Annual Plan: Community Service & Self-Sufficiency
N/A	Section 3 documentation required by 24 CFR Part 135, Subpart E for public housing.	Annual Plan: Community Service & Self-Sufficiency
N/A	Most recent self-sufficiency (ED/SS, TOP or ROSS or other resident services grant) grant program reports for public housing.	Annual Plan: Community Service & Self-Sufficiency
N/A	Policy on Ownership of Pets in Public Housing Family Developments (as required by regulation at 24 CFR Part 960, Subpart G). ☐ Check here if included in the public housing A & O Policy.	Annual Plan: Pet Policy
X	The results of the most recent fiscal year audit of the PHA conducted under the Single Audit Act as implemented by OMB Circular A-133, the results of that audit and the PHA's response to any findings.	Annual Plan: Annual Audit
N/A	Other supporting documents (optional) (list individually; use as many lines as necessary)	(specify as needed)

List of Supporting Documents Available for Review		
Applicable & On Display	**Supporting Document**	**Related Plan Component**
N/A	Consortium agreement(s) and for Consortium Joint PHA Plans Only: Certification that consortium agreement is in compliance with 24 CFR Part 943 pursuant to an opinion of counsel on file and available for inspection.	Joint Annual PHA Plan for Consortia: Agency Identification and Annual Management and Operations

Disaster Preference for Section 8 Housing Choice Voucher Program

On July 12, 2007 the Board of the Texas Department of Housing and Community Affairs approved for public comment an addition of a disaster preference to be included in the TDHCA Public Housing Agency Plan. The disaster preference will allow the Department to provide Housing Choice Vouchers promptly to individuals and families in communities impacted by a disaster which will include, but not be limited to, communities with a disaster declaration or documented extenuating circumstances such as imminent threat to health and safety. The preference will cover only the areas where the Department currently has oversight of the Section 8 program. To expedite the Section 8 funding, requests for the preference must be made within 90 days of the disaster. Unlike other programs utilizing federal funds, this program does not require the Department to exhaust other federal funding opportunities prior to implementation and therefore we encourage use of this assistance within 90 days to best assist local residents. The disaster preference may result in the disaster impacted person or family receiving assistance before someone currently on a waiting list.

Project Access

Several years ago, HUD made Section 8 vouchers available for addressing the needs of the Olmstead population to assist disabled persons that are institutionalized to move out of institutions and into independent living. The Texas Department of Housing and Community Affairs (the Department) applied for vouchers under this HUD pilot initiative known as Project Access. HUD awarded the Department 35 Section 8 Project Access vouchers and the Department implemented its Project Access pilot project.

After the HUD pilot ended, the Department maintained 35 of its regular Section 8 vouchers to continue the Project Access initiative in order to continue assisting this population to move into independent living.

The Department intends to continue its Project Access initiative and expand the program from 35 to 50 vouchers for FY 2008.

7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor

Annual Statement/Performance and Evaluation Report ***N/A to AGENCY**
Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF) Part I: Summary

PHA Name:	Grant Type and Number Capital Fund Program Grant No: Replacement Housing Factor Grant No:	Federal FY of Grant:

☐Original Annual Statement ☐Reserve for Disasters/ Emergencies ☐Revised Annual Statement (revision no:)
☐Performance and Evaluation Report for Period Ending: ☐Final Performance and Evaluation Report

Line No.	Summary by Development Account	Total Estimated Cost		Total Actual Cost	
		Original	Revised	Obligated	Expended
1	Total non-CFP Funds				
2	1406 Operations				
3	1408 Management Improvements				
4	1410 Administration				
5	1411 Audit				
6	1415 Liquidated Damages				
7	1430 Fees and Costs				
8	1440 Site Acquisition				
9	1450 Site Improvement				
10	1460 Dwelling Structures				
11	1465.1 Dwelling Equipment—Nonexpendable				
12	1470 Nondwelling Structures				
13	1475 Nondwelling Equipment				
14	1485 Demolition				
15	1490 Replacement Reserve				
16	1492 Moving to Work Demonstration				
17	1495.1 Relocation Costs				
18	1499 Development Activities				
19	1501 Collaterization or Debt Service				
20	1502 Contingency				
21	Amount of Annual Grant: (sum of lines 2 – 20)				
22	Amount of line 21 Related to LBP Activities				
23	Amount of line 21 Related to Section 504 compliance				
24	Amount of line 21 Related to Security – Soft Costs				

7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor

Annual Statement/Performance and Evaluation Report ***N/A to AGENCY**
Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF) Part I: Summary

PHA Name:	**Grant Type and Number** Capital Fund Program Grant No: Replacement Housing Factor Grant No:	**Federal FY of Grant:**

☐**Original Annual Statement** ☐**Reserve for Disasters/ Emergencies** ☐**Revised Annual Statement (revision no:)**
☐**Performance and Evaluation Report for Period Ending:** ☐**Final Performance and Evaluation Report**

Line No.	**Summary by Development Account**	**Total Estimated Cost**		**Total Actual Cost**	
		Original	**Revised**	**Obligated**	**Expended**
25	Amount of Line 21 Related to Security – Hard Costs				
26	Amount of line 21 Related to Energy Conservation Measures				

Annual Statement/Performance and Evaluation Report
Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF)
Part II: Supporting Pages

PHA Name:	**Grant Type and Number** Capital Fund Program Grant No: Replacement Housing Factor Grant No:	**Federal FY of Grant:**

Development Number Name/HA-Wide Activities	General Description of Major Work Categories	Dev. Acct No.	Quantity	Total Estimated Cost		Total Actual Cost		Status of Work
				Original	Revised	Funds Obligated	Funds Expended	

7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor

Annual Statement/Performance and Evaluation Report
Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF)
Part II: Supporting Pages

PHA Name:		**Grant Type and Number** Capital Fund Program Grant No: Replacement Housing Factor Grant No:				**Federal FY of Grant:**		
Development Number Name/HA-Wide Activities	General Description of Major Work Categories	Dev. Acct No.	Quantity	Total Estimated Cost		Total Actual Cost		Status of Work
				Original	Revised	Funds Obligated	Funds Expended	

Annual Statement/Performance and Evaluation Report
Capital Fund Program and Capital Fund Program Replacement Housing Factor (CFP/CFPRHF)
Part III: Implementation Schedule

7. Capital Fund Program Annual Statement/Performance and Evaluation Report and Replacement Housing Factor

PHA Name:	**Grant Type and Number** Capital Fund Program No: Replacement Housing Factor No:	**Federal FY of Grant:**

Development Number Name/HA-Wide Activities	All Fund Obligated (Quarter Ending Date)			All Funds Expended (Quarter Ending Date)			Reasons for Revised Target Dates
	Original	Revised	Actual	Original	Revised	Actual	

8. Capital Fund Program Five-Year Action Plan

***N/A to AGENCY**

Capital Fund Program Five-Year Action Plan **Part I: Summary**					
PHA Name				☐ **Original 5-Year Plan** ☐ **Revision No:**	
Development Number/Name/ HA-Wide	Year 1	Work Statement for Year 2 FFY Grant: PHA FY:	Work Statement for Year 3 FFY Grant: PHA FY:	Work Statement for Year 4 FFY Grant: PHA FY:	Work Statement for Year 5 FFY Grant: PHA FY:
	Annual Statement				
CFP Funds Listed for 5-year planning					
Replacement Housing Factor Funds					

8. Capital Fund Program Five-Year Action Plan

Capital Fund Program Five-Year Action Plan **Part II: Supporting Pages—Work Activities**						
Activities for Year 1	Activities for Year :____ FFY Grant: PHA FY:			Activities for Year: ___ FFY Grant: PHA FY:		
	Development Name/Number	**Major Work Categories**	**Estimated Cost**	**Development Name/Number**	**Major Work Categories**	**Estimated Cost**
See						
Annual						
Statement						
Total CFP Estimated Cost			$			$

8. Capital Fund Program Five-Year Action Plan

Capital Fund Program Five-Year Action Plan Part II: Supporting Pages—Work Activities					
Activities for Year :____ FFY Grant: PHA FY:			Activities for Year: ___ FFY Grant: PHA FY:		
Development Name/Number	**Major Work Categories**	**Estimated Cost**	**Development Name/Number**	**Major Work Categories**	**Estimated Cost**
Total CFP Estimated Cost		$			$

MULTIFAMILY FINANCE DIVISION
BOARD ACTION REQUEST
SEPTEMBER 13, 2007

Action Item

Presentation, Discussion and Possible Action on a Memorandum of Understanding (MOU) between the Texas Bond Review Board and the Texas Department of Housing and Community Affairs ("the Department") for the Issuance of 501(c)(3) bonds.

Requested Action

Approve, Amend or Deny the staff recommendation for the Memorandum of Understanding Between the Texas Bond Review Board and the Department which pertains to the Department's 501(c)(3) Multifamily Mortgage Revenue Bond Program.

Background

Section 2306.358 of the Texas Government Code, which defines the parameters of the Department's 501(c)(3) Multifamily Mortgage Revenue Bond program, requires the Department and the Texas Bond Review Board to maintain a Memorandum of Understanding which specifies the maximum amount of 501(c)(3) bonds the Department may issue each year.

Subsequent to the Board's approval of this MOU at the June 14, 2007 Board meeting the Bond Review Board staff suggested a few changes that essentially reiterate what is currently in statute and another change that requires both Board's to review the MOU annually.

Staff Recommendation

Authorize the Executive Director to execute a final version of the attached blacklined Memorandum of Understanding.

MEMORANDUM OF UNDERSTANDING
BETWEEN
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
AND
TEXAS BOND REVIEW BOARD

This Memorandum of Understanding, ("Memorandum,") is made and entered into between the Texas Department of Housing and Community Affairs ("TDHCA"), an agency of the State of Texas, and the Texas Bond Review Board ("TBRB"), an agency of the State of Texas, to be effective August 1, 2007.

SECTION I.
Purpose

The purpose of this Memorandum is to specify the maximum amount of qualified 501(c)(3) bonds that may be issued by TDHCA in each fiscal year, to define the terms "rural area" and "metropolitan area," and to otherwise comply in all respects with the requirements of the Texas Government Code, Chapter 2306.358 (the "Code").

This Memorandum does not constitute a commitment by the TBRB to approve qualified 501(c)(3) bond applications that are submitted by TDHCA to the TBRB and only serves to specify the maximum amount of qualified 501(c)(3) bonds that may be issued by TDHCA in each fiscal year and to define the terms "rural area" and "metropolitan area".

SECTION II.
Period of Performance, Termination, and Amendments

The provisions of this Memorandum shall become effective as of August 1, 2007 and shall remain in effect until otherwise terminated by either party in writing with a 30-day written notice of such termination**.** The terms of this Memorandum shall continue in effect, regardless of the termination of this memorandum by either party, for any bond issue that received a formal inducement by TDHCA Board (the "Inducement Resolution") prior to the termination date of this memorandum.

The provisions of this Memorandum may be amended only by written agreement of both parties. In the event it is determined by the parties that this Memorandum is no longer necessary to fulfill the above purposes, the parties shall execute a written termination of this Memorandum in its entirety.

SECTION III.

Definitions

For the purposes of this Memorandum and TDHCA's 501(c)(3) Bond Program, a project is considered to be located in a rural area:

A) if the area on which the project is or is to be constructed is situated outside the boundaries of a Primary Metropolitan Statistical Area ("PMSA") or a Metropolitan Statistical Area ("MSA") described as such on the attached Exhibit A; or,

B) if the area on which the project is or is to be constructed is situated within the boundaries of a PMSA or MSA, but has a population of not more than 20,000 and does not share boundaries with an urbanized area. [An "urbanized" area comprises one or more central places and the adjacent densely settled surrounding territory ("urban fringe") that together have a minimum population of 50,000 persons. The urban fringe generally consists of contiguous territory having a density of at least 1,000 persons per square mile].

If a project is not considered to be located in a rural area as outlined above, then the project will be considered to be located in the applicable metropolitan area for the purposes of this Memorandum and TDHCA's 501(c)(3) Bond Program.

SECTION IV.
Maximum Issuance Authority

During <u>fiscal year 2008 </u>the term of this Memorandum, the maximum aggregate amount of qualified 501(c)(3) bonds to be issued by TDHCA ~~during any particular fiscal year~~ is two hundred and fifty million dollars ($250,000,000)~~ per annum~~. Based on the allocations outlined in the Act, a minimum of fifteen percent (15%) or $37,500,000~~ per annum~~ is reserved for projects in rural areas, as defined in Section III. Additionally, no more than twenty five percent (25%) or $62,500,000~~ per annum~~ may be issued in any one metropolitan area as described on Exhibit A.<u> These figures shall be reviewed annually by both parties in accordance with Texas Government Code §2306.358(b) to determine the maximum amount of bonds to be issued in the upcoming fiscal year. Such determination shall be evidenced by an amendment to this agreement executed by both parties.</u>

For the purposes of allocating a bond issue to a fiscal year for determining limitations and satisfying specific reservations, the date of the formal inducement for each bond issue by TDHCA's Board (the "Inducement Resolution") shall determine the fiscal year that the bond issue will be allocated.

SECTION V.

Reporting Requirements

TDHCA shall submit to the TBRB, on or before the fifteenth day of the month following the end of each calendar quarter, a report of application and issuance activities during the previous calendar quarter.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

____
Michael G. Gerber, Executive Director
Date: _________________________

TEXAS BOND REVIEW BOARD

____
Robert C. Kline, Executive Director
Date: __________________________

FY 2007 LIST OF COUNTIES (AND NEW ENGLAND TOWNS) IDENTIFIED BY STATE AND METROPOLITAN AREA

TEXAS

METROPOLITAN AREA	Counties of FMR AREA within STATE
Abilene, TX MSA - 10180	
CBSA: Abilene, TX MSA - METRO10180M10180	059-Callahan, 253-Jones, 441-Taylor
Amarillo, TX MSA - 11100	
CBSA: Amarillo, TX MSA - METRO11100M11100	011-Armstrong, 065-Carson, 375-Potter, 381-Randall
Austin-Round Rock, TX MSA - 12420	
CBSA: Austin-Round Rock, TX MSA - METRO12420M12420	021-Bastrop, 055-Caldwell, 209-Hays, 453-Travis, 491-Williamson
Beaumont-Port Arthur, TX MSA - 13140	
CBSA: Beaumont-Port Arthur, TX MSA - METRO13140M13140	199-Hardin, 245-Jefferson, 361-Orange
Brownsville-Harlingen, TX MSA - 15180	
CBSA: Brownsville-Harlingen, TX MSA - METRO15180M15180	061-Cameron
College Station-Bryan, TX MSA - 17780	
CBSA: College Station-Bryan, TX MSA - METRO17780M17780	041-Brazos, 051-Burleson, 395-Robertson
Corpus Christi, TX MSA - 18580	
SA: Aransas County, TX HMFA - METRO18580N48007	007-Aransas
CBSA: Corpus Christi, TX HMFA - METRO18580M18580	355-Nueces, 409-San Patricio
Dallas-Fort Worth-Arlington, TX MSA - 19100	
CBSA: Dallas, TX HMFA - METRO19100M19100	085-Collin, 113-Dallas, 119-Delta, 121-Denton, 139-Ellis, 231-Hunt, 257-Kaufman, 397-Rockwall
SA: Fort Worth-Arlington, TX HMFA - METRO19100MM2800	251-Johnson, 367-Parker, 439-Tarrant
SA: Wise County, TX HMFA - METRO19100N48497	497-Wise
El Paso, TX MSA - 21340	
CBSA: El Paso, TX MSA - METRO21340M21340	141-El Paso
Houston-Sugar Land-Baytown, TX MSA - 26420	
SA: Austin County, TX HMFA - METRO26420N48015	015-Austin
SA: Brazoria County, TX HMFA - METRO26420MM1145	039-Brazoria
CBSA: Houston-Baytown-Sugar Land, TX HMFA - METRO26420M26420	071-Chambers, 157-Fort Bend, 167-Galveston, 201-Harris, 291-Liberty, 339-Montgomery, 407-San Jacinto, 473-Waller
Killeen-Temple-Fort Hood, TX MSA - 28660	
CBSA: Killeen-Temple-Fort Hood, TX HMFA - METRO28660M28660	027-Bell, 099-Coryell
SA: Lampasas County, TX HMFA - METRO28660N48281	281-Lampasas
Laredo, TX MSA - 29700	
CBSA: Laredo, TX MSA - METRO29700M29700	479-Webb
Longview, TX MSA - 30980	
CBSA: Longview, TX HMFA - METRO30980M30980	183-Gregg, 459-Upshur
SA: Rusk County, TX HMFA - METRO30980N48401	401-Rusk
Lubbock, TX MSA - 31180	
CBSA: Lubbock, TX MSA - METRO31180M31180	107-Crosby, 303-Lubbock
McAllen-Edinburg-Mission, TX MSA - 32580	
CBSA: McAllen-Edinburg-Mission, TX MSA - METRO32580M32580	215-Hidalgo
Midland, TX MSA - 33260	
CBSA: Midland, TX MSA - METRO33260M33260	329-Midland
Odessa, TX MSA - 36220	
CBSA: Odessa, TX MSA - METRO36220M36220	135-Ector
San Angelo, TX MSA - 41660	
CBSA: San Angelo, TX MSA - METRO41660M41660	235-Irion, 451-Tom Green
San Antonio, TX MSA - 41700	
SA: Atascosa County, TX HMFA - METRO41700N48013	013-Atascosa
SA: Kendall County, TX HMFA - METRO41700N48259	259-Kendall
SA: Medina County, TX HMFA - METRO41700N48325	325-Medina
CBSA: San Antonio, TX HMFA - METRO41700M41700	019-Bandera, 029-Bexar, 091-Comal, 187-Guadalupe, 493-Wilson
Sherman-Denison, TX MSA - 43300	
CBSA: Sherman-Denison, TX MSA - METRO43300M43300	181-Grayson

TEXAS continued

METROPOLITAN AREA	Counties of FMR AREA within STATE
Texarkana, TX-Texarkana, AR MSA - 45500	
CBSA: Texarkana, TX-Texarkana, AR MSA - METRO45500M45500	037-Bowie
Tyler, TX MSA - 46340	
CBSA: Tyler, TX MSA - METRO46340M46340	423-Smith
Victoria, TX MSA - 47020	
SA: Calhoun County, TX HMFA - METRO47020N48057	057-Calhoun
CBSA: Victoria, TX HMFA - METRO47020M47020	175-Goliad, 469-Victoria
Waco, TX MSA - 47380	
CBSA: Waco, TX MSA - METRO47380M47380	309-McLennan
Wichita Falls, TX MSA - 48660	
CBSA: Wichita Falls, TX MSA - METRO48660M48660	009-Archer, 077-Clay, 485-Wichita

NONMETROPOLITAN COUNTIES

001-Anderson	003-Andrews	005-Angelina	017-Bailey	023-Baylor
025-Bee	031-Blanco	033-Borden	035-Bosque	043-Brewster
045-Briscoe	047-Brooks	049-Brown	053-Burnet	063-Camp
067-Cass	069-Castro	073-Cherokee	075-Childress	079-Cochran
081-Coke	083-Coleman	087-Collingsworth	089-Colorado	093-Comanche
095-Concho	097-Cooke	101-Cottle	103-Crane	105-Crockett
109-Culberson	111-Dallam	115-Dawson	123-DeWitt	117-Deaf Smith
125-Dickens	127-Dimmit	129-Donley	131-Duval	133-Eastland
137-Edwards	143-Erath	145-Falls	147-Fannin	149-Fayette
151-Fisher	153-Floyd	155-Foard	159-Franklin	161-Freestone
163-Frio	165-Gaines	169-Garza	171-Gillespie	173-Glasscock
177-Gonzales	179-Gray	185-Grimes	189-Hale	191-Hall
193-Hamilton	195-Hansford	197-Hardeman	203-Harrison	205-Hartley
207-Haskell	211-Hemphill	213-Henderson	217-Hill	219-Hockley
221-Hood	223-Hopkins	225-Houston	227-Howard	229-Hudspeth
233-Hutchinson	237-Jack	239-Jackson	241-Jasper	243-Jeff Davis
247-Jim Hogg	249-Jim Wells	255-Karnes	261-Kenedy	263-Kent
265-Kerr	267-Kimble	269-King	271-Kinney	273-Kleberg
275-Knox	283-La Salle	277-Lamar	279-Lamb	285-Lavaca
287-Lee	289-Leon	293-Limestone	295-Lipscomb	297-Live Oak
299-Llano	301-Loving	305-Lynn	313-Madison	315-Marion
317-Martin	319-Mason	321-Matagorda	323-Maverick	307-McCulloch
311-McMullen	327-Menard	331-Milam	333-Mills	335-Mitchell
337-Montague	341-Moore	343-Morris	345-Motley	347-Nacogdoches
349-Navarro	351-Newton	353-Nolan	357-Ochiltree	359-Oldham
363-Palo Pinto	365-Panola	369-Parmer	371-Pecos	373-Polk
377-Presidio	379-Rains	383-Reagan	385-Real	387-Red River
389-Reeves	391-Refugio	393-Roberts	399-Runnels	403-Sabine
405-San Augustine	411-San Saba	413-Schleicher	415-Scurry	417-Shackelford
419-Shelby	421-Sherman	425-Somervell	427-Starr	429-Stephens
431-Sterling	433-Stonewall	435-Sutton	437-Swisher	443-Terrell
445-Terry	447-Throckmorton	449-Titus	455-Trinity	457-Tyler
461-Upton	463-Uvalde	465-Val Verde	467-Van Zandt	471-Walker
475-Ward	477-Washington	481-Wharton	483-Wheeler	487-Wilbarger
489-Willacy	495-Winkler	499-Wood	501-Yoakum	503-Young
505-Zapata	507-Zavala			

HOME DIVISION

BOARD ACTION REQUEST
September 13, 2007

Action Item

Presentation, Discussion and Possible Approval of 2007 Single Family HOME Investment Partnerships Program (HOME) award recommendations in the amount of $3,994,269 for housing programs for persons with disabilities.

Required Action

Approve, Deny or Approve with Amendments the 2007 HOME Program award recommendations for housing programs for persons with disabilities.

Background and Recommendations

Summary

In accordance with the Department's 2007 Consolidated Plan, One Year Action Plan, feedback from round tables held with the disability advisory committee, and approval by the TDHCA Board on February 1, 2007, two notices of funding availability (NOFAs) for housing programs targeted to persons with disabilities, in the amount of $4 million, were made available from HOME 2007 Program Year funds. As stated in the NOFAs and consistent with statute, $2,071,040 (approximately $1 million for each activity) is available to award in a Participating Jurisdiction (PJ). A total of 31 applications were received in response to the two NOFAs; 14 applications under the Homebuyer Assistance (HBA) Program and 17 applications under the Tenant Based Rental Assistance (TBRA) Program.

Below is a summary of the 2007 applications:

Total 2007 Persons with Disabilities HOME Applications

Activity	Total Project Funds Requested	Total Administrative Funds Requested	Number of Applications Received	Number of Disqualified Applications	Number of Active Applications
HBA	$ 2,051,000	$ 180,600	14	2	12
TBRA	$ 2,676,086	$ 157,291	17	1	16
Total	**$ 4,727,086**	**$ 337,891**	**31**	**3**	**28**

2007 Persons with Disabilities Recommendations

Activity	Total Project Funds Recomm.	Total Admin. Funds Recomm.	Total Funds Recomm. In a PJ	Number of Apps. Rec'd. and Recomm.
HBA	$ 1,665,000	$ 99,900	$ 750,000	12
TBRA	$ 2,103,178	$ 126,191	$ 1,321,040	16
Total	**$ 3,768,178**	**$ 226,091**	**$ 2,071,040**	**28**

Funding Recommendation Methodology
In accordance with Section 2306.111 of the Government Code in place at the time of the NOFA funding, the Department may allocate no less than ninety-five percent (95%) of the HOME Program funds to applicants that serve households in a non-participating jurisdiction (non-PJ). HOME Program funds up to the remaining five percent (5%) may be used to serve households in participating jurisdictions (PJs) only if the funds serve persons with disabilities.

Compliance with the statutorily required Regional Allocation Formula was maintained as a priority throughout the preparation of the funding recommendations. Applicants were allowed to apply for funding in both an Urban/Exurban and Rural area type per Uniform State Service Region since both area types can contain a PJ. Applicants had to identify the number of units proposed in a PJ. Recommendations were prepared for each NOFA separately, by first ranking applicants by score per Service Region, and then, by Urban/Exurban or Rural area type. In area types where an insufficient number of applicants were received for an activity type, recommendations are being made to fund applicants in the same region type with the most eligible applications. In regions where an insufficient number of applicants were received, recommendations are being made to fund applicants in other regions with the greatest demand from qualified applicants. The HBA targeted funds was under-subscribed by $335,000, and as a result this amount was transferred to the TBRA targeted funds and used to fund applicants in the manner described above subject to the amount allowed to be allocated to a PJ.

The total amount of project funds available to serve households in PJs for persons with disabilities is $2,071,040. A total of $750,000 was requested by and is being recommended to applicants in the HBA Set-Aside for use in a PJ. The remaining balance of $1,321,040 for PJs was also transferred to the TBRA Set-Aside, which is oversubscribed in both project funds and funds available for PJs. Staff recommendations for PJ funds are based, first, on compliance with the Regional Allocation Formula and then, on highest application score in the instances where more than one region had the same number of highest number of qualified applicants.

Additionally, there is a remaining balance of $231,822 in non-PJ project funds. All available PJ funds were used reaching the cap.

As part of the scoring process, applicants were reviewed for eligibility requirements. A minimum threshold score requirement for the HBA and TBRA activities was established in order to be considered eligible for a funding recommendation. These minimum scores for both activities are

70 points. Three applicants did not meet the minimum score requirement. They were disqualified and are not eligible for a funding recommendation.

Applications recommended for funding were submitted to the Portfolio Management and Compliance Division for review and approval and entry into the Application Evaluation System. No awardees were identified to have non-compliance problems at the time of the application deadline date. However, two applicants have potential non-compliance issues and staff recommends that their awards today, be conditioned on the resolution of these issues to the Department's satisfaction. These potential awardees are ARCIL, Inc. and Community Council of Southwest Texas, Inc.

Attached are the:

- 2007 HOME Housing Programs for Persons with Disabilities Funding Recommendations Summary
- 2007 HOME Funding Plan and RAF for Housing Programs for Persons with Disabilities
- 2007 HOME Housing Programs for Persons with Disabilities HBA Funding Recommendations by Region
- 2007 HOME Housing Programs for Persons with Disabilities TBRA Funding Recommendations by Region
- Uniform State Service Regions Map

Recommendation

Staff recommends approval of the 2007 HOME Single Family Persons with Disabilities recommendations and recommends approval of up to 6% administrative funds, as stated in the NOFA, for all applicants based on the amount of project dollars awarded. These administrative funds do not come from the HOME project dollars, but rather from the Department's HOME administrative funds. These awards are contingent upon any unresolved audit findings, questioned or disallowed costs, and performance issues on prior awards.

2007 HOME Housing Programs for Persons with Disabilities Funding Recommendations Summary

Application Number	Activity	Applicant	Region	Area Type	Project Funds Requested	Admin. Funds Requested	HBA Funds in PJ	Total Units	Units in PJ	Units in non-PJ	Score	Total Project Funds Recomm.	Admin. Funds Recomm.	HBA Funds in PJ Recomm.	Total Units	Units in PJ	Units in non-PJ
2007-0011	HBA	United Cerebral Palsy of Texas	3	Rural	$ 105,000	$ 6,300	$ 35,000	3	1	2	90.75	$ 105,000	$ 6,300	$ 35,000	3	1	2
2007-0013	HBA	Fort Worth Area Habitat for Humanity, Inc.	3	Rural	$ 15,000	$ 900	$ 15,000	1	1	0	83.00	$ 15,000	$ 900	$ 15,000	1	1	0
2007-0014	HBA	United Cerebral Palsy of Texas	3	U/EU	$ 275,000	$ 16,500	$ 275,000	8	8	0	96.00	$ 275,000	$ 16,500	$ 275,000	8	8	0
2007-0030	HBA	Life Rebuilders, Inc.	3	U/EU	$ 275,000	$ 16,500	$ 110,000	15	6	9	84.00	$ 275,000	$ 16,500	$ 110,000	15	6	9
2007-0012	HBA	United Cerebral Palsy of Texas	6	Rural	$ 105,000	$ 6,300	$ 105,000	3	3	0	93.33	$ 105,000	$ 6,300	$ 105,000	3	3	0
2007-0015	HBA	United Cerebral Palsy of Texas	6	U/EU	$ 140,000	$ 8,400	$ 140,000	4	4	0	94.33	$ 140,000	$ 8,400	$ 140,000	4	4	0
2007-0017	HBA	United Cerebral Palsy of Texas	7	Rural	$ 140,000	$ 8,400	$ -	4	0	4	94.29	$ 140,000	$ 8,400	$ -	4	0	4
2007-0018	HBA	United Cerebral Palsy of Texas	7	U/EU	$ 140,000	$ 8,400	$ -	4	0	4	94.29	$ 140,000	$ 8,400	$ -	4	0	4
2007-0019	HBA	United Cerebral Palsy of Texas	8	U/EU	$ 105,000	$ 6,300	$ 35,000	3	1	2	93.33	$ 105,000	$ 6,300	$ 35,000	3	1	2
2007-0003	HBA	Community Council of Southwest Texas, Inc.	11	Rural	$ 190,000	$ 11,400	$ -	10	0	10	82.75	$ 190,000	$ 11,400	$ -	10	0	10
2007-0010	HBA	El Paso Rehabilitation Center	13	Rural	$ 105,000	$ 6,300	$ -	3	0	3	86.00	$ 105,000	$ 6,300	$ -	3	0	3
2007-0020	HBA	El Paso Rehabilitation Center	13	U/EU	$ 70,000	$ 4,200	$ 35,000	2	1	1	76.00	$ 70,000	$ 4,200	$ 35,000	2	1	1
		12 Applications			$ 1,665,000	$ 99,900	$ 750,000					$ 1,665,000	$ 99,900	$ 750,000	60	25	35
2007-0007	TBRA	Lifetime Independence for Everyone, Inc.dba LIFE/R	1	U/EU	$ 192,000	$ 11,520	$ 192,000	20	20	0	90.00	$ 157,322	$ 9,439	$ 157,322	16	16	0
2007-0016	TBRA	Central Texas Mental Health and Mental Retardation	2	Rural	$ 275,000	$ 16,500	$ -	30	0	30	79.75	$ 275,000	$ 16,500	$ -	30	0	30
2007-0022	TBRA	ARCIL, Inc.	4	U/EU	$ 43,200	$ 2,592	$ 43,200	3	3	0	89.61	$ 43,200	$ 2,592	$ 43,200	3	3	0
2007-0002	TBRA	Spindletop MHMR Services	5	U/EU	$ 163,700	$ 6,548	$ 163,700	25	25	0	91.00	$ 163,700	$ 9,822	$ 163,700	25	25	0
2007-0001	TBRA	Burke Center	5	U/EU	$ 275,000	$ 16,500	$ -	32	0	32	79.75	$ 275,000	$ 16,500	$ -	32	0	32
2007-0024	TBRA	ARCIL, Inc.	5	U/EU	$ 43,200	$ 2,592	$ 43,200	3	3	0	79.33	$ 43,200	$ 2,592	$ 43,200	3	3	0
2007-0004	TBRA	Tri-County Mental Health Mental Retardation	6	U/EU	$ 275,000	$ 16,500	$ 275,000	18	18	0	79.67	$ 275,000	$ 16,500	$ 275,000	18	18	0
2007-0005	TBRA	Tri-County Mental Health Mental Retardation	6	Rural	$ 135,000	$ 8,100	$ 108,000	10	8	2	79.33	$ 135,000	$ 8,100	$ 108,000	10	8	2
2007-0029	TBRA	Coalition for Barrier Free Living/ Houston Center	6	Rural	$ 130,186	$ 7,811	$ 73,230	16	9	7	76.62	$ 56,956	$ 3,417	$ -	7	0	7
2007-0023	TBRA	ARCIL, Inc.	7	U/EU	$ 172,800	$ 10,368	$ 172,800	12	12	0	87.30	$ 172,800	$ 10,368	$ 172,800	12	12	0
2007-0006	TBRA	Foundation Communities, Inc.	7	U/EU	$ 275,000	$ 16,500	$ 275,000	19	19	0	79.00	$ -	$ -	$ -	0	0	0
2007-0021	TBRA	ARCIL, Inc.	8	U/EU	$ 72,000	$ 4,320	$ 72,000	5	5	0	89.00	$ 72,000	$ 4,320	$ 72,000	5	5	0
2007-0032	TBRA	Coastal Bend Center For Independent Living	10	U/EU	$ 181,818	$ 10,909	$ 181,818	40	40	0	79.00	$ 181,818	$ 10,909	$ 181,818	40	40	0
2007-0025	TBRA	Coastal Bend Center For Independent Living	10	Rural	$ 68,182	$ 4,091	$ -	15	0	15	76.71	$ 68,182	$ 4,091	$ -	15	0	15
2007-0027	TBRA	Valley Association of Independent Living	10	U/EU	$ 120,000	$ 7,200	$ 56,000	15	7	8	75.00	$ 64,000	$ 3,840	$ -	8	0	8
2007-0026	TBRA	Valley Association of Independent Living	11	U/EU	$ 120,000	$ 7,200	$ 104,000	15	13	2	74.50	$ 120,000	$ 7,200	$ 104,000	15	13	2
		16 Applications			$ 2,542,086	$ 149,251	$ 1,759,948					$ 2,103,178	$ 126,191	$ 1,321,040	239	143	96
Totals:		28 Applications			$ 4,207,086	$ 249,151	$ 2,509,948					$ 3,768,178	$ 226,091	$ 2,071,040	299	168	131

2007 HOME Funding Plan and RAF for Housing Programs for Persons with Disabilities

I. ALLOCATION:

Total HOME Allocation for PY 2007	$ 40,746,942
less Administration Funds (10% of PY 2007)	$ 4,074,694
less CHDO Project Funds Set Aside (15% of PY 2007)	$ 6,112,041
less CHDO Operating Expenses Set Aside (5% of CHDO Set Aside)	$ 305,602
less Housing Programs for Persons with Disabilities	$ 4,000,000
less Set Aside for Contract for Deed Conversion Program	$ 2,000,000
less Set Aside for Rental Housing Preservation Program	$ 2,000,000
less Set Aside for Rental Housing Development Program	$ 3,000,000
Remaining Project Funds **subject to Regional Allocation Formula**	**$ 19,254,604**
plus ADDI Allocation PY 2007	$ 673,861
Total Project Funds	**$ 19,928,465**
Funds available for PJ	**$ 2,071,040**

II. ACTIVITY PROJECTS (Project Funds Available):

Homebuyer Assistance (50% of PWD Set Aside)	**$2,000,000**	**$ 750,000**	**Funds recommended for PJ**
Owner -Occupied Housing Assistance (N/A for PWD Set Aside)	$0	$ -	
Tenant Based Rental Assistance (50% of PWD Set Aside)	**$2,335,000**	**$ 1,321,040**	**Funds recommended for PJ**
	$4,335,000	**$2,071,040**	

The HBA Set Aside was undersubscribed by $335,000 and this balance was moved to the TBRA Set Aside and the RAF was applied. The HBA Set-Aside does not reflect the shortage in order to preserve the regional allocations based on the original Set Aside of $2,000,000.

III. REGIONAL ALLOCATION FORMULA ANALYSIS:

					Tenant Based Rental Assistance (TBRA)			Homebuyer Assistance (HBA)							
Region	**% Overall Regional Funding Distribution**				**Total Funds Available for TBRA**	**Urban/ Exurban**	**Rural**	**Total Funds Available for HBA**	**Urban/ Exurban**	**Rural**	**Overall Regional Funding**	**Rural Funding Amount**	**Rural Funding %**	**Urban/ Exurban Funding Amount**	**Urban/ Exurban Funding %**
1	6.05%	$ -	$ -	$ -	$ 141,271	$ 25	$ 141,246	$ 121,003	$ 21	$ 120,981	$ 242,006	$241,963	100.0%	$43	0.0%
2	4.52%	$ -	$ -	$ -	$ 105,462	$ 2,466	$ 102,996	$ 90,332	$ 2,113	$ 88,219	$ 180,663	$176,438	97.7%	$4,225	2.3%
3	17.77%	$ -	$ -	$ -	$ 415,006	$ 300,634	$ 114,372	$ 355,466	$ 257,502	$ 97,964	$ 710,932	$195,927	27.6%	$515,004	72.4%
4	12.15%	$ -	$ -	$ -	$ 283,667	$ 33,713	$ 249,953	$ 242,969	$ 28,876	$ 214,093	$ 485,938	$428,186	88.1%	$57,753	11.9%
5	6.02%	$ -	$ -	$ -	$ 140,669	$ 21,292	$ 119,377	$ 120,487	$ 18,237	$ 102,250	$ 240,974	$204,500	84.9%	$36,474	15.1%
6	6.90%	$ -	$ -	$ -	$ 161,111	$ 88,553	$ 72,558	$ 137,997	$ 75,849	$ 62,148	$ 275,994	$124,296	45.0%	$151,697	55.0%
7	4.13%	$ -	$ -	$ -	$ 96,523	$ 43,886	$ 52,637	$ 82,675	$ 37,590	$ 45,086	$ 165,350	$90,171	54.5%	$75,179	45.5%
8	3.36%	$ -	$ -	$ -	$ 78,404	$ 30,048	$ 48,356	$ 67,156	$ 25,737	$ 41,418	$ 134,312	$82,837	61.7%	$51,475	38.3%
9	5.60%	$ -	$ -	$ -	$ 130,838	$ 29,272	$ 101,566	$ 112,066	$ 25,072	$ 86,994	$ 224,133	$173,989	77.6%	$50,144	22.4%
10	7.33%	$ -	$ -	$ -	$ 171,062	$ 31,473	$ 139,589	$ 146,520	$ 26,958	$ 119,562	$ 293,040	$239,125	81.6%	$53,916	18.4%
11	18.03%	$ -	$ -	$ -	$ 420,906	$ 143,862	$ 277,044	$ 360,519	$ 123,222	$ 237,297	$ 721,037	$474,594	65.8%	$246,444	34.2%
12	5.40%	$ -	$ -	$ -	$ 126,114	$ 78,593	$ 47,520	$ 108,020	$ 67,317	$ 40,703	$ 216,040	$81,405	37.7%	$134,635	62.3%
13	2.74%	$ -	$ -	$ -	$ 63,967	$ 22,869	$ 41,098	$ 54,790	$ 19,588	$ 35,202	$ 109,580	$70,404	64.2%	$39,176	35.8%
	100.00%	$ -			$ 2,335,000			$ 2,000,000			$ 4,000,000	$2,583,835	64.6%	$1,416,165	35.4%

HOMEBUYER ASSISTANCE

(HBA)

HOME DIVISION
2007 HOME PROGRAM-Housing Programs for Persons with Disabilities
Region 1 Funding Recommendations

(Subject to the regional Allocation Formula)*

U/E = Urban / Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental As

Applicants below the <u>bold line</u> did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 1 HBA FUNDS $121,003

Total Amount available for HBA Urban/Exurban $ 21

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
	NO APPLICANTS		HBA	1		$0		$0				

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$21**

Total Amount available for HBA Rural $120,981
Add remaining HBA U/E $21
$121,003

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
	NO APPLICANTS		HBA	1		$0		$0				

Total HBA Funds Recommended **$0**
Remaining HBA funds **$121,003** Available for other Regions

** DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00*

(Subject to the Regional Allocation Formula*)

U/E = Urban/ Exurban
R = Rural
HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental A

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 2 HBA FUNDS $90,332

Total Amount available for HBA Urban/Exurban $ 2,113

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		HBA	2	U/E	$0		$0				

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$2,113**

Total Amount available for HBA Rural $88,219
Add remaining HBA U/E $2,113
$90,332

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		HBA	2	Rural	$0		$0				

Total HBA Rural Funds Recommended **$0**
Balance **$90,332** Available for other Regions

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban R = Rural	HBA = Homebuyer Asst. TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 3 HBA FUNDS	**$355,466**

Total Amount available for HBA Urban/Exurba $ 257,502

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0014	United Cerebral Palsy of Texas	96.00	HBA	3	U/E	$275,000	8	$275,000	8	0	$275,000	
2007-0030	Life Rebuilders, Inc.	84.00	HBA	3	U/E	$275,000	15	$275,000	6	9	$110,000	

Total HBA U/E Funds Recommended	**$550,000**
Balance	**-$292,498**
Add from available funds from other regions	**$292,498**
Balance	$0

Total Amount available for HBA Rural	**$97,964**
Add remaining HBA U/E	**$0**
	$97,964

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0011	United Cerebral Palsy of Texas	90.75	HBA	3	Rural	$105,000	3	$105,000	1	2	$35,000	
2007-0013	Fort Worth Area Habitat for Humanity, Inc	83.00	HBA	3	Rural	$15,000	1	$15,000	1	0	$15,000	

Total HBA Rural Funds Recommended	**$120,000**
Balance	**-$22,036**
Add from available funds from other regions	**$22,036**
	$0

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

U/E = Urban/Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 4 HBA FUNDS $242,969

Total Amount available for HBA Urban/Exurba $ 28,876

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		HBA	4	U/E	$0		$0				

Total HBA U/E Funds Recommended **$0**
Remaining HBA funds moved to HBA Rural **$28,876**

Total Amount available for HBA Rural **$214,093**
Add Remaining HBA U/E **$28,876**
$242,969

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		HBA	4	Rural	$0		$0				

Total HBA Rural Funds Recommended **$0**
Balance **$242,969** Available for other Regions

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

HOME DIVISION
2007 HOME PROGRAM-Housing Programs for Persons with Disabilities
Region 5 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental A

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 5 HBA FUNDS $120,487

Total Amount available for HBA Urban/Exurb: $ 18,237

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
	NO APPLICANTS		HBA	5		$0		$0				

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$18,237**

Total Amount available for HBA Rural **$102,250**
Add remaining HBA U/E **$18,237**
$120,487

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
	NO APPLICANTS		HBA	5		$0		$0				

Total HBA Rural Funds Recommended **$0**
Balance **$120,487** Available for other Regions

HOME DIVISION

2007 HOME PROGRAM-Housing Programs for Persons with Disabilities

Region 6 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban/Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 6 HBA FUNDS $137,997

Total Amount available for HBA Urban/Exurba $ 75,849

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0015	United Cerebral Palsy of Texas	94.33	HBA	6	U/E	140,000	4	$140,000	4	0	$140,000	

Total HBA U/E Funds Recommended	**$140,000**
Balance	**-$64,151**
Add from available funds from other regions	**$64,151**
	$0

Total Amount available for HBA Rural $62,148

Add remaining HBA U/E $0

$62,148

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0012	United Cerebral Palsy of Texas	93.33	HBA	6	Rural	$105,000	3	$105,000	3	0	$105,000	

Total HBA Rural Funds Recommended	**$105,000**
Balance	**-$42,852**
Add from available funds from other regions	$42,852
	$0

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental A

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 7 HBA FUNDS $82,675

Total Amount available for HBA Urban/Exurb: $ 37,590

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0018	United Cerebral Palsy of Texas	94.29	HBA	7	U/E	140,000	4	$140,000	0	4	0	

Total HBA U/E Funds Recommended	**$140,000**
Balance	**-$102,410**
Add from available funds from other regions	$102,410
Balance	**$0**

Total Amount available for HBA Rural	**$45,086**
Add remaining HBA U/E	**$0**
Total for HBA Rural	**$45,086**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0017	United Cerebral Palsy of Texas	94.29	HBA	7	Rural	$140,000	4	$140,000	0	4	0	

Total HBA Rural Funds Recommended	**$140,000**
Balance	**-$94,914**
Add from available funds from other regions	$94,914
	$0

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban R = Rural	HBA = Homebuyer Asst. TBRA = Tenant-Based Rental A

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 8 HBA FUNDS	$67,156

Total Amount available for HBA Urban/Exurb $ 25,737

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0019	United Cerebral Palsy of Texas	93.33	HBA	8	U/E	105,000	3	$105,000	1	2	$35,000	

Total HBA U/E Funds Recommended	**$105,000**
Balance	**-$79,263**
ADD funds from HBA Rural	**$41,418**
Balance	**-$37,845**
Add from available funds from other regions	**$37,845**
	$0

Total Amount available for HBA Rural	**$41,418**
Add remaining HBA U/E	**$0**
	$41,418

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		HBA	8	Rural	$0		$0				

Total HBA Rural Funds Recommended	**$0**
Balance	**$41,418**
Less Balance Transferred to HBA U/E	**$41,418**
Balance	**$0**

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

2007 HOME PROGRAM-Housing Programs for Persons with Disabilities
Region 9 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban R = Rural	HBA = Homebuyer Asst. TBRA = Tenant-Based Rental Ass

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 9 HBA FUNDS $112,066

Total Amount available for HBA Urban/Exurb $ 25,072

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		HBA	9	U/E	0		$0				

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$25,072**

Total Amount available for HBA Rural **$86,994**
Add remaining HBA U/E **$25,072**
$112,066

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		HBA	9	Rural	$0		$0				

Total HBA Rural Funds Recommended **$0**
Balance **$112,066** Available for other Regions

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

HOME DIVISION
2007 HOME PROGRAM-Housing Programs for Persons with Disabilities
Region 10 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 10 HBA FUNDS $146,520

Total Amount available for HBA Urban/Exurb: $ 26,958

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		HBA	9	U/E	0		$0				

Total HBA U/E Funds Recommended **$0**
HBA U/E funds transferred to HBA Rural **$26,958**

Total Amount available for HBA Rural **$119,562**
Add remaining HBA U/E **$26,958**
$146,520

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		HBA	10	Rural	$0		$0				

Total HBA Rural Funds Recommended **$0**
Balance **$146,520** Available for other Regions

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental Asst

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 11 HBA FUNDS $360,519

Total Amount available for HBA Urban/Exurt $ 123,222

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		HBA	11	U/E	$0		$0				

Total HBA U/E Funds Recommended	**$0**
Remaining HBA U/E funds moved to HBA Rural	**$123,222**

Total Amount available for HBA Rural	**$237,297**
Add HBA U/E	**$123,222**
	$360,519

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0003	Community Council of Southwest Texas, Inc.	82.75	HBA	11	Rural	$190,000	10	$190,000	0	10	$0	

Total HBA Rural Funds Recommended	**$190,000**	
	$170,519	Available for other Regions

HOME DIVISION

2007 HOME PROGRAM-Housing Programs for Persons with Disabilities

Region 12 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban R = Rural	HBA = Homebuyer Asst. TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 12 HBA FUNDS	$108,020

Total Amount available for HBA Urban/Exurb: $ 67,317

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		HBA	12	U/E	$0		$0				

Total HBA U/E Funds Recommended	**$0**
Remaining HBA U/E funds moved to HBA Rural	**$67,317**

Total Amount available for HBA Rural	**$40,703**
Add remaining HBA U/E	**$67,317**
	$108,020

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		HBA	12	Rural	$0		$0				

Total HBA Rural Funds Recommended	**$0**	
Balance	**$108,020**	Available for other Regions

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

HOME DIVISION
2007 HOME PROGRAM-Housing Programs for Persons with Disabilities
Region 13 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 13 HBA FUNDS $54,790

Total Amount available for HBA Urban/Exurba $ 19,588

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0020	El paso Rehabilitation Center	76.00	HBA	13	U/E	$70,000	2	$70,000	1	1	$35,000	

Total HBA U/E Funds Recommended	**$70,000**
Balance	**-$50,412**
Add available funds from other regions	**$50,412**
Balance	**$0**

Total Amount available for HBA Rural	**$35,202**
Add remaining HBA U/E	**$0**
	$35,202

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0010	El Paso Rehabilitation Center	86.00	HBA	13	Rural	$105,000	3	$105,000	0	3	$0	

Total HBA Rural Funds Recommended	**$105,000**
Balance	**-$69,798**
Add available funds from other regions	$ 69,798
Balance	$0

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

TENANT BASED RENTAL ASSISTANCE

(TBRA)

HOME DIVISION
2007 HOME PROGRAM-Housing Programs for Persons with Disabilities
Region 1 Funding Recommendations

(Subject to the regional Allocation Formula)*

U/E = Urban / Exurban R = Rural	HBA = Homebuyer Asst TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 1 TBRA FUNDS $141,271

Total Amount available for TBRA Urban/Exurban $25

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0007	Lifetime Independence for Everyone, Inc, dba Life/Run Center	90.0	TBRA	1	U/E	$192,000	20	$157,322	16	0	$157,322	

Total TBRA U/E Funds Recommended	**$141,271**
TBRA U/E Funds Balance	**-$157,297**
Add TBRA Rural Balance	**$141,246**
Add from available funds from other regions	**$ 16,051**
Balance	**$0**

Total Amount available for TBRA Rural	**$141,246**
Add remaining TBRA Urban/Exurban	**$0**
	$141,246

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		TBRA	1		$0		$0				

Total TBRA Rural Funds Recommended	**$0**
Balance TBRA Rural	**$141,246**
Transfer to TBRA U/E	**$141,246**
Balance	**$0**

HOME DIVISION
2007 HOME PROGRAM-Housing Programs for Persons with Disabilities
Region 2 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban R = Rural	HBA = Homebuyer Asst. TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 2 TBRA FUNDS	$105,462

Total Amount available for TBRA Urban/Exurb **$2,466**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		TBRA	2	U/E	$0		$0				

Total TBRA U/E Funds Recommended	**$0**
Remaining TBRA U/E funds transferred to TBRA Rural	**$2,466**

Total Amount available for TBRA Rural	**$102,996**
Add remaining TBRA U/E	**$2,466**
	$105,462

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0016	Central Texas MHMR	79.75	TBRA	2	Rural	$275,000	30	$275,000	0	30		

Total TBRA Rural Funds Recommended	**$275,000**
Balance	**-$169,538**
Add from available funds from other regions	**$169,538**

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

HOME DIVISION
2007 HOME PROGRAM-Housing Programs for Persons with Disabilities
Region 3 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban R = Rural	HBA = Homebuyer Asst. TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 3 TBRA FUNDS $415,006

Total Amount available for TBRA Urban/Exurban **$300,634**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
	NO APPLICANTS		TBRA	3	U/E	$0		$0				

Total TBRA U/E Funds Recommended **$0**
Remaining TBRA U/E funds moved to TBRA Rural **$300,634**

Total Amount available for TBRA Rural **$114,372**
Add remaining TBRA U/E **$300,634**
$415,006

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
	NO APPLICANTS		TBRA	3	Rural	$0		$0				

Total TBRA Rural Funds Recommended **$0**
Remaining TBRA funds **$415,006 Available for other Regions**

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

2007 HOME PROGRAM-Housing Programs for Persons with Disabilities

Region 4 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA =Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 4 TBRA FUNDS $283,667

Total Amount available for TBRA Urban/Ex $33,713

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
2007-0022	ARCIL, Inc	89.61	TBRA	4	U/E	$43,200	3	$43,200	3	0	$43,200	
2007-0028	Tyler AIDS Services, Inc.	64.20	TBRA	4	U/E	$134,000	32	$0				Threshold

Total TBRA U/E Funds Recommended	**$43,200**
TBRA U/E funds Balance	**-$9,487**
Add funds from TBRA Rural	**$9,487**
Remaining Balance	**$0**

Total Amount available for TBRA Rural	**$249,953**
Add remaining TBRA U/E	**$0**
	$249,953

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
	NO APPLICANTS		TBRA	4	Rural	$0		$0				

Total TBRA Rural Funds Recommended	**$0**	
Remaining TBRA funds	**$249,953**	
Less amt. transferred to TBRA U/E	**$9,487**	
Remaining Balance	**$240,466**	Available to fund other regions

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

HOME DIVISION

2007 HOME PROGRAM-Housing Programs for Persons with Disabilities

Region 5 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 5 TBRA FUNDS $140,669

Total Amt. available-TBRA Urban/Exurban **$21,292**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Req.	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0002	Spindletop MHMR Services	91.00	TBRA	5	U/E	$163,700	25	$163,700	25	0	$163,700	
2007-0001	Burke Center	79.75	TBRA	5	U/E	$275,000	32	$275,000	0	32	$0	
2007-0024	ARCIL, Inc.	79.33	TBRA	5	U/E	$43,200	3	$43,200	3	0	$43,200	

Total TBRA U/E Funds Recommended	**$481,900**
ADD TBRA U/E	**$119,377**
Balance TBRA U/E	**-$341,231**
Add from available funds from other regions	**$341,231**
	$0

Total Amount available for TBRA Rural **$119,377**

Add remaining TBRA U/E **$0**

$119,377

App-Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Req.	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		TBRA	5	Rural	$0		$0				

Total TBRA Rural Funds Recommended	**$0**
TBRA Rural funds transferred to **TBRA U/E**	**$119,377**
Balance	**$0**

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

HOME DIVISION

2007 HOME PROGRAM-Housing Programs for Persons with Disabilities

Region 6 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban	HBA = Homebuyer Asst.
R = Rural	TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 6 TBRA FUNDS	$161,111

Total Amount available for TBRA Urban/Exurban **$88,553**

App. Number	Applicant	Score	Activity	Reg.	Rural or U/E	Project Funds Requested	Units Req.	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0004	Tri-County MHMR	79.67	TBRA	6	U/E	$275,000	18	$275,000	18		$275,000	

Total TBRA U/E Funds Recommended	**$275,000**
Balance	**-$186,447**
Add from available funds from other regions	**$186,447**
	$0

Total Amount available for TBRA Rural	**$72,558**
Add remaining TBRA U/E	**$0**
	$72,558

App. Number	Applicant	Score	Activity	Reg.	Rural or U/E	Project Funds Requested	Units Req.	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0005	Tri-County MHMR	79.33	TBRA	6	Rural	$135,000	10	$135,000	8	2	$108,000	
2007-0029	Coalition for Barrier Free Living/Houston Center	76.62	TBRA	6	Rural	$130,186	16	$56,956	0	7	$0	

Total TBRA Rural Funds Recommended	**$191,956**
Balance	**-$119,398**
Add from available funds from other regions	**$119,398**
	$0

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

HOME DIVISION
2007 HOME PROGRAM-Housing Programs for Persons with Disabilities
Region 7 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban	HBA = Homebuyer Asst.
R = Rural	TBRA = Tenant-Based Rental A

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 7 TBRA FUNDS	$96,523

Total Amount available for TBRA Urban/Exurba **$43,886**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0023	ARCIL, Inc.	87.30	TBRA	7	U/E	$172,800	12	$172,800	12	0	$172,800	
2007-0006	Foundation Communities	79.00	TBRA	7	U/E	$275,000	19	$0	0	0	$0	

Total TBRA U/E Funds Recommended	**$172,800**
Balance	**-$128,914**
ADD TBRA Rural Balance	**$52,637**
Remaining Balance	**-$76,277**
Add from available funds from other regions	**$76,277**
Balance	**$0**

Total Amount available for TBRA Rural	**$52,637**
Add remaining TBRA U/E	**$0**
	$52,637

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		TBRA	7	Rural	$0		$0				

Total TBRA Rural Funds Recommended	**$0**
Balance TBRA Rural funds	**$52,637**
Less funds transferred to TBRA U/E	**$52,637**
Balance	$0

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

U/E = Urban / Exurban
R = Rural
HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 8 TBRA FUNDS $78,404

Total Amount available for TBRA Urban/Exurbar **$30,048**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0021	ARCIL, Inc.	89.00	TBRA	8	U/E	$72,000	5	$72,000	5	0	$72,000	

Total TBRA U/E Funds Recommended	**$72,000**
Remaining TBRA U/E funds moved to TBRA Rural	**-$41,952**
ADD Partial Bal from TBRA Rural	**$41,952**
Balance	**$0**

Total Amount available for TBRA Rural **$48,356**
Add remaining TBRA U/E **$0**
$48,356

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		TBRA	8	Rural	$0		$0				

Total TBRA Rural Funds Recommended	**$0**	
Balance TBRA Rural	**$48,356**	
Less funds transferred to TBRA U/E	**$41,952**	
Remaining Balance	**$6,404**	Available for other regions

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban R = Rural	HBA = Homebuyer Asst. TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 9 TBRA FUNDS	$130,838

Total Amount available for TBRA Urban/Exurb: **$29,272**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		TBRA	9	U/E	$0		$0				

Total TBRA U/E Funds Recommended	**$0**
funds Transferred to TBRA Rural	**$29,272**

Total Amount available for TBRA Rural	**$101,566**
Add remaining TBRA U/E	**$29,272**
	$130,838

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		TBRA	9	Rural	$0		$0				

Total TBRA Rural Funds Recommended	**$0**	
TBRA Rural funds Balance	**$130,838**	**Available for other Regions**

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

HOME DIVISION

2007 HOME PROGRAM-Housing Programs for Persons with Disabilities

Region 10 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 10 TBRA FUNDS $171,062

Total Amount available for TBRA Urban/Exurbai **$31,473**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
2007-0032	Coastal Bend Center for Independent Living	79.00	TBRA	10	U/E	$181,818	40	$181,818	40	0	$181,818	
2007-0027	Valley Association for Independent Living (VAIL)	75.00	TBRA	10	U/E	$120,000	15	$64,000	0	8	$0	

Total TBRA U/E Funds Recommended	**$245,818**
Balance	**-$214,345**
Add remaining TBRA Rural	**$71,407**
	-142,938
Add from available funds from other regions	**$142,938**
	$0

Total Amount available for TBRA Rural	**$139,589**
Add remaining TBRA U/E	**$0**
	$139,589

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
2007-0025	Coastal Bend Center for Independent Living	76.71	TBRA	10	Rural	$68,182	15	$68,182	0	15	$0	

Total TBRA Rural Funds Recommended	**$68,182**
Remaining Balance	**$71,407**
Less funds transferred to TBRA U/E	**$71,407**
Balance	$0

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 11 TBRA FUNDS $420,906

Total Amount available for TBRA Urban/Exurba **$143,862**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
2007-0026	Valley Association for Independent Living (VAIL)	74.50	TBRA	11	U/E	$120,000	15	$120,000	13	2	$104,000	

Total TBRA U/E Funds Recommended **$120,000**
Remaining funds transferred to TBRA Rural **$23,862**

Total Amount available for TBRA Rural **$277,044**
Add remaining TBRA U/E **$23,862**
$300,906

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes:
	NO APPLICANTS		TBRA	11	Rural	$0		$0				

Total TBRA Rural Funds Recommended **$0**
Remaining Balance **$300,906** Available for other Regions

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

HOME DIVISION
2007 HOME PROGRAM-Housing Programs for Persons with Disabilities
Region 12 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban R = Rural	HBA = Homebuyer Asst. TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 12 TBRA FUNDS	$126,114

Total Amount available for TBRA Urban/Exurban **$78,593**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
	NO APPLICANTS		TBRA	12	U/E	$0						

Total TBRA U/E Funds Recommended	**$0**
Remaining TBRA U/E funds moved to TBRA Rural	**$78,593**

Total Amount available for TBRA Rural	**$47,520**
Add remaining TBRA U/E	**$78,593**
	$126,114

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
	NO APPLICANTS		TBRA	12	Rural	$0		$0				

Total TBRA Rural Funds Recommended	**$0**	
Remaining Funds	**$126,114**	Available to fund other regions

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

HOME DIVISION
2007 HOME PROGRAM-Housing Programs for Persons with Disabilities
Region 13 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban
R = Rural

HBA = Homebuyer Asst.
TBRA = Tenant-Based Rental Asst.

Applicants below the bold line did not meet the threshold score requirement, and denote "Threshold" in the Notes Column.

AVAILABLE REGION 13 TBRA FUNDS $63,967

Total Amount available for TBRA Urban/Exurb: $22,869

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
	NO APPLICANTS		TBRA	13	U/E	$0						

Total TBRA U/E Funds Recommended **$0**
funds transferred to TBRA Rural **$22,869**

Total Amount available for TBRA Rural $41,098
Add remaining TBRA U/E $22,869
$63,967

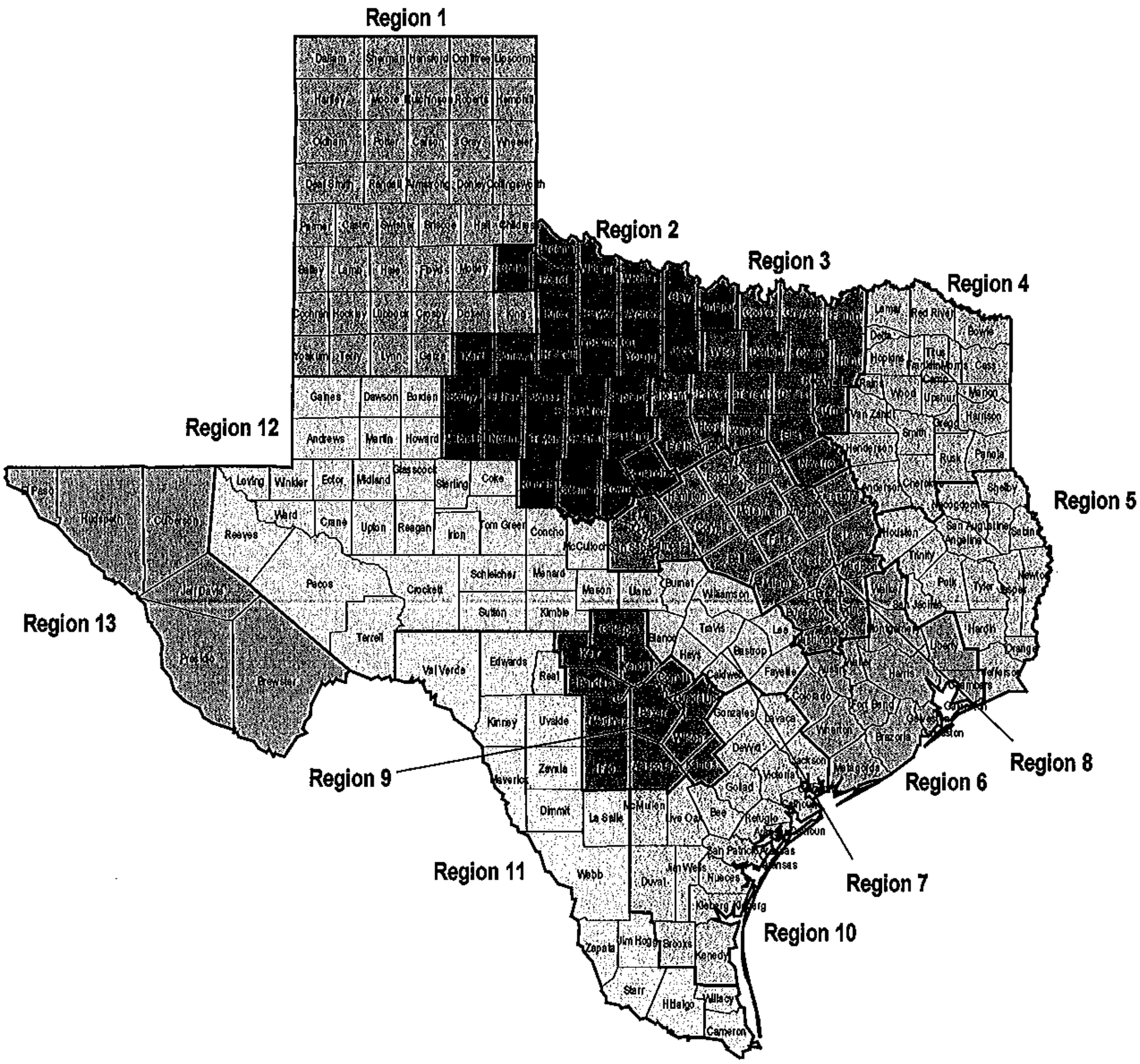
Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	PJ Units Rec'd	Non PJ Units Rec'd	PJ Funds Awarded	Notes
	NO APPLICANTS		TBRA	13	Rural	$0		$0				

Total TBRA Rural Funds Recommended **$0**
Remaining TBRA funds **$63,967** Available for other Regions

*DUE TO ROUNDING, FIGURES MAY FLUCTUATE +/- $1.00

STATE OF TEXAS

UNIFORM STATE SERVICE REGIONS MAP



HOME DIVISION

BOARD ACTION REQUEST

September 13, 2007

Action Item

Presentation, Discussion and Possible Approval of policy regarding HOME assistance to properties where construction occurred prior to loan closing.

Requested Action

Approve, Deny or Approve with Amendments the staff recommendation for the Department's policy and action regarding HOME assistance to properties where construction occurred prior to loan closing.

Background

In 2005 it was brought to the Department's attention that it is HUD's determination that when a manufactured housing unit is replaced with a house constructed on-site the household assisted would be required to have a federal affordability period and would be subject to recapture requirements. In order for the Department to ensure this affordability period, an enforceable lien must be placed on the property to ensure that if the household sells or otherwise attempts to transfer the property, the lien remains on the property until released by the Department and provides the Department an ability to recapture funds as required by the HUD regulations for the HOME Program.

In February 2006, the Department issued and published a policy issuance (attached) that specified that an affordability period was required but did not notify contract administrators that a loan closing would be required to occur prior to start of construction. It is important to note that in the past administration of the HOME Program, it was common practice to allow only a promissory note to be executed for a HOME loan and this did not include the associated deed of trust that would secure the property and thereby create an enforceable lien. Additionally, the environmental clearance notification and project setup approval were indicators to the administrators that construction could proceed and did not include language that a loan with Department-drafted documents would need to close first. In some instances, these notifications were actually contradictory. On April 12, 2007, the Department provided a listserv announcement that clarified the type of activity and contracts that are subject to a loan closing and that construction could not commence until environmental clearance, project setup approval and the loan closing were all complete. To date, staff has identified at least 11 housing units for which construction has started prior to the loan closing. Since the Department does not have constitutional lien authority to establish a valid lien on homestead property in accordance with Texas homestead laws and construction lending laws, a policy decision is necessary to proceed with assisting these households.

Options for Board Consideration

Based on the circumstances and limitations described above, staff is presenting two options for the Board's consideration:

1. The Board could allow the assistance to be in the form of an unsecured promissory note to the household. Due to the validity of lien issue, this is the only option that would allow assistance to the household.

2. The Board could deny assistance to those households affected and/or disallow the costs associated with the units.

Recommendation

Staff recommends and requests Board approval of option 1 with the specification that only those households that started construction without the required loan closing prior to **April 22, 2007** (to allow for time for the announcement to be received and read). Any unit for which construction, including demolition, began prior to the required loan closing after **April 22, 2007**, would not be eligible for the reimbursement of costs. Staff will send a communication alerting both Administrators and Consultants of the Board's decision.

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

Portfolio Management & Compliance Division
HOME Investment Partnerships Program

TO: HOME Contract Administrators

FROM: Edwina Carrington
Executive Director

DATE: February 9, 2006

SUBJECT: Policy Issuance # 06-02
Requirements for Replacing Manufactured Housing Units with "Stick-Built" Housing Units

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BACKGROUND
The U.S. Department of Housing and Urban Development (HUD) has indicated that the replacement of a manufactured housing unit with a new "stick-built" housing unit constitutes new construction.

Section 92.254(d) of the HOME Final Rule which governs the HOME Investment Partnerships Program (HOME) states that newly constructed housing built on property currently owned by a family which will occupy the housing upon completion, qualifies as affordable housing if it meets the requirements under §92.254(a). Section 92.254(a) addresses the requirements for affordable housing involving acquisition with or without rehabilitation. Requirements include that the project site must be single family housing, the housing must be modest, the housing must be acquired by a low income family, and the housing must meet applicable periods of affordability.

APPLICABILITY
A "stick-built" housing unit is a site built housing unit constructed on a foundation or with a basement. Additional HOME requirements apply when assistance is provided to a beneficiary who will replace a manufactured housing unit with site built housing. The project must be documented as meeting the requirements of §92.254(a), including that it will meet an applicable period of affordability.

ACTION REQUIRED
In instances where a manufactured housing unit will be replaced by site built housing, Contract Administrators must request that the beneficiary complete a standard Uniform Residential Loan Application (HUD 1003) and submit the application at the time that required set-up documentation is submitted to the Texas Department of Housing and Community Affairs (Department). The newly constructed housing unit cannot exceed 95 percent of the median purchase price for the area according to the Section 203(b) limits published annually by HUD. The Department will secure the HOME investment in the form of a deferred forgivable note that reflects the affordability period requirements of §92.254(a).

When assistance will be provided to replace a manufactured housing unit with a site built housing unit on the same lot owned by the beneficiary, Contract Administrators must:

1. Request an amendment to the HOME contract under Exhibit A, Performance Statement, if necessary, to delete language indicating that assistance provided under the contract will be in the form of a grant and include language that the Contract Administrator may enter into enforceable agreements when affordability periods apply. Exhibit A must include the terms, applicable affordability period, and refinance or resale provisions. (An example might be, for HOME assistance totaling $40,000 or above, a deferred forgivable note based on the amount provided, 0% interest, 15 years, forgivable at a rate of 6.6% per year.) The affordability period must be based on homeownership affordability requirements as defined in §92.254(a)(4) of the HOME Final Rule. This language may already be included in some Owner-Occupied Assistance contract Performance Statements, in which case an amendment may not be necessary.

2. Amend the Program Design, if appropriate, to reflect the provisions in Exhibit A described above and to specifically state that HOME funds may be used to assist beneficiaries to replace manufactured housing units with site built housing.

3. Assistance cannot occur before the amendments, if necessary, are executed.

EFFECTIVE DATE
This Policy Issuance is effective 30 days from the date of this issuance.

INQUIRIES
For questions or comments about the Issuance, please call Sandy Mauro at (512) 475-2109.

-----Original Message-----
From: tdhca@tdhca.state.tx.us [mailto:tdhca@tdhca.state.tx.us]
Sent: Thursday, April 12, 2007 9:09 AM
To: 'tdhca@mailman.tdhca.state.tx.us'
Subject: TDHCA: reimbursement of costs clarification [HP]

When HOME assistance is to be provided in the form of a loan, construction and reimbursement of costs cannot begin until after the loan is closed with documents drafted and provided by the Department.

In the past, Administrators and Consultants were advised that building construction could begin when environmental clearance was obtained and the project setup was approved by the Department. For any HOME assistance in the form of a loan and specifically with the 2006 OCC contracts, the HBA conversion contracts (manufactured housing-to-stick built), and the Contract for Deed contracts, environmental clearance and approved project setup is no longer the indicator that construction can begin. The loan must be closed with a construction loan agreement, note, and deed of trust drafted and provided by the Department before construction can begin.

Draw requests for reimbursement of costs incurred cannot be processed until the Department receives the executed loan documents after the closing has occurred.

EXECUTIVE DIVISION

BOARD ACTION REQUEST

September 13, 2007

Action Items

Presentation, Discussion and Possible Approval of the 2008 Housing Trust Fund Annual Report (the Department's "Annual Plan") to be Submitted to the Legislative Budget Board, the House Appropriations Committee, and the Senate Finance Committee by October 1, 2007 Pursuant Rider 10d, 80th Legislative Session, Conference Committee Report on House Bill 1.

Required Action

Presentation, Discussion and Possible Approval of the 2008 Housing Trust Fund Annual Report (the Department's "Annual Plan") to be submitted to the Legislative Budget Board, the House Appropriations Committee, and the Senate Finance Committee by October 1, 2007 Pursuant Rider 10d, 80th Legislative Session, Conference Committee Report on House Bill 1.

Background

In 2006 the total Housing Trust Fund appropriation from General Revenue was $6,566,078 which included $3,500,000 of unexpended balance authority (this total was split into $5,906,648 to the Single Family activity and $659,430 to the Multifamily activity). It should be noted that the $3.5 million in unexpended balance authority was for activities previously committed by the Department and did not provide for $3.5 million in new programs or funds to newly allocate. Therefore, the approximate funds available for programming in 2006 was $3,066,078. In 2007, the appropriation from General Revenue was $3,066,078 (this total was split into $2,732,742 to the Single Family activity and $317,127 to the Multifamily activity).

During the 80th Legislative Session the Department was appropriated additional General Revenue specifically for the Housing Trust Fund. As provided for in the Conference Committee Report on House Bill 1, 80th Legislative Session, the Department is now appropriated funds as noted below.

	2008	2009
Single Family (SF)*	$5,393,036	$5,394,409
Multifamily (MF)*	$451,361	$453,052
Total Annual Approp.	$5,844,397	$5,847,461
Increase from 2007	$2,794,528	$2,797,592
% Increase from 2007	91.62%	91.73%

* Rider 10(e) in the GAA allows up to $2.5 million to transfer between the SF and MF activities. Rider 9 of the GAA indicates that this number includes $900,000 in loan repayments and interest.

Rider 10(d) of the Bill also requires that: "The Department of Housing and Community Affairs shall provide an annual report to the Legislative Budget Board, the House Appropriations Committee, and the Senate Finance Committee no later than October 1 detailing the agency's plan to expend funds from the Housing Trust Fund during the current fiscal year." The purpose of this action item is to produce the Department's 2008 Annual Plan to be submitted to the noted entities by October 1, 2007. A subsequent Annual Plan will be submitted in October 2008 reflecting the plan to expend the 2009 appropriation.

Overview of 2008 Annual Plan

To ensure that the Annual Plan fully outlines the many considerations and factors and supports the use of funds, the Plan itself has several components:

- Introduction and Purpose: this section closely mirrors the background noted above and outlines the purpose for the document and the statutory requirement that it satisfies.
- Funding and Allocation Considerations: this section of the plan outlines major considerations in making a recommendation for these funds including the applicability of the Regional Allocation Formula and the use of the Trust Fund for the Bootstrap Program
- Input on the Use of Funds: this section briefly outlines that the Department sought input from a variety of sources prior to generating a recommendation.
- 2008 Housing Trust Fund Funding Plan: this section actually outlines the usage of 2008 Trust Funds.

The 2008 Housing Trust Fund Annual Plan is attached. Page 7 of the Plan provides a table of the funding allocation breakdown and is followed by a more detailed program description of each activity proposed.

Recommendation

Approve the proposed 2008 Housing Trust Fund Annual Report to be submitted to the Legislative Budget Board, the House Appropriations Committee, and the Senate Finance Committee by October 1, 2007 Pursuant Rider 10d, 80^{th} Legislative Session, Conference Committee Report on House Bill 1.

Texas Department of Housing and Community Affairs

2008 Housing Trust Fund Annual Plan

Texas Department of Housing and Community Affairs
Michael Gerber, Executive Director
PO Box 13941
Austin, TX 78711-3941
Phone: (512) 475-3976
Fax: (512) 475-3746
www.tdhca.state.tx.us

October 1, 2007

Introduction and Purpose

During the 80th Legislative Session the Department was appropriated General Revenue to the Housing Trust Fund at over $2.7 million per year from the 2006-2007 appropriation. The Department was appropriated funds as noted below for the 2008-2009 biennium.

The Department annually accrues interest and receives loan repayments to the Fund. Rider 9 of the GAA clarifies that included in funds appropriated each year under the Single Family strategy is an estimated $900,000 per year in interest to the account as well as loan repayments.

	2008	2009
Single Family (SF)*	$5,393,036	$5,394,409
Multifamily (MF)*	$451,361	$453,052
Total Annual Approp.	**$5,844,397**	**$5,847,461**
Increase from 2007	$2,794,528	$2,797,592
% Increase from 2007	91.62%	91.73%

* Rider 10(e) in the Bill allows up to $2.5 million to transfer between the SF and MF activities. Rider 9 of the GAA indicates that this number includes $900,000 in loan repayments and interest.

Rider 10(d) of the GAA also requires that:

> "The Department of Housing and Community Affairs shall provide an annual report to the Legislative Budget Board, the House Appropriations Committee, and the Senate Finance Committee no later than October 1 detailing the agency's plan to expend funds from the Housing Trust Fund during the current fiscal year."

The purpose of this document is to serve as the Annual Plan detailing the Department's plan for expenditure of the 2008 Housing Trust Fund appropriation.

Funding and Allocation Considerations

Statutory restrictions and directives limit alternatives of how the funds can be programmed for use. Listed below are the limiting parameters that are factored into the plan:

Bootstrap Self-Help Housing Program

Pursuant to 2306.7581, Texas Government Code, the Department is required each fiscal year to transfer at least $3 million to the owner-builder revolving fund (more commonly known as the "Bootstrap Program") from either HOME funds, Housing Trust Fund monies, or from money appropriated by the legislature to the Department. Because of the demand by non-participating jurisdictions, more onerous federal limitations, and extensive reporting associated with the HOME Program, the Department has determined that the use of HOME funds is not practical to accomplish the goals of the Bootstrap Program. Additionally, to date, no direct funding has been provided by the legislature for this activity. Therefore, the only practical source available for the Department to meet the statutory transfer requirement is the Housing Trust Fund.

Eligible Entities to Receive Funds

Pursuant to 2306.202, Texas Government Code, the Department is directed on the types or eligible entities that may be allocated Trust Fund monies. 2306.6202 states:

> "In each biennium the first $2.6 million available through the housing trust fund for loans, grants, or other comparable forms of assistance shall be set aside and made available exclusively for local units of government, public housing authorities, and nonprofit organizations. Any additional funds may also be made available to for-profit organizations so long as at least 45 percent of available funds in excess of the first $2.6 million shall be made available to nonprofit organizations for the purpose of acquiring, rehabilitating, and developing decent, safe, and sanitary housing. The remaining portion shall be competed for by nonprofit organizations, for-profit organizations, and other eligible entities."

The Department achieves the first $2.6 million target through the use of $3 million each year for the Bootstrap Program whose eligible applicants are limited to nonprofit organizations and public housing authorities. The 2008 funding allocation breakdown to comply with this statute is as follows:

Programming of Funds for Nonprofits	
Total 2008 Funds Available	$5,844,397
Less: Nonprofits served through Bootstrap	($2,600,000)
Balance of Funds	$3,244,397
45% of Balance of Funds	$1,459,978
Less: $400,000 of Remaining Bootstrap	($400,000)
Remaining Balance of Funds To Be Programmed for Nonprofits	$1,059,978

Regional Allocation Formula

Pursuant to 2306.111(d-1), as amended by SB1908, 80th Legislative Session:

"Funds or credits are not required to be allocated according to the regional allocation formula under Subsection (d) if:

(1) the funds or credits are reserved for contract-for-deed conversions or for set-asides mandated by state or federal law and each contract-for-deed allocation or set-aside allocation equals not more than 10 percent of the total allocation of funds or credits for the applicable program;

(2) the funds or credits are allocated by the department primarily to serve persons with disabilities; or

(***3) the funds are housing trust funds administered by the department under Sections 2306.201-2306.206 that are not otherwise required to be set aside under state or federal law and do not exceed $3 million during each application cycle." (emphasis added)***

Due to the limitations using other funds and as the Bootstrap Program is a statutory set-aside that is removed from the total under §2306.111(d-1)(3), after the $3 million set aside for Bootstrap is removed the remaining total is $2,844,397. As that total does not exceed $3 million the statute excepts these funds from the regional allocation formula. Therefore, no regional allocation is anticipated in this Plan for any programmed activities.

Other Critical Considerations

To make the most efficient use of these funds, and to have the greatest impact on low income Texans, several other goals were identified when proposing this Annual Plan:

- Funds should generally be used for very low income families who are not able to obtain housing through financial institutions.
- Funds should be leveraged with either sweat equity or other funds as much as possible.

- Funds should be programmed in ways that generally will allow repayment to the state to re-lend.
- Funds should generally be made available statewide.
- When being programmed, creating homeownership should be a primary consideration.

Input on the Use of Funds

In preparing this Annual Plan, the Department requested input and suggestions from a variety of groups and organizations active in the housing industry. Suggestions were provided to the Department from:

- Association of Rural Communities in Texas (ARCIT)
- Texas Association of Community Development Corporations (TACDC)
- Rural Rental Housing Association (RRHA)
- Disabilities Advisory Workgroup to the Department
- Texas Affiliation of Affordable Housing Providers (TAAHP)
- Texas Low Income Housing Information Service (TLIHIS)
- Texas Habitat for Humanity

In spite of the very welcome increase in the appropriation to the Trust Fund, it remains a challenge to program the funds in ways that address the wide variety of requested activities and needs. Therefore, the Plan does not address solutions to all of the ideas received, but does strive to achieve a balance in funding priorities.

The Department also evaluated areas of need and critical concern to the Department in making the recommendations for this Annual Plan. Of note are the following needs:

- There is a need for gap financing for homeowner's recovering from Hurricane Rita. Currently the CDBG Disaster Recovery Funds are limited in the amount of federal assistance that can be provided to a household. Otherwise qualified households, who are lacking only a small portion of funds to fulfill their full cost of construction, are unable to begin their reconstruction or complete their home. This is preventing them from taking advantage of the CDBG assistance for which they have qualified and preventing them from reestablishing their homes. There is a need for additional subsidy to cover these gaps.
- There is a need to leverage funds with rental properties, primarily in rural areas, that do not receive a Tax Credit award (this may include HOME Program or those not applying for other Department funds) to either fund small scale rental developments or to better enable properties to target units to households at lower median incomes (30% to 50% of AMGI).

2008 Housing Trust Fund Funding Plan

Based on the above considerations, the Department has determined to program and expend the 2008 Housing Trust Fund General Revenue appropriation in the amount of $5,844,397 as follows.

2008 Activity	Amount Designated
Bootstrap Self-Help Housing Program	$3,000,000
Disaster Recovery Homeowner Repair Gap Financing Program	$1,000,000
Rental Production Program	$844,397
Homeownership SuperNOFA	$1,000,000
Total	**$5,844,397**

Following are descriptions of the programs noted above and their general program design.

Bootstrap Self-Help Housing Program

Amount Required under Statutory Set Aside: $3 million total of which $2 million must be funded in areas defined under Chapter 17 Subchapter K of economically distressed counties primarily located along the Texas Water Code /Mexico border and East Texas (see below, generally colonias) and $1 million will be allocated to the balance of the state.

General Program Description: The Bootstrap Program makes funds available to Colonia Self-Help Centers or state certified Nonprofit Owner-Builder Housing Providers to purchase or refinance real property on which to build new residential housing or improve existing residential housing through self-help construction for very low and extremely low income individuals and families (Owner-Builders); including persons with special needs.

Maximum Loan Amount: TDHCA may provide loans of not more than $30,000 per household. The total amount of loans made with TDHCA and any other source combined may not exceed $60,000 per household.

Eligibility Requirement: The administrator must be either a Colonia Self-Help Center or a state certified Nonprofit Owner-Builder Housing Provider. Eligibility for the Owner-Builder includes their income not exceeding 60% of AMFI, that they must have resided in this state for the preceding six months; that they must have successfully completed an owner-builder education class; and that they must agree to provide at least 60 percent of the labor necessary to build or rehabilitate the proposed housing by working through a Colonia Self-Help Center or a state certified Nonprofit Owner-Builder Housing Provider.

In accordance with Section 2306.753(d) of the Texas Government Code, as amended, TDHCA shall set aside at least two-thirds of the available funds for Owner-Builders whose property is located in an Economically Distressed Area (EDA) county. The remainder of the funding will be available to state certified NOHPs in the State of Texas.

Administration Fees: 6% of award amount

Other Considerations: This use of funds achieves the statutory requirement to fund the Bootstrap Program (2306.7581) and the statutory requirement to provide the first $2.6 million of the fund to nonprofits. It also provides an additional $400,000 to nonprofits. It should be noted that only the minimum amount of $3 million is being proposed from 2008 since additional HTF Funds from 2007 were allocated to Bootstrap in May 2007. This activity also achieves significant leveraging, promotes homeownership and provides for repayment to the Fund.

Disaster Recovery Homeowner Repair Gap Financing Program

Amount Recommended: $1 million

General Program Description: Currently the CDBG Disaster Recovery Funds are limited in the amount of federal assistance that can be provided to a household. Otherwise qualified households, who are lacking only a small portion of funds to fulfill their full cost of construction, are unable to begin their reconstruction or complete their home. This is preventing them from taking advantage of the CDBG assistance for which they have qualified and preventing them from reestablishing their homes. It is estimated that the gap in needed funds for many of these households is less than $10,000. This Program would be designed to complement and combine with the existing CDBG fund delivery structure which is administered by three Council's of Governments (COG). A process would be established by which each COG would be able to access some portion of these funds for qualified households. This funding would be structured as a zero percent interest loan for each household, with the possibility of a longer amortization period depending on income level of the family to ensure ability to repay.

Maximum Loan Amount: $10,000 per household.

Eligibility Requirement: The funds will be directed through the COGs. The household receiving the funds must be a qualified eligible CDBG disaster assistance recipient who has been through an intake process with their COG and who is only needing this remaining gap of funds to enable their ability to proceed.

Administration Fees: These funds would not include any administration fees for the administering organization as they are already receiving administration costs from the CDBG Program.

Other Considerations: This activity promotes homeownership, assists in disaster recovery efforts and ensures repayment to the Fund. Further, these organizations aren't for profit organizations and therefore satisfy the requirement under 2306.202 relating to funding entities.

Rental Production Program

Amount Recommended: $844,397

General Program Description: There is a need to leverage funds with rental properties, primarily in rural areas, that do not receive a Tax Credit award, whether they are receiving other Department funds (i.e. HOME Program) or not, to better enable quality properties to target units to households at lower median incomes (30% to 50% of AMGI). Funds will be used for low or 0% interest loans to ensure repayment to the fund. The loans will be capped at no more than $250,000 and will be limited in purpose to solely financing units that will serve families at 50% of AMGI or below. Additionally, as an incentive, if the funds are used to target families at 30% or below and those units were not already targeted to serve a 30% family through another subsidy source, the Department may allow a forgivable loan only for those 30% units. If these funds are not applied for within six months of the release of a Notice of Funding Availability, they will be reprogrammed by the Department's Board to another activity identified in this Plan.

Maximum Loan Amount: $250,000 per proposed property.

Eligibility Requirement: The applying entity may be for profit or nonprofit organization. The recipient of the funds must satisfy the Department's minimum threshold and underwriting criteria as specified in the Notice of Funding Availability. The units funded by the funds must be utilized for households at 50% or less of AMGI.

Administration Fees: These funds do not include any administration fees as there is no cost to administer the program – the funds are utilized directly for the financing and construction of the property.

Other Considerations: This use of funds will achieve the multifamily performance measure, will help further serve lower income households in rental units and will likely provide leveraging. It will also provide for repayment to the fund.

<u>Homeownership SuperNOFA</u>

Amount Recommended: $ 1,000,000

General Program Description: This is deemed a SuperNOFA because it will be fairly flexible in its use of funds. The idea is to allow flexibility to for profit or nonprofit organizations across the state in identifying what their community's homeownership needs are and then serving that need. These activities should allow applications in most activities relating to homeownership. The applicant may apply for any of the following activities:

- Zero interest loans for homeowners rebuilding from disasters other than Hurricane Rita
- Zero interest gap financing or down payment assistance for first time homebuyers
- Zero interest rehabilitation loans for homeowners including barrier removal

Funds would be limited to loans to ensure repayment to the program and will only be awarded for serving households at or below 50% of AMGI. However the program design will include incentives for serving households at or below 30% of AMGI. Loan caps per activity are established to spread funds while providing needed assistance; for example, a loan cap for the rehabilitation activity is set that will assist in serving more households and discourage reconstruction (which is eligible for HOME funds as a separate activity).

Maximum Loan Amount: The maximum request per administrator will be $250,000.

- The maximum loan amount for the rehabilitation activity will be $30,000.
- The maximum loan amount for homeowners rebuilding from disasters other than Hurricane Rita is $70,000.
- The maximum loan amount for gap financing and down payment assistance is $10,000.

Eligibility Requirement: The applying entity may be for profit or nonprofit organization. The household assisted must be at or below 50% of AMGI.

Administration Fees: The Program would allow for 5% administration costs for the nonprofit.

Other Considerations: This use of funds will achieve leveraging, will serve lower income families, will promote the effort of homeownership and assist those recovering from disasters.

NO APPEALS HAVE BEEN FILED AT THE TIME OF BOARD BOOK POSTING

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
September 13, 2007

Action Item

Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report for CDBG Round 1 Funding relating to housing.

Requested Action

Presentation and discussion of the CDBG Disaster Recovery Status Report for CDBG Round 1 Funding relating to housing.

Background

The Department awarded $40,259,276 to Deep East Texas Council of Governments, Houston-Galveston Area Council, and South East Texas Regional Planning Commission for the administration of housing activities under the CDBG Disaster Recovery Program (Program) on July 28, 2006. Contracts were executed with the COGs in August 2006. The Department has been working closely with COGs since August of 2006 in the administration of the Program.

The activities of the COGs that have occurred since the last Governing Board Meeting held August 23, 2007 are reported below.

Housing Activities as of September 13, 2007

Disaster Recovery Division staff are continuing to work toward improving the commitment and expenditure rate of the Program and to underscore the importance of expediting assistance. Staff developed a daily activity log that is now being utilized by the COGs and analyzed by staff to ensure homes are expeditiously placed on the ground once an applicant has been certified as eligible. Staff has begun a financial analysis to compare administrative expenses with production to date. Once the analysis is complete, a plan of action will be developed. Disaster Recovery Division staff have scheduled the next monthly meeting with the COGs for September 19, 2007 and are planning intensive site visits with each COG for the remainder of 2007 to ensure that the program continues to move forward.

Financial Activity

	Current Budget	Admin $ Drawn To Date	Project $ Drawn To Date	Balance CDBG Funds	% of Funds Disbursed
DETCOG	**$6,745,034.00**	**$205,805.10**	**$0**	**$6,539,228.90**	**3.05%**
H-GAC	**$7,015,706.00**	**$322,041.58**	**$0**	**$6,693,664.42**	**4.59%**
SETRPC	**$26,498,536.00**	**$382,124.90**	**$183,427.87**	**$25,879,931.57**	**2.33%**
SETRPC	$15,788,536.00	$435,176.56	$183,427.87	$15,169,931.57	3.92%
Beaumont	$5,145,000.00	$0.00	$0.00	$5,145,000.00	0.00%
Port Arthur	$5,565,000.00	$0.00	$0.00	$5,565,000.00	0.00%
Totals	**$40,259,276.00**	**$853,698.33**	**$183,427.87**	**$39,112,824.89**	**9.97%**

Project Activity

	# of Applications	# Certified Eligible	# of Contracts Awarded	# of Units Under Contract	# of Assisted Households
DETCOG	**744**	**118**	**5**	**5**	**2**
H-GAC	**256**	**90**	**8**	**8**	**2**
SETRPC	**3012**	**305**	**11**	**3**	**9**
SETRPC	1,569	80	11	3	9
Beaumont	764	93	1	0	0
Port Arthur	679	132	0	0	0
Total	**4,012**	**423**	**24**	**16**	**13**

COG Activity Highlights

Deep East Texas Council of Governments

DETCOG qualified an additional 21 applicants since the last Board Meeting and installed 1 unit, bringing the total number of assisted households in DETCOG to 2.

Houston-Galveston Area Council

H-GAC installed 1 housing unit since the last Board Meeting, bringing the total number of assisted households to 2. H-GAC also submitted 6 project set-ups and placed orders for 9 additional units. Subsequent to TDHCA's receipt of a complete package for the 6 project set-ups, TDHCA will approve the projects and the units can be installed. H-GAC will submit draw requests for the installed units during late September. H-GAC is preparing bid packages for the demolition and reconstruction of 10 stick-built homes that will be released during the month of September.

South East Texas Regional Planning Commission

SETRPC installed 2 manufactured housing units and received approval of 5 additional set-ups since the last Board Meeting. In addition, 2 stick-built units are under construction and 14 additional units have been bid out for demolition and reconstruction of stick-built houses that will be awarded in early September.

OFFICE OF RURAL COMMUNITY AFFAIRS

BOARD ACTION REQUEST
September 13, 2007

Action Item

Presentation and Discussion of the Community Development Block Grant (CDBG) Disaster Recovery Status Report relating to non-housing activities for CDBG Round 1 Funding and infrastructure activities for CDBG Round 2

Requested Action

Presentation and discussion of the ORCA CDBG Disaster Recovery Status Report.

Background

The Office of Rural Community Affairs (ORCA), in partnership with TDHCA, is working to distribute the nonhousing funds totaling $30,537,374 under CDBG Round 1 and $42,000,000 of restoration of critical infrastructure funds in CDBG Round 2.

The TDHCA Governing Board has requested a monthly report item on the status of the CDBG Disaster Recovery Programs. This report item includes the activities of both CDBG Rounds.

NON-HOUSING ACTIVITIES for CDBG Round 1

All available funding for non-housing activities is under contract. Each of the awarded communities has received at least one technical assistance / site visit by ORCA staff. To date, approximately $4,725,871 has been paid to non-housing contractors of which $306,364 or 6.5% is local administrative costs. Approximately 40% of the contracts awarded under CDBG Round 1 have requested draws totaling 15.4% of the non-housing funds. Fifty-six or 60% of the non-housing contracts have completed environmental reviews. Another fourteen or 15% have completed the environmental review on a portion of the contract activities. Procurement of goods and services as approved continues. At least nine contracts totaling $4.7 million are experiencing delays because these projects are Hazard Mitigation Grant Program (HMGP) projects that are not being prioritized by the Federal Emergency Management Agency, and as a result, FEMA funding for the projects is slow in being received by these communities. Forty-three or 47% of the contracts include match for a FEMA program.

ORCA continues a comprehensive "Project Status and Plan/Next Step" initiative to visit all non-housing recipients with outstanding funds available. ORCA Disaster Recovery staff are visiting each city, county, and tribe to discuss the status of the each project, establish the "plan or next step" necessary for communities to submit reimbursements requests to ORCA, and provide any needed technical assistance. This is part of ORCA's enhanced effort to encourage all parties to focus on any impediments the community may be encountering in submitting reimbursement requests to ORCA in a timely manner, combined with additional technical assistance that would benefit the communities.

NON-HOUSING ACTIVITIES for CDBG Round 2

In the August 23rd TDHCA Board Meeting the board approved a $6 million set aside award to Memorial Hermann Baptist Orange Hospital for the purchase of a CT Scan and demolition of areas damaged by Hurricane Rita. Memorial Hermann has begun procurement to acquire the CT Scan. ORCA received 26 applications totaling $73,363,664 for the competitive portion of the Restoration of Critical Infrastructure Program that are currently being reviewed by ORCA staff for recommendation.

Texas Community Development Block Grant Program
Disaster Recovery Awards - Rita
September 2007

Contractor	Total Beneficiaries	Contract Total	Drawn to Date	Available Balance	Local Admin Drawn to Date	Environmental Complete	FEMA Project
Alabama Coushatta Indian Reservation	480	$ 9,512		$ 9,512.00			
Alto	1190	$ 316,600		$ 316,600.00			
Angelina County	80130	$ 379,816	$ 18,186.60	$ 361,629.40	$12,411.60	X	X
Beaumont	26247	$ 1,950,000	$ 37,150.00	$ 1,912,850.00	$37,150.00	X	X
Bevil Oaks	1346	$ 200,000	$ 12,923.10	$ 187,076.90	$ -	P	
Bridge City	8651	$ 300,000	$ 237,724.01	$ 62,275.99	$ -	X	X
Broaddus	210	$ 21,403	$ 778.40	$ 20,624.60	$ 778.40	P	X
Browndell	402	$ 47,900	$ 1,440.00	$ 46,460.00	$ 1,440.00	X	
Carthage	3067	$ 338,600		$ 338,600.00		X	X
Center	5153	$ 184,287		$ 184,287.00		X	X
Chambers County	26301	$ 225,000		$ 225,000.00			X
Chester	274	$ 29,078		$ 29,078.00			
China	1112	$ 200,000		$ 200,000.00		P	
Cleveland	6857	$ 350,000		$ 350,000.00			X
Coldspring	700	$ 15,457		$ 15,457.00		X	
Colmesneil	638	$ 70,006		$ 70,006.00			X
Corrigan	1714	$ 40,924		$ 40,924.00		X	
Cove	301	$ 345,055		$ 345,055.00			
Crockett	7141	$ 189,946		$ 189,946.00			
Cushing	568	$ 9,919		$ 9,919.00		X	
Dayton	5698	$ 188,100		$ 188,100.00			X
Diboll	5470	$ 69,300	$ 2,520.00	$ 66,780.00	$ 2,520.00	X	
Gallatin	394	$ 58,800		$ 58,800.00		P	
Galveston County	2390	$ 350,000		$ 350,000.00		X	X
Garrison	791	$ 13,142		$ 13,142.00			
Goodrich	260	$ 32,500		$ 32,500.00		X	

Grapeland	1293	$ 19,800	$ 720.00	$ 19,080.00	$ 720.00	X	
Groves	15733	$ 500,000		$ 500,000.00		X	X
Groveton	677	$ 28,314	$ 1,029.60	$ 27,284.40		P	
Hardin County	48073	$ 1,050,000	$ 209,850.20	$ 840,149.80	$ 1,029.60	X	X
Hemphill	1209	$ 63,017	$ 24,658.66	$ 38,358.34	$ -	X	X
Henderson	5932	$ 338,600		$ 338,600.00	$ -	X	X
Houston County	23218	$ 218,500	$ 7,400.00	$ 211,100.00	$ 7,400.00	X	
Hudson	3792	$ 72,044		$ 72,044.00		X	X
Huntington	2085	$ 21,583		$ 21,583.00			
Huntsville	23576	$ 350,000		$ 350,000.00		X	
Huxley	982	$ 4,340	$ 3,982.45	$ 357.55	$ -	X	
Jasper	8247	$ 747,133	$ 146,621.53	$ 600,511.47	$ -	X	X
Jasper County	35604	$ 2,270,118	$ 1,859,922.01	$ 410,195.99	$ 62,335.00	X	X
Jefferson	2024	$ 316,600		$ 316,600.00		X	X
Jefferson County	252051	$ 1,500,000		$ 1,500,000.00			X
Joaquin	839	$ 35,200	$ 1,280.00	$ 33,920.00	$ 1,280.00	X	
Kennard	360	$ 38,400	$ 1,160.00	$ 37,240.00	$ 1,160.00	X	
Kirbyville	2085	$ 188,890		$ 188,890.00		P	X
Kountze	1738	$ 210,000	$ 4,000.00	$ 206,000.00	$ 4,000.00	X	
Liberty County	386	$ 350,000	$ 28,157.50	$ 321,842.50	$ 13,170.00	X	X
Livingston	5433	$ 129,194		$ 129,194.00		X	X
Longview	98500	$ 338,997		$ 338,997.00		X	
Lovelady	607	$ 27,500	$ 1,000.00	$ 26,500.00	$ 1,000.00	X	
Lufkin	32709	$ 485,000		$ 485,000.00		X	X
Lumberton	8833	$ 315,000	$ 97,805.00	$ 217,195.00	$ -	X	
Montgomery County	350000	$ 189,202		$ 189,202.00			X
Nacogdoches	29914	$ 158,371		$ 158,371.00		X	X
Nacogdoches County	59203	$ 436,065		$ 436,065.00			
Nederland	17422	$ 500,000		$ 500,000.00		P	
New Waverly	950	$ 100,000	$ 4,050.00	$ 95,950.00	$ 4,050.00	X	
Newton	2459	$ 172,729	$ 133,163.52	$ 39,565.48	$ -		X
Newton County	15072	$ 877,654	$ 103,979.49	$ 773,674.51	$ -		X
Nome	515	$ 100,000		$ 100,000.00		P	
Onalaska	1174	$ 28,050	$ 10,740.00	$ 17,310.00	$ 1,020.00	X	

Orange	4707	$	750,000	$ 97,250.67	$ 652,749.33	$ -	X	
Orange County	84966	$	1,200,000		$ 1,200,000.00			X
Panorama Village	1965	$	72,760		$ 72,760.00		P	X
Pine Forest	652	$	100,000		$ 100,000.00		P	
Pinehurst	2274	$	200,000		$ 200,000.00		P	
Pineland	980	$	56,100	$ 2,040.00	$ 54,060.00	$ 2,040.00	X	
Point Blank	559	$	12,504		$ 12,504.00		X	
Polk County	46397	$	886,854		$ 886,854.00		X	
Port Arthur	57023	$	1,500,000	$ 1,187,487.47	$ 312,512.53	$ -	X	X
Port Neches	13601	$	500,000		$ 500,000.00		X	X
Rose City	519	$	100,000		$ 100,000.00		P	
Rusk	640	$	291,800		$ 291,800.00			
Sabine County	10469	$	473,140		$ 473,140.00		X	
San Augustine	2678	$	111,100	$ 4,040.00	$ 107,060.00	$ 4,040.00	X	
San Augustine County	4715	$	236,765		$ 236,765.00		X	
San Jacinto County	22246	$	478,669		$ 478,669.00			
Shelby County	25224	$	221,699	$ 21,334.40	$ 200,364.60	$ 7,334.40	X	X
Shepherd	2029	$	48,300	$ 3,100.00	$ 45,200.00	$ 1,520.00	X	
Silsbee	6398	$	315,000		$ 315,000.00		P	X
Sour Lake	1667	$	210,000	$ 35,880.00	$ 174,120.00	$ -	X	X
Splendora	1275	$	350,000		$ 350,000.00			X
Surfside Beach	450	$	130,000	$ 108,570.68	$ 21,429.32	$ -	X	
Taylor Landing	265	$	50,000		$ 50,000.00		X	X
Timpson	1094	$	14,173		$ 14,173.00		X	
Trinity County	13779	$	267,300	$ 9,720.00	$ 257,580.00	$ 9,720.00	X	X
Tyler County	20871	$	1,918,920		$ 1,918,920.00		P	X
Vidor	11440	$	500,000	$ 176,279.54	$ 323,720.46	$ 9,280.00	X	X
Walker County	2600	$	396,930	$ 8,960.62	$ 387,969.38		X	X
West Orange	4111	$	200,000		$ 200,000.00		X	
Willis	4028	$	219,109		$ 219,109.00			X
Woodville	2415	$	264,993		$ 264,993.00			
Zavalla	701	$	52,600	$ 1,640.00	$ 50,960.00	$ 1,640.00	X	X
Deep East TX Council of Governments		$	100,000	$ 41,523.52	$ 58,476.48	$ 41,523.52		

East TX Council of Governments		$ 50,000	$ 50,000.00	$ -	$ 50,000.00
Houston-Galveston Area Council of Governments		$ 74,556	$ 21,578.03	$ 52,977.97	$ 21,578.03
South East TX Regional Planning Commission		$ 18,656	$ 6,224.00	$ 12,432.00	$ 6,224.00
Total:	**1,592,918**	**$ 30,845,074**	**$ 4,725,871**	**$ 25,761,703**	**$ 306,365**

P = environmental partially complete

DISASTER RECOVERY DIVISION

BOARD ACTION
September 13, 2007

Action Item

Presentation, Discussion and Possible Award of Community Development Block Grant (CDBG) Disaster Recovery Multifamily Rental Applications

Requested Action

Approve, deny, or approve with amendments a list of recommended applications for awards of CDBG Disaster Recovery Funds from the Rental Housing Stock Restoration Program.

Background

The Partial Action Plan for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding was approved by the Governing Board February 1, 2007 and was forwarded to the Department of Housing and Urban Development (HUD) for approval. The total funding allocation is $428,671,849. Under the General Use of Funds and Funding Allocation is a line item activity for Rental Housing Stock Restoration Program. Pursuant to the HUD NOFA, the available funding for this activity is $82,867,166. These funds are proposed to be made available in the form of grant or loan to the owners of affordable rental properties that were damaged by Hurricane Rita for repair, rehabilitation and reconstruction (including demolition, site clearance, and remediation). The affected housing must be in one of the 22 counties directly affected by Hurricane Rita and designated in the State CDBG Action Plan. A minimum of 51% of the funds to each property are to be used for affordable rental housing for low/moderate-income Texans earning 80 percent or less of the Area Median Family Income (AMFI).

On April 13, 2007, the Board approved a CDBG Multifamily Rental Notice of Funding Availability (NOFA) for $82,867,166 for this CDBG Disaster Recovery Fund for the Rental Housing Stock Restoration Program. On July 26, 2007, the Applications were due. The Department received 9 applications for a total of $130,470,166. Since initial submission, 1 application withdrew and 1 application was terminated. The 7 active applications total $109,484,278.

The NOFA was designed to encourage participation and provided a simple scoring method. All of the competitive applications submitted received the same final score (130). Pursuant to §10(a) of the NOFA, in the event of a tie, the Department must utilize the tie-breakers in the order presented to determine which Development will receive a preference in consideration for an award. The Department reserves the right to recommend a partial funding amount, or an amount that is higher than the request, in order to ensure feasibility. Therefore, staff's award recommendations were made utilizing the first-tier tie-breaker outlined in §10(a)(i) of the NOFA, which says, "i) Greatest increase to the affordable housing stock- developments that put the most unoccupied units into service or upgrade the most substandard units will be funded...."

In an effort to fairly evaluate the applications under this tie-breaker, staff issued a deficiency notice to all active applicants, and requested that they identify the total number of unoccupied and/or upgraded substandard units that your application will put into service, and also provide evidence that substantiates numbers submitted. The final unit totals from the tie-breaker were used to determine staff's recommendations for CDBG Multifamily awards.

Staff recommends 5 of the 7 active applications, in an amount of $81,147,333, contingent on any underwriting appeals received. The recommended amount is $1,719,833 under the available $82,867,166 for TDHCA rental awards, which allows available funds in the event that underwriting appeals are received and approved.

The CDBG Disaster Recovery Fund Rental Housing Stock Restoration Program staff recommendations are presented behind this Action Item in *Report 1: CDBG Disaster Recovery Fund Rental Housing Stock Restoration Program Recommendations* (the report reflects all applications received and are sorted by recommendation status). Behind this report, the following information is included, in Development Number order for all active applications.

- Real Estate Analysis Underwriting Report
- Portfolio Management and Compliance Applicant Evaluation
- Letters of Support and/or Opposition

Staff Recommendation: Staff recommends the Board award CDBG Disaster Recovery Funds from the Rental Housing Stock Restoration Program as recommended presented.

Report 1: 2007 CDBG Disaster Recovery Rental Application Award Recommendations - September 13, 2007

Sorted by Recommendation Status and Tie Breaker Criteria [1]

Allocation Available for CDBG Disaster Recovery Rental Funds: $82,867,166

File #	Development Name	Address	City	County	LI Units	Total Units	Housing Activity	Requested CDBG Funds:	Owner Contact	Self Score	Tie Breaker Units 1	Award Comment [2]	Award Rec?	REA Award Rec:
07901	Pointe North	3710 Magnolia	Beaumont	Jefferson	158	158	Reconstruction	$14,435,145	Robert Reyna	130	158	Wins Tie-Breaker	☑	$13,778,332
07902	Gulfbeeze Plaza I & II	5200 Gulfway Drive & 5801 Twin City Highway	Port Arthur	Jefferson	234	234	Reconstruction	$22,700,000	Seledonio Quesada	130	152	Wins Tie-Breaker	☑	$22,347,827
07905	Orange Navy Homes	90 W. Dewey Avenue	Orange	Orange	115	115	Reconstruction	$14,829,394	K.T. (Ike) Akbari	130	115	Wins Tie-Breaker	☑	$14,189,439
07903	Brittany Place Homes II	3500 Normandy and 25 acres at Ray Avenue, Port Arthur Area	Port Arthur	Jefferson	196	196	Reconstruction	$24,350,000	Saleem Jafar or Bill Fisher	130	104	Wins Tie-Breaker	☑	$24,124,201
07907	Virginia Estates	2250 W. Virginia St	Beaumont	Jefferson	110	110	Rehabilitation	$8,127,830	K.T. (Ike) Akbari	130	49	Wins Tie-Breaker	☑	$6,707,534
5	**Total Applications**				**813**	**813**		**$84,442,369**						**$81,147,333**
07906	Sunlight Manor	2920 South 8th Street	Beaumont	Jefferson	120	120	Rehabilitation	$8,336,649	K.T. (Ike) Akbari	130	45	Loses Tie-Breaker	☐	$0
07908	Carver Terrace Townhomes	46th St (near Twin City Highway)	Port Arthur	Jefferson	180	180	Reconstruction	$16,705,260	K.T. (Ike) Akbari	130	33	Loses Tie-Breaker	☐	$0
07904	Brittany Place Homes I	3500 Normandy	Port Arthur	Jefferson	120	120	Reconstruction	$11,980,060	Saleem Jafar or Bill Fisher	130	0	Withdrawn	☐	$0
07909	Royal Oak Apartment Homes	130 West Highway 365	Port Arthur	Jefferson	60	60	Reconstruction	$9,005,828	Charlene Gowers	130	0	Terminated	☐	$0
4	**Total Applications**				**480**	**480**		**$46,027,797**						**$0**
9	**Total Applications Received**						**Total Requested Funds =**	**$130,470,166**				**Total Award Recommendation =**		**$81,147,333**

1 = TIE BREAKER UNITS = Total Unoccupied + Substandard Units: Note: All of the competitive applications submitted received the same final score (130). Therefore, staff's award recommendations were made utilizing the first-tier tie-breaker outlined in the CDBG Multifamily Rental NOFA. Pursuant to §10(a)(i) of the NOFA, "The Department will utilize the factors in this paragraph, in the order they are presented, to determine which Development will receive a preference in consideration for an award. The Department may also recommend a partial funding recommendation... i) Greatest increase to the affordable housing stock- developments that put the most unoccupied units into service or upgrade the most substandard units will be funded...."

In an effort to fairly evaluate the tie-breaker, staff issued a deficiency notice to all active applicants, and requested that they identify the total number of unoccupied and/or upgraded substandard units that your application will put into service, and also provide evidence that substantiates numbers submitted. The numbers under this column reflect the information submitted by the applicant, and were used to determine staff's recommendations for CDBG Multifamily awards.

2 = Award Comment = Reason for staff's recommendation.

Underwriting and PMC Report

07901 – Pointe North

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/04/07 PROGRAM: CDBG Disaster Relief FILE NUMBER: **07901**

This underwriting report has been modified in scope due to the uniqueness of the CDBG Disaster Recovery Program application and funding requirements. This report describes the general characteristics of the development and focuses on the information available regarding the reconstruction or rehabilitation costs and the 5 year viability of the development as proposed and per the funding source guidelines. The scope limitations include not fully evaluating or making recommendations based upon potential events beyond the initial 5 year period.

DEVELOPMENT

Pointe North

Location: 3710 Magnolia Region: 5

City: Beaumont County: Jefferson Zip: 77703 [x] QCT [x] DDA

Key Attributes: Family, Reconstruction, Urban/Exurban

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Disaster Relief	$14,435,145	Grant		**$13,778,332**	**TBD***	

*Short term forgiveness of the loan may have a significant impact on the viability of property owners as continued owners.

CONDITIONS

1 Receipt, review, and acceptance prior to demolition and start of construction of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a survey for asbestos containing materials, lead based paint, and lead in drinking water.
2 Receipt, review, and acceptance, prior to drawing any funds, of a HUD-approved application for demolition or disposition.
3 Receipt, review, and acceptance, by carryover of documentation of a Development Based Operating Subsidy Agreement from the Housing Authority.
4 Receipt, review, and acceptance of updated surveys indicating all easements/right-of-ways Per Schedule B, Exhibit B, Items 3 & 6 of the title commitment.
5 Receipt review and acceptance of the release of the awarded 2007 9% tax credits for the property.
6 Receipt review and acceptance of clarification of the ownership structure and the requested method of funding from the Applicant.
7 Should the terms and rates of the proposed debt, HOPE VI, or operating assistance payment agreement change prior to completion, the transaction should be re-evaluated and an adjustment to the recommended award amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
80% of AMI	High HOME	150

5

PROS	CONS
▫ Development represents the reconstruction of 53 year old public housing development.	▫ The development will result in the, at least temporary, elimination or ultimate relocation of funding for 116 public housing units.
▫ The development plan calls for the continuation of 79 public housing units on the site to potentially help serve the lowest income levels in the community.	▫ The Underwriter's capture rate by unit type suggests that 2 bedroom units targeting High Home rent households may be saturated.

PREVIOUS UNDERWRITING REPORTS

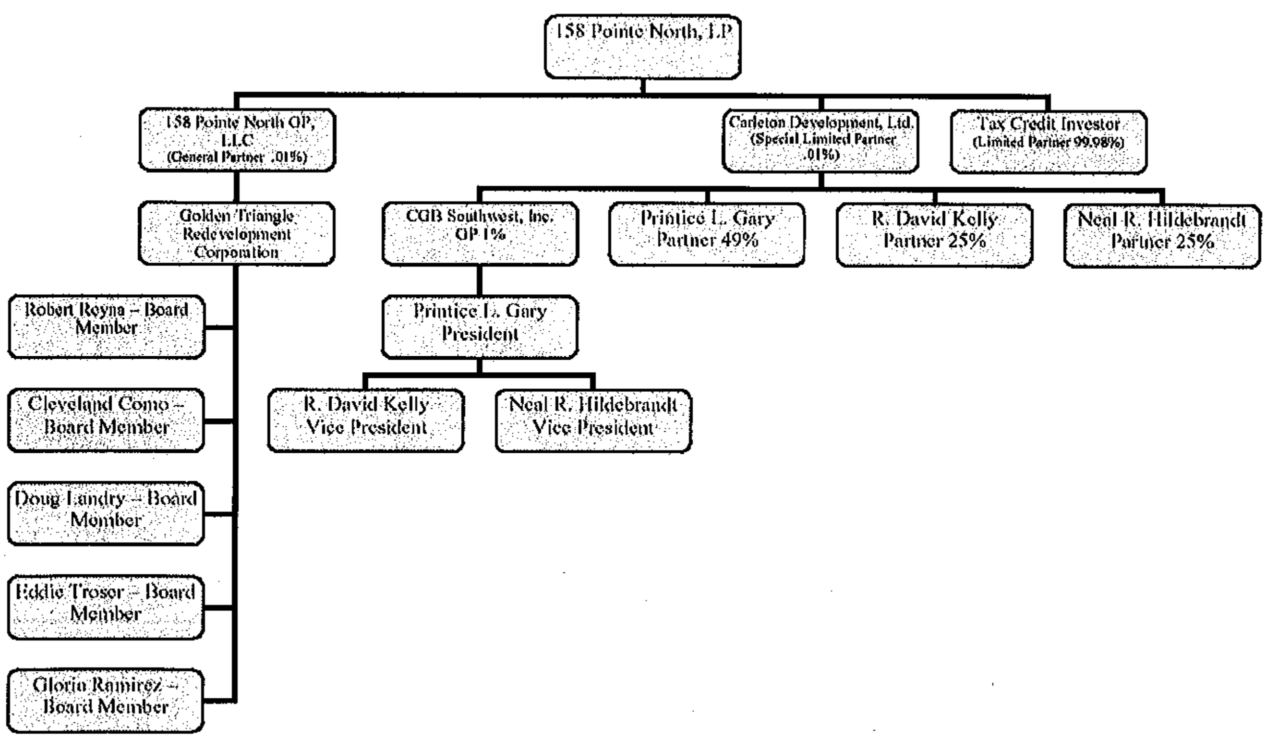
Pointe North (TDHCA #07162) was submitted and underwritten as a forward commitment during the 2007 9% HTC cycle. The underwriting analysis recommended the project be approved subject to the following conditions:

1. Receipt, review, and acceptance prior to demolition and start of construction of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a survey for asbestos containing materials, lead based paint, and lead in drinking water.
2. Receipt, review, and acceptance, by the 10% test, of a HUD-approved application for demolition or disposition.
3. Receipt, review, and acceptance, by carryover of documentation of a Development Based Operating Subsidy Agreement from the Housing Authority.
4. Receipt, review, and acceptance of updated surveys indicating all easements/right-of-ways Per Schedule B, Exhibit B, Items 3 & 6 of the title commitment.
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 allocation amount may be warranted.

The Board approved an allocation of tax credits for the property subject to underwriting, but the underwriting report was delayed and therefore has not yet executed the pending tax credit commitment. The CDBG funding would be duplicative funding and therefore this report is conditioned upon receipt, review and acceptance of the release of the awarded 2007 9% tax credits for the property.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Robert Reyna Phone: 409-951-7200 Fax: 409-951-7275
Email: Reynao@bmtha.org

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments
158 Pointe North, GP	N/A		0
Carleton Development, Ltd.	$3.1M	$3.0M	12
R. David Kelley	Confidential		12
Neal Hildebrandt	Confidential		12
Printice Gray	Confidential		14

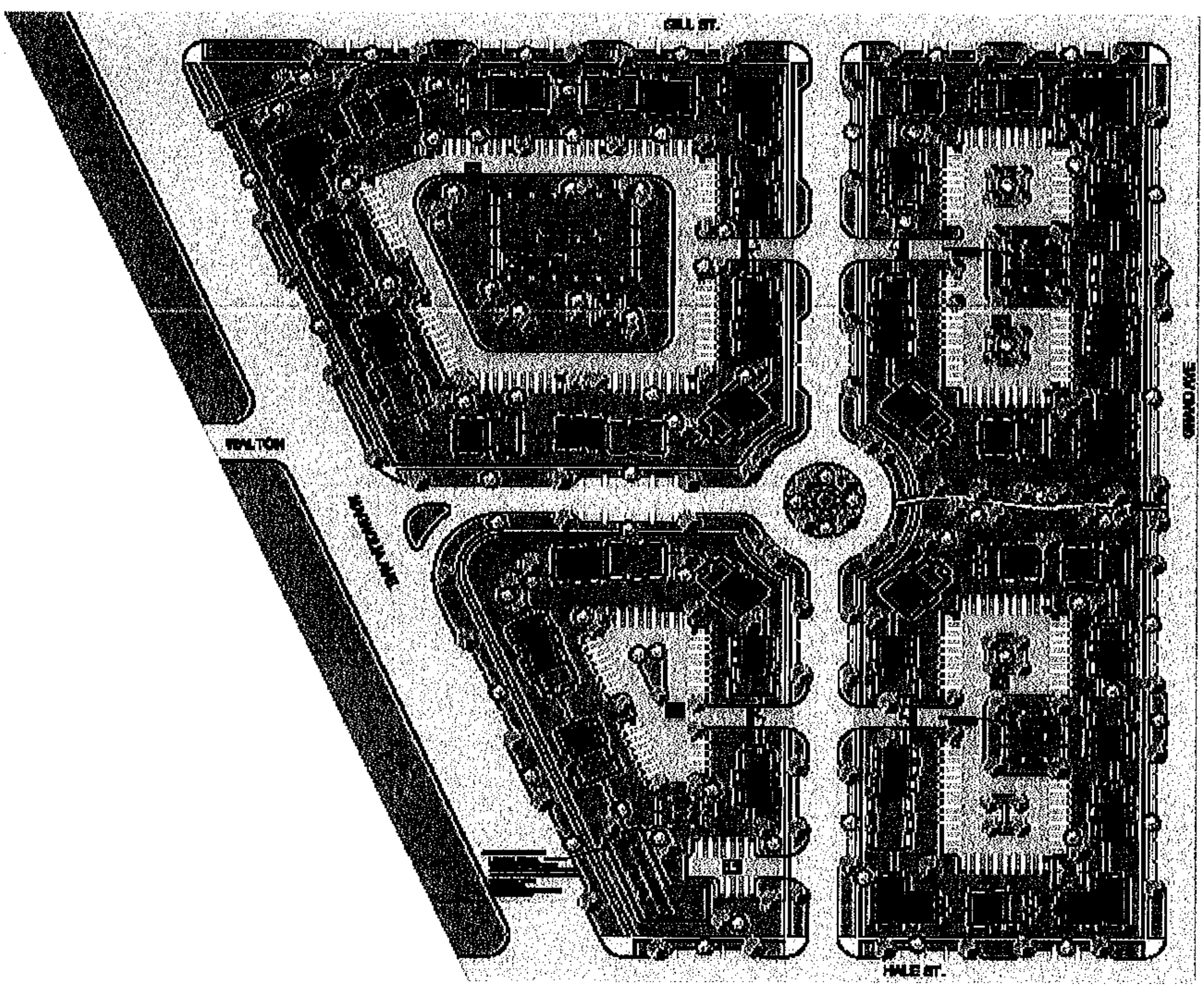
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, and supportive services provider are related entities. These are common relationships for *TDHCA-funded* developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III	IV	V						Total Buildings
Floors/Stories	2	2	2	2	2						
Number	6	5	12	10	6						**39**

BR/BA	SF	Units										Total Units	Total SF
1/1	727	2		1								24	17,448
2/1	919	4	1									29	26,651
2/1.5	1,016		1	1	2	3						55	55,880
3/2	1,251				1							10	12,510
3/1.5	1,335		2	1		3						40	53,400
Units per Building		6	4	3	3	6						**158**	**165,889**

The property is currently improved with a vacant 195-unit, 100% Public Housing development constructed in 1954. The Applicant indicates that the current property, Magnolia Gardens sustained damages from the Hurricane back in 2005, and is a contributing factor in the need for reconstruction. The Applicant has proposed demolition of the existing structures and construction of 33 new residential buildings each with three to six two story townhome units and 6 conventional garden style residential buildings.

Seventy-nine of the 158 proposed units will be public housing units (PHUs) receiving an operating subsidy. ***The Applicant did not provide a Development Based Operating Subsidy Agreement, but rather indicates that the Housing Authority will not enter into any type of agreement on the subject until they are able to know for sure that the deal will go forward.*** Furthermore, the Applicant has indicated a portion of the HOPE VI grant funds have been used to relocate all current tenants and upon completion of the renovations, tenants will be relocated back to the newly reconstructed development. The Applicant has included the value of this in-kind assistance as a use of funds in the development cost schedule and as a source of funds.

SITE ISSUES

Total Size: 16 acres — Scattered site? ☐ Yes ☒ No

Flood Zone: Zone X — Within 100-yr floodplain? ☐ Yes ☒ No

Zoning: GC-MD and RM-H — Needs to be re-zoned? ☐ Yes ☒ No ☐ N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff, TDHCA Staff Date: 4/25/2007

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Gill Street, vacant property and homes

South: Hale Street, vacant property and homes

East: Grand Street, and homes

West: Magnolia Street, vacant property and homes

Comments:

The inspector provided an overall assessment of the site of acceptable; but an assessment of questionable on the acquisition/rehabilitation of the existing structures based upon their current state of disrepair. This concern will be mitigated with the reconstruction of the development whereby all structures on the site are to be demolished, including the foundations and the Applicant will re-start from the ground up pouring new foundations and building new buildings and facilities.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Alpha Testing, Inc. Date: 3/21/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "This assessment has revealed evidence of recognized environmental conditions in connection with the Site. The presence of a gasoline station facility located adjoining and topographically up-gradient to the Site for at least 23 years constitute a REC.

  ALPHA recommends an Environmental Site Investigation (ESI) be performed to evaluate the presence of petroleum hydrocarbons (TPHs), benzene, toluene, ethyl benzene and xylenses (BTEX) and methyl-tertiary-butyl-ether (MTBE) in the on-site soil and groundwater as a result of a potential release from the northwest adjourning gasoline station facility.

  If the on-site structures are scheduled for renovation or demolition, a comprehensive asbestos survey must be performed by a State of Texas licensed and EPA accredited asbestos inspector in accordance with Texas Asbestos Health Protection Rules and the EPA's NESHAP regulation (40 CFR Part 61) prior to the initiation of renovation or demolition in activities.

  In order to evaluate the presence or absence of lead-based paint at the Site, a lead based paint inspection would be required.

  In order to evaluate the presence or absence of lead in the on-site drinking water supply, a lead-in-drinking water assessment would be required.
- In order to further evaluate noise levels for the Site, an on-site noise assessment would be required. " (p. 26)

Comments:

Receipt, review, and acceptance prior to demolition and start of construction of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a survey for asbestos containing materials, lead based paint, and lead in drinking water is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Date: 2/27/2007

Contact: Charles Bissell & Keri Curtis Phone: (972) 960-1222 Fax: (972) 960-2922

Number of Revisions: 1 Date of Last Applicant Revision: 7/23/2007

Primary Market Area (PMA): 55.5 square miles ~ 4.22 mile radius

Per a request from the Underwriter to reconcile the market area such that it does not exceed the Department's maximum guideline of no more than 100,000 people for Developments targeting the general population, as defined in §1.33(d)(8) of the 2007 REA Rules and Guidelines, the Market Analyst submitted the following revised PMA; "We consider the primary market area (PMA) for the subject to be zip codes that make up the majority of the Beaumont City Limits." (Addendum) The subject zip codes are 77701, 77702, 77703, 77706, 77707, 77708 and 77710.

Secondary Market Area (SMA):

The Market Analyst did not specify a secondary market area.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Twelve Oaks	060092	70	0	No Secondary Market			
Beaumont Lofts	060202	36	36				
Timber Creek Sienna Trails	060239	36	36				
Stone Hearst	04228/060248	104	104				
Regent I	07416	160	160				
Sunlight Manor	07189	120	0				

INCOME LIMITS						
Jefferson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$10,650	$12,150	$13,700	$15,200	$16,400	$17,650
60	$21,240	$24,300	$27,300	$30,360	$32,760	$35,220

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	322	-1		321	2		1%
1 BR/High HOME Rent Limit	276	-1		275	10		4%
2 BR/30% Rent Limit	99	0		99	25		25%
1 BR/High HOME Rent Limit	76	0		76	16		21%
3 BR/30% Rent Limit	235	-1		234	33		14%
1 BR/High HOME Rent Limit	213	-1		212	23		11%

UNDERWRITER'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	322	-1		321	2	4	2%
1 BR/High HOME Rent Limit	276	-1		275	10	21	11%
2 BR/30% Rent Limit	99	0		99	25	0	25%
1 BR/High HOME Rent Limit	76	0		76	16	107	162%
3 BR/30% Rent Limit	235	-1		234	33	2	15%
1 BR/High HOME Rent Limit	213	-1		212	23	72	45%

OVERALL DEMAND					
	Target Households	Household Size	Income Eligible	Tenure	Demand
PMA DEMAND from TURNOVER					
Market Analyst p. Add. 27	34,682				1,221
Underwriter	100% 34,556	96% 33,222	41% 13,559	39% 5,242	50% 2,621
PMA DEMAND from HOUSEHOLD GROWTH					
Market Analyst p. Add. 27					-4
Underwriter		96% -73	41% -29	39% -11	100% -11

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. Add. 27	158	0	0	158	1,217	12.98%
Underwriter	158	336	0	494	2,610	18.93%

The Underwriter was not able to corroborate the Market Analyst's calculations but independently evaluated demand for the subject and found the revised inclusive capture rate to be acceptable at 20.65%.

Primary Market Occupancy Rates:

Average occupancy for all properties within the PMA is 98%. (Addendum p. 7)

Absorption Projections:

"No new projects have recently been completed within the PMA. Thus, we are unable to analyze absorption trends specific to the PMA. Based on our Demand Analysis, a new project, the size of the subject as proposed with 158 units, is likely to be absorbed within 24 months of opening, equating to an absorption pace of approximately 6 to 7 units per month." (Addendum p. 11)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market	Underwriting Rent	Savings Over Market
1 BR 727 SF 30%	$212	$211	$750	$211	$539
1 BR 727 SF 60%	$300	$422	$750	$300	$450
1 BR 727 SF 60%	$423	$422	$750	$422	$328
2 BR 919 SF 30%	$244	$244	$815	$244	$571
2 BR 919 SF 60%	$300	$495	$815	$300	$515
2 BR 919 SF 60%	$495	$495	$815	$495	$320
2 BR 1,016 SF 30%	$244	$244	$850	$244	$606
2 BR 1,016 SF 60%	$300	$495	$850	$300	$550
2 BR 1,016 SF 60%	$495	$495	$850	$300	$550
3 BR 1,251 SF 30%	$273	$273	$950	$273	$677
3 BR 1,251 SF 60%	$300	$613	$950	$300	$650
3 BR 1,251 SF 60%	$613	$613	$950	$613	$337
3 BR 1,335 SF 30%	$273	$273	$1,000	$273	$727
3 BR 1,335 SF 60%	$300	$613	$1,000	$300	$700
3 BR 1,335 SF 60%	$613	$613	$1,000	$613	$387

Market Impact:

The market impact from the reconstruction of the subject units should be minimal due to the high occupancy and strong demand for affordable housing in the market.

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 8/30/2007

As stated above, the Applicant has not provided an Operating Subsidy Agreement as it does not currently exist for the subject development. Therefore, there is nothing to substantiate the amount of the anticipated operating subsidy. Generally, under such an agreement, the Housing Authority agrees to an annual operating subsidy equal to the difference between operating expenses for the units and the amount of rent paid by tenants but in no event shall it exceed the operating subsidy paid to the Housing Authority by HUD. However, based on past experience with public housing units (PHUs), the Underwriter has assumed the subsidy will be equal to the PHUs' prorated share of expenses less the tenant contribution and that no debt can be serviced by the PHUs.

Receipt, review, and acceptance, by carryover, of a HUD-approved application for demolition or disposition and documentation of a Development Based Operating Subsidy Agreement from the Housing Authority are conditions of this report.

The Applicant limited the number of 30% units in this application for CDBG funds to less than the number of PHUs. Moreover CDBG staff has indicated that the total amount of rent and subsidy collected for 30% units can not exceed the calculated 30% rent limit rent and the Underwriting reflects this lower amount of rent for the 30% units. For the non-PHU 80% CDBG units, the Underwriter utilized projected rents at $300 as proposed by the Applicant, which is less than the High HOME rents and less than the prorata operating expense.

The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines. However, as indicated above, the Underwriter anticipates that the PHUs will operate at an occupancy level of 100%. Therefore, the Underwriter's estimate of Vacancy and Collection Loss has been changed to reflect a standard rate of 7.5% of potential gross income only for the units that will not operate as PHUs and 0% for the PHUs. This change results in a total vacancy and collection loss rate of 4.24% of the development's potential gross income. In addition, the Underwriter's assumptions include an additional monthly operating subsidy which allows these units to cover only operating expenses. This calculation is in accordance with methodology used by other Texas Housing Authorities proposing mixed public housing and tax credit units. Despite to these differences, effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 8/30/2007

The Applicant's total annual operating expense projection at $3,481 per unit is not within 5% of the Underwriter's estimate of $3,691, derived from, the TDHCA database, and third-party data sources. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: General & Administrative ($18.5K lower), Payroll and Payroll Tax ($53K lower), and Repairs & Maintenance ($27.5K higher).

Furthermore, the Underwriter is assuming the 100% property tax exemption proposed by the Applicant, which will be achieved through a long-term lease of the property by the Applicant from the Beaumont Housing Authority.

Conclusion:

The Applicant's operating expenses, and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) below the current underwriting minimum guideline of 1.15. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 through the five year affordability period and only turns below the 1.15 minimum in year 20. This is because both the Applicant and Underwriter's proforma reflect an expense to income ratio well above the 65% maximum guideline in 10TAC §1.32(i)(4). The rule allows for mitigation of both concerns in the form of an ongoing operating subsidy. Therefore, with the proposed operating subsidy, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Integra Realty Date: 3/2/2007

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Land Only:	15.5 acres	$500,000	As of:	2/16/2007
Existing Buildings: (as-is)		N/A	As of:	2/16/2007
Total Development: (as-is)		$500,000	As of:	2/16/2007

ASSESSED VALUE

Land Only:	acres	$0	Tax Year:	2006
Existing Buildings:		$0	Valuation by:	Jefferson CAD
Total Assessed Value:		EXEMPT	Tax Rate:	2.727382

EVIDENCE of PROPERTY CONTROL

Type: Option Agreement		Acreage: 17	
Contract Expiration: 12/31/2007	Valid Through Board Date?	[x] Yes	[ ] No
Acquisition Cost: $0	Other: Lease structure: $100 per year for 99 years		
Seller: Beaumont Housing Authority	Related to Development Team?	[x] Yes	[ ] No

TITLE

Comments:

The title commitment identifies a number of easements/right-of-ways that do not appear to be shown on the surveys provided. Therefore, receipt, review, and acceptance of updated surveys indicating all easements/right-of-ways (Schedule B, Exhibit B, Items 3 & 6 of the title commitment) is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 8/30/2007

Acquisition Value:

The subject 15.49 acres is a part of the original site containing 16 acres that is currently owned by the Beaumont Housing Authority, sole owner of the general partner; therefore, the Applicant nor the Underwriter has included any acquisition cost in the total development cost.

Sitework Cost:

The Applicant's claimed sitework costs of $8,394 per unit are within current Department guidelines. Therefore, further third party substantiation is not required. This site work estimate is 13% higher than that which was proposed in the 9% tax credit application.

Direct Construction Cost:

The Applicant's revised direct construction cost estimate is $558K or 6% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. The Applicant's estimate here is 3% higher than it was for the 9% tax credit application. Overall the total hard costs are 4% higher than they were in the tax credit application. The Underwriter has not discerned any difference in the design or construction plan that would justify such a difference. In fact the only difference that could be discerned is a slightly lesser patio square footage which has the effect of reducing costs slightly.

Contingency & Fees:

The Applicant's ***developer's fees*** for general requirements, general and administrative expenses, and profit exceed the maximums allowed by TDHCA underwriting guidelines. Moreover with the Underwriter's lower construction costs, contractor fees also appear to be overstated compared to the Underwriter's estimate.

Reserves:

Based on the lender's knowledge of the BHA's experience, there is no standard guarantor-supported structure by which they typically base a reserve requirement and any support for the development is covered by the project itself; therefore, the initial reserve requirement is significantly larger than the norm. After correspondence with the both the Applicant and the lender, it was determined that reserves will include: a $100K lease-up reserve, a $350K operating reserve and a $508,032 escrow reserve.

Conclusion:

The Applicant's total development cost is not within 5% of the Underwriter's estimate; therefore, the Underwriter's cost schedule will be used to determine the development's need for permanent funds.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: Housing Authority of Beaumont Type: **HOPE VI**

Principal: $1,642,324 Interest Rate: N/A ☐ Fixed Term: N/A months

Comments:

Proceeds will go to pay for demolition costs, relocation of residents, and provide equity for the reconstruction of the public housing units.

Source: Red Capital Type: **Interim to Permanent Financing**

Permanent: $1,599,321 Interest Rate: 8.25% ☒ Fixed Amort: 360 months

Comments:

Both the construction and permanent loan rate are to be equivalent to 1-month LIBOR + 250 bps or Prime which would be just under 8% currently. The Underwriter utilized the more conservative rate estimate proposed by the Applicant of 8.25% (Prime) in this analysis.

Source: TDHCA CDBG Disaster Recovery Type: **Grant**

Principal: $14,435,145

Comments:

The Applicant has requested a grant up front presumably based on an alternative project ownership structure which more predominantly includes the Housing Authority or on delivery of the award to the Housing Authority which in turn would loan the funds the applicant. Receipt review and acceptance of clarification of the ownership structure and the requested method of funding from the Applicant.

CONCLUSIONS

Recommended Financing Structure:

As discussed above, the Underwriter's operating proforma suggests that the proposed debt can not be serviced at an acceptable margin. The Underwriter's analysis indicates that the maximum permanent debt that can be repaid is $1,184,974 given the terms provided. The Underwriter's total development cost estimate less the adjusted permanent loan of $1,184,974, $1,642,324 in HOPE VI grant funds, and $13,778,332 in CDBG funds indicates that no additional funds will be needed.

The CDBG award amount is below the 221(d)(3) limit for this project.

Underwriter:	Diamond Unique Thompson	Date:	September 4, 2007
Director of Real Estate Analysis:	Tom Gouris	Date:	September 4, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Pointe North, Beaumont, CDBG Disaster Relief #07901

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
CDBG 30%	PHU	2	1	1	727	$285	$211	$422	$0.29	$74.00	$32.00
CDBG 60%	PHU	10	1	1	727	$496	300	3,000	0.41	74.00	32.00
CDBG 60%		12	1	1	727	$496	422	5,064	0.58	74.00	32.00
CDBG 30%	PHU	2	2	2	919	$342	244	488	0.27	98.00	37.00
CDBG 60%	PHU	13	2	1	919	$593	300	3,900	0.33	98.00	37.00
CDBG 60%		14	2	1	919	$593	495	6,930	0.54	98.00	37.00
CDBG 30%	PHU	2	2	1.5	1,016	$342	244	488	0.24	98.00	37.00
CDBG 60%	PHU	22	2	1.5	1,016	$593	300	6,600	0.30	98.00	37.00
CDBG 60%		31	2	1.5	1,016	$593	300	9,300	0.30	98.00	37.00
CDBG 30%	PHU	1	3	2	1,251	$395	273	273	0.22	122.00	41.00
CDBG 60%	PHU	3	3	2	1,251	$735	300	900	0.24	122.00	41.00
CDBG 60%		6	3	2	1,251	$735	613	3,678	0.49	122.00	41.00
CDBG 30%	PHU	1	3	1.5	1,335	$395	273	273	0.20	122.00	41.00
CDBG 60%	PHU	23	3	1.5	1,335	$735	300	6,900	0.22	122.00	41.00
CDBG 60%		16	3	1.5	1,335	$735	613	9,808	0.46	122.00	41.00
TOTAL:		158		AVERAGE:	1,050		$367	$58,024	$0.35	$101.95	$37.51

INCOME	Total Net Rentable Sq Ft:	165,889		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$696,288	$768,996	Jefferson		5
Secondary Income		Per Unit Per Month:	$15.00	28,440	28,440	$15.00	Per Unit Per Month	
Other Support Income: PHU Subsidy				12,683	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$737,411	$797,436			
Vacancy & Collection Loss		% of Potential Gross Income:	-4.24%	(31,302)	(59,808)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$706,109	$737,628			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		8.35%	$373	0.36	$58,933	$40,400	$0.24	$256	5.48%
Management		5.00%	223	0.21	35,305	36,881	0.22	233	5.00%
Payroll & Payroll Tax		20.77%	928	0.88	146,689	93,600	0.56	592	12.69%
Repairs & Maintenance		11.27%	504	0.48	79,590	107,100	0.65	678	14.52%
Utilities		6.63%	296	0.28	46,845	54,978	0.33	348	7.45%
Water, Sewer, & Trash		9.36%	419	0.40	66,199	57,222	0.34	362	7.76%
Property Insurance		13.43%	600	0.57	94,800	105,000	0.63	665	14.23%
Property Tax	2.727382	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		5.59%	250	0.24	39,500	39,500	0.24	250	5.36%
TDHCA Compliance Fees		0.00%	0	0.00	0		0.00	0	0.00%
Other: Sup. Servs		2.18%	97	0.09	15,360	15,360	0.09	97	2.08%
TOTAL EXPENSES		82.60%	$3,691	$3.52	$583,222	$550,041	$3.32	$3,481	74.57%
NET OPERATING INC		17.40%	$778	$0.74	$122,887	$187,587	$1.13	$1,187	25.43%
DEBT SERVICE									
First Lien Mortgage		20.42%	$913	$0.87	$144,182	$142,499	$0.86	$902	19.32%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		-3.02%	($135)	($0.13)	($21,295)	$45,087	$0.27	$285	6.11%
AGGREGATE DEBT COVERAGE RATIO					0.85	1.32			
RECOMMENDED DEBT COVERAGE RATIO					1.18				

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)		0.00%	$0	$0.00	$0	$0	$0.00	$0	0.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.99%	8,394	7.99	1,326,199	1,326,199	7.99	8,394	7.50%
Direct Construction		53.29%	56,010	53.35	8,849,564	9,407,802	56.71	59,543	53.22%
Contingency	5.00%	3.06%	3,220	3.07	508,788	685,275	4.13	4,337	3.88%
Contractor's Fees	14.00%	8.58%	9,016	8.59	1,424,607	1,500,309	9.04	9,496	8.49%
Indirect Construction		7.00%	7,354	7.00	1,162,000	1,162,000	7.00	7,354	6.57%
Ineligible Costs		0.00%	0	0.00	0		0.00	0	0.00%
Developer's Fees	15.00%	12.31%	12,943	12.33	2,044,935	2,305,668	13.90	14,593	13.04%
Interim Financing		2.18%	2,290	2.18	361,744	361,744	2.18	2,290	2.05%
Reserves		5.59%	5,872	5.59	927,792	927,792	5.59	5,872	5.25%
TOTAL COST		100.00%	$105,099	$100.10	$16,605,630	$17,676,789	$106.56	$111,878	100.00%
Construction Cost Recap		*72.92%*	*$76,640*	*$73.00*	*$12,109,158*	*$12,919,585*	*$77.88*	*$81,770*	*73.09%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	9.63%	$10,122	$9.64	$1,599,321	$1,599,321	$1,184,974	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$2,144,213
BHA - HOPE VI	9.89%	$10,394	$9.90	1,642,324	1,642,324	1,642,324	% of Dev. Fee Deferred
TDHCA-CDBG	86.93%	$91,362	$87.02	14,435,145	14,435,145	13,778,332	
Deferred Developer Fees	0.00%	$0	$0.00	0			0%
Additional (Excess) Funds Req'd	-6.45%	($6,779)	($6.46)	(1,071,160)	(1)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$16,605,630	$17,676,789	$16,605,630	$318,825

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MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Pointe North, Beaumont, CDBG Disaster Relief #07901

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$60.24	$9,993,597
Adjustments				
Exterior Wall Finish	6.00%		$3.61	$599,616
Elderly			0.00	0
9-Ft. Ceilings	3.75%		2.26	374,760
Roofing			0.00	0
Subfloor			(1.24)	(204,873)
Floor Cover			2.43	403,110
Breezeways/Balconies	$31.31	4,700	0.89	147,118
Plumbing Fixtures	$805	190	0.92	152,950
Rough-Ins	$400	158	0.38	63,200
Built-In Appliances	$1,850	158	1.76	292,300
Exterior Stairs	$1,800	6	0.07	10,800
Interior Stairs	$1,089	95	0.62	103,455
Heating/Cooling			1.90	315,189
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$64.74	4,200	1.64	271,908
Other: fire sprinkler	$1.95		0.00	0
SUBTOTAL			75.49	12,523,131
Current Cost Multiplier	0.98		(1.51)	(250,463)
Local Multiplier	0.89		(8.30)	(1,377,544)
TOTAL DIRECT CONSTRUCTION COSTS			$65.68	$10,895,124
Plans, specs, survy, bld prmts	3.90%		($2.56)	($424,910)
Interim Construction Interest	3.38%		(2.22)	(367,710)
Contractor's OH & Profit	11.50%		(7.55)	(1,252,939)
NET DIRECT CONSTRUCTION COSTS			$53.35	$8,849,564

PAYMENT COMPUTATION

Primary	$1,599,321	Amort	360
Int Rate	8.26%	DCR	0.85

Secondary	$0	Amort	
Int Rate		Subtotal DCR	0.85

Additional	$1,642,324	Amort	
Int Rate	4.90%	Aggregate DCR	0.85

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$106,828
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$16,059

Primary	$1,184,974	Amort	360
Int Rate	8.26%	DCR	1.15

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	$1,642,324	Amort	
Int Rate	4.90%	Aggregate DCR	1.15

221 (d)(3) Limit	1-Bedroom	2-Bedroom	3-Bedroom
	$109,142	$132,718	$171,692
$22,352,320	24	84	50

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	$696,288	$717,177	$738,692	$760,853	$783,678	$915,852	$1,061,723	$1,230,828	$1,654,130
Secondary Income	28,440	29,293	30,172	31,077	32,009	37,108	43,018	49,870	67,021
Other Support Income: PHU Subsidy	12,683	15,870	19,266	22,879	26,723	50,000	80,886	121,658	244,115
POTENTIAL GROSS INCOME	737,411	762,340	788,130	814,809	842,411	1,002,960	1,185,627	1,402,356	1,965,266
Vacancy & Collection Loss	(31,302)	(32,360)	(33,455)	(34,587)	(35,759)	(42,574)	(50,328)	(59,528)	(83,423)
Employee or Other Non-Rental Units c	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$706,109	$729,980	$754,675	$780,221	$806,652	$960,385	$1,135,299	$1,342,828	$1,881,843
EXPENSES at 4.00%									
General & Administrative	$58,933	$61,290	$63,742	$66,291	$68,943	$83,879	$102,052	$124,162	$183,790
Management	35,305	36,499	37,734	39,011	40,333	48,019	56,765	67,141	94,092
Payroll & Payroll Tax	146,689	152,557	158,659	165,005	171,605	208,784	254,018	309,052	457,472
Repairs & Maintenance	79,590	82,774	86,085	89,528	93,110	113,282	137,825	167,685	248,215
Utilities	46,845	48,719	50,668	52,695	54,802	66,675	81,121	98,696	146,094
Water, Sewer & Trash	66,199	68,847	71,601	74,465	77,444	94,222	114,636	139,472	206,453
Insurance	94,800	98,592	102,536	106,637	110,903	134,930	164,163	199,729	295,648
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	39,500	41,080	42,723	44,432	46,209	56,221	68,401	83,221	123,187
Other	15,360	15,974	16,613	17,278	17,969	21,862	26,599	32,361	47,902
TOTAL EXPENSES	$583,222	$606,333	$630,361	$655,343	$681,318	$827,876	$1,005,580	$1,221,520	$1,802,854
NET OPERATING INCOME	$122,887	$123,647	$124,314	$124,878	$125,334	$132,510	$129,719	$121,308	$78,989
DEBT SERVICE									
First Lien Financing	$106,828	$106,828	$106,828	$106,828	$106,828	$106,828	$106,828	$106,828	$106,828
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	$16,059	$16,819	$17,487	$18,051	$18,506	$25,682	$22,892	$14,481	($27,839)
DEBT COVERAGE RATIO	1.15	1.16	1.16	1.17	1.17	1.24	1.21	1.14	0.74

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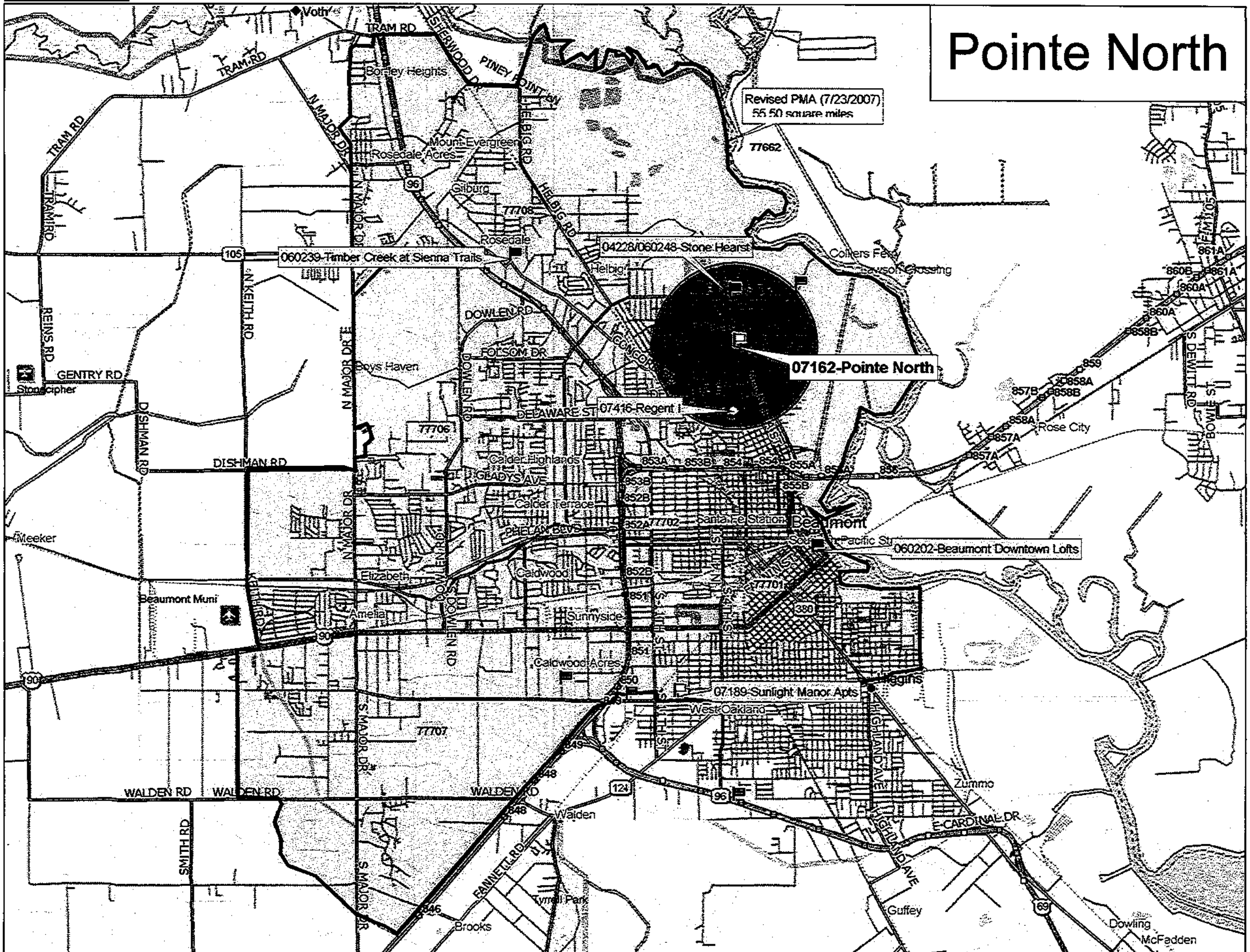
DeLorme

Street Atlas USA® 2007 Plus



Data use subject to license.

TN

MN (3.0°E)

Scale 1 : 100,000

1" = 1.58 mi

Data Zoom 11-0

Applicant Evaluation

Project ID # **07901** Name: **Pointe North** City: **Beaumont**

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

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

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

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

Portfolio Management and Compliance

Total # of Projects monitored: 9

Projects grouped by score
- zero to nine: 8
- ten to nineteen: 1
- twenty to twenty-nine: 0

Projects in Material Noncompliance: Yes ☐ No ☑

monitored with a score less than thirty: 9

not yet monitored or pending review: 5

in noncompliance: 0

Projects not reported in application: Yes ☐ No ☑

# of projects not reported 0

Portfolio Monitoring
- Not applicable ☑
- Review pending ☐
- No unresolved issues ☐
- Unresolved issues found ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Single Audit
- Not applicable ☑
- Review pending ☐
- No unresolved issues ☐
- Issues found regarding late cert ☐
- Issues found regarding late audit ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Portfolio Analysis
- Not applicable ☑
- No unresolved issues ☐
- Not current on set-ups ☐
- Not current on draws ☐
- Not current on match ☐

Reviewed by Patricia Murphy Date 8/10/2007

Multifamily Finance Production
- Not applicable ☐
- Review pending ☐
- No unresolved issues ☑
- Unresolved issues found ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Reviewer Shannon Roth
Date 8 /10/2007

HOME
- Not applicable ☑
- Review pending ☐
- No unresolved issues ☐
- Unresolved issues found ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Reviewer Veronica Chapa
Date 8 /10/2007

Real Estate Analysis (Workout)
- Not applicable ☐
- Review pending ☐
- No unresolved issues ☑
- Unresolved issues found ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Reviewer D. Burrell
Date 8 /10/2007

Community Affairs
- No relationship ☑
- Review pending ☐
- No unresolved issues ☐
- Unresolved issues found ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Reviewer EEF
Date 8 /10/2007

Office of Colonia Initiatives
- Not applicable ☑
- Review pending ☐
- No unresolved issues ☐
- Unresolved issues found ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Reviewer Maria Cazares
Date 8/13/2007

Financial Administration
- No delinquencies found ☑
- Delinquencies found ☐

Reviewer Melissa M. Whitehead
Date 8 /9 /2007

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Letters of Support

07901 – Pointe North

No Support or Opposition Letters Received

Underwriting and PMC Report

07902 – Gulfbreeze Plaza I and II

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/05/07 PROGRAM: CDBG Disaster Recovery FILE NUMBER: **07902**

This underwriting report has been modified in scope due to the uniqueness of the CDBG Disaster Recovery Program application and funding requirements. This report describes the general characteristics of the development and focuses on the information available regarding the reconstruction or rehabilitation costs and the 5 year viability of the development as proposed and per the funding source guidelines. The scope limitations include not fully evaluating or making recommendations based upon potential events beyond the initial 5 year period.

DEVELOPMENT

Gulfbreeze Plaza I and II

Location: 5200 Gulfway Drive & 5801 Twin City Highway Region: 5

City: Port Arthur County: Jefferson Zip: 77642 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Urban/Exurban, Scattered Site,

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Disaster Recovery	$22,700,000	Grant		$22,347,827	Grant	

CONDITIONS

1 Receipt, review, and acceptance, before demolition, of an Observation and Maintenance program to identify asbestos-containing materials and lead-based paint during the demolition process, and procedures to abate the effects of such materials as needed.

2 Receipt, review, and acceptance, before commencement of construction, of certification by a qualified third party architect or engineer, that no permanent structures will encroach on the water / sewer easement that bisects the Gulfbreeze Plaza II site.

3 Should the terms and rates of the proposed debt or operating subsidy change prior to completion, the transaction should be re-evaluated and an adjustment to the recommended award amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
Public Housing / 30% AMI	30% of AMI	6
30% of AMI	30% of AMI	6
Public Housing / 80% AMI	High HOME	80
80% of AMI	High HOME	142

PROS	CONS
▫ The overall number of very low income families served will increase by the introduction of new Housing Choice vouchers for the tenants relocated from the original site.	▫ The development will result in the, at least temporary, elimination or ultimate relocation of funding for 66 public housing units.
▫ The Applicant proposes to expand the opportunity for affordable housing by adding a net of 82 units to the Port Arthur market.	▫ The lack of third party reports, including a market study, and Phase I ESA, poses a risk due to the addition of units.

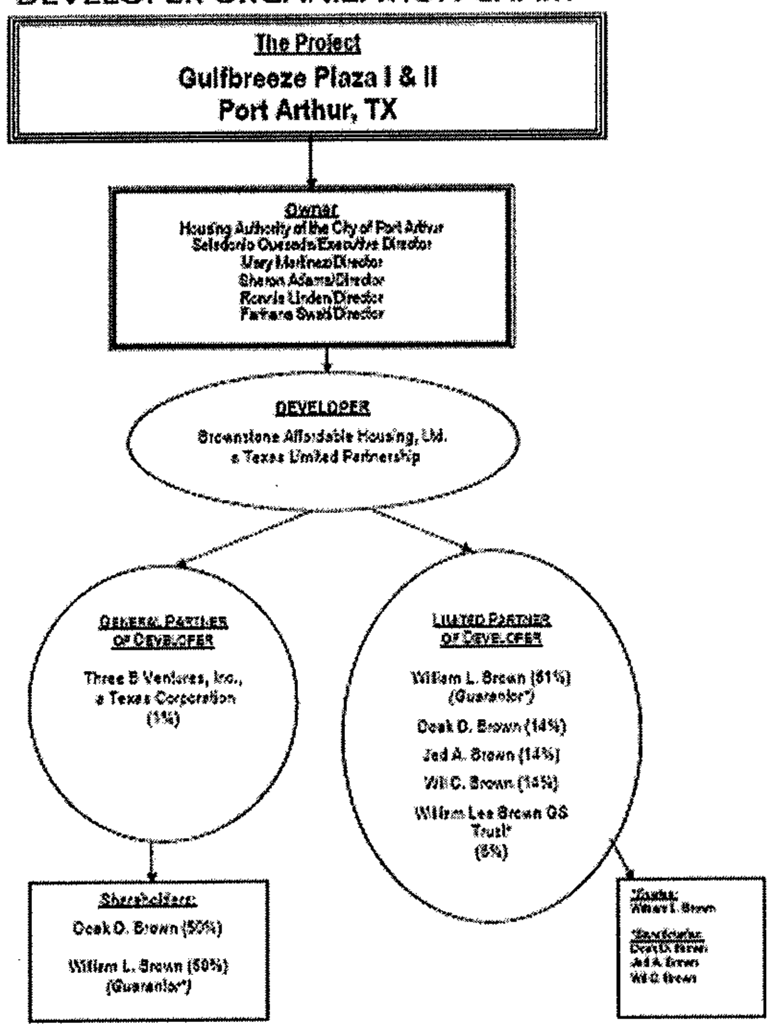
PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

DEVELOPER ORGANIZATION CHART



CONTACT

Contact: Leslie Holleman Phone: (325) 784-9797 Fax: (325) 784-9777
Email: leslieholleman@aol.com

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KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# Completed Developments
Housing Authority of City of Port Arthur	17,006,125	9,097,202	1 complete, 4 under construction
Brownstone Affordable Housing, Ltd.	275,021	(70,849)	4 developments under construction
Three B Ventures, Inc.	10	10	

[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Developer and General Contractor are related entities.

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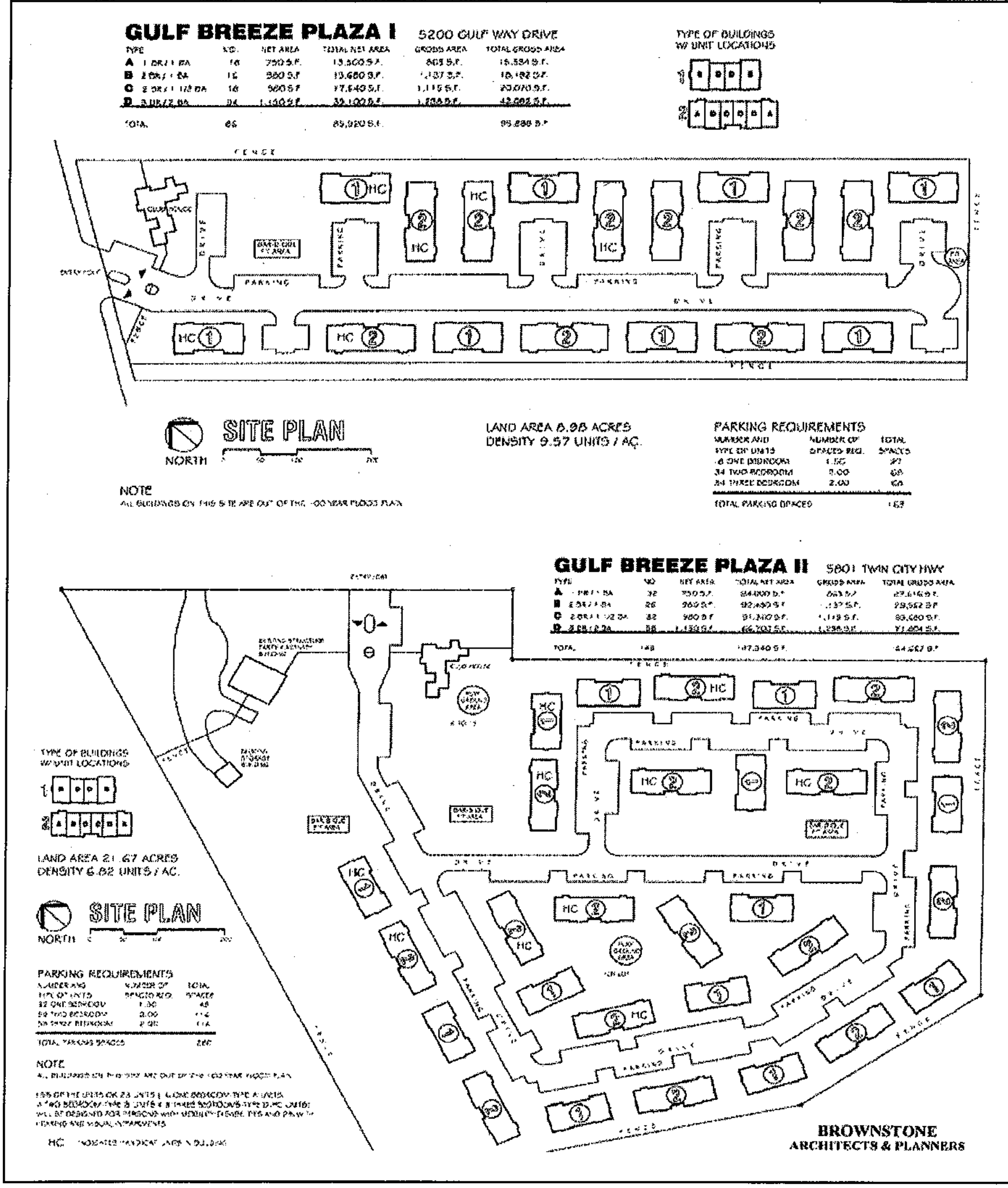
GULF BREEZE PLAZA I
5200 GULF WAY DRIVE
TYPE OF BUILDINGS W/ UNIT LOCATIONS
SITE PLAN
NORTH
LAND AREA 6.98 ACRES
DENSITY 9.57 UNITS / AC.
PARKING REQUIREMENTS
NOTE
GULF BREEZE PLAZA II
5801 TWIN CITY HWY
TYPE OF BUILDINGS W/ UNIT LOCATIONS
LAND AREA 21.67 ACRES
DENSITY 6.82 UNITS / AC.
SITE PLAN
NORTH
PARKING REQUIREMENTS
NOTE
HC
BROWNSTONE
ARCHITECTS & PLANNERS

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BUILDING CONFIGURATION

Site	Gulfbreeze Plaza I				Gulfbreeze Plaza II				Combined Total Buildings
Building Type	I	II	Plaza I Buildings		I	II	Plaza II Buildings		
Floors/Stories	2	2			2	2			
Number	8	9	**17**		13	16	**29**		**46**

BR/BA	SF	Units		Total		Units		Total		Total Units	Total SF
1 / 1	750		2	18			2	32		50	37,500
2 / 1	980	2		16		2		26		42	41,160
2 / 1.5	980		2	18			2	32		50	49,000
3 / 2	1,150	2	2	34		2	2	58		92	105,800
Units per Building		4	6	**86**		4	6	**148**		**234**	**233,460**

SITE ISSUES

	size	zoning	flood zone
Site I	8.98 ac	MF	B
Site II	21.67 ac	Industrial	B

Scattered site? [X] Yes [ ] No

Within 100-yr floodplain? [ ] Yes [X] No

Needs to be re-zoned? [ ] Yes [X] No [ ] N/A

Comments:

Site I contains 152 existing Public Housing Units constructed in the 1950's. This development incurred significant damage as a result of hurricane Rita. The subject application proposes 100% demolition of the pre-existing structures and reconstruction of 86 Public Housing Units; the application also proposes new construction of 148 multifamily units at a second site approximately 3 miles to the northwest. The survey provided for Site II indicates a 20 ft. water and sewer easement bisecting the property. The site plan for the proposed development appears to have considered this easement with the placement of a drive along the center line; however, there is a building at each end of this drive which may possibly encroach on the easement. Receipt, review, and acceptance of certification by a qualified third party architect or engineer that all structures will be constructed so as to not encroach on the water / sewer easement will be a condition of this report.

TDHCA SITE INSPECTION

Inspector: TDHCA Real Estate Analysis Date: 8/29/2007

Overall Assessment:

[ ] Excellent [x] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses Gulf Breeze I:

North: Single Family Residential East: Single Family Residential

South: Sngl Family Residential / Commercial West: beyond

Surrounding Uses Gulf Breeze II:

North: Drainage channel and pipeline East: Twin City Highway

South: Wooded Lot West: Railroad tracks and vacant land

ENVIRONMENTAL CONCERNS

Comments:

No environmental report was required with the subject application under the CDBG Disaster Recovery Program NOFA. However, given that the existing development at Site I was constructed in 1952 there is a reasonable expectation that lead based paint and asbestos-containing material may be present within the structures. Receipt, review, and acceptance, by demolition, of an Observation and Maintenance program to identify any lead based paint and asbestos-containing materials during the demolition process and abate any effects as needed, will be a condition of this report. In addition an analysis by staff will be conducted prior to funding as part of the HUD mandated environmental review.

MARKET HIGHLIGHTS

Provider: The Gerald A. Teel Company, Inc. Date: 3/1/2006

Contact: Gerald A. Teel Phone: (713) 467-5858 Fax: (713) 467-0704

Number of Revisions: N / A Date of Last Revision: N / A

Primary Market Area (PMA): 37 sq. miles (3.4 miles radius)

A market study was not required with the subject application under the CDBG Disaster Recovery Program NOFA. However, the Applicant received a 9% Tax Credit allocation in 2006 for One Southwood Crossing (TDHCA #060238), a multifamily development located midway between the two subject sites. The market study for the Southwood application was performed by the Gerald Teel Company several months after Hurricane Rita. The Underwriter therefore views the study as a valid source of data regarding a Primary Market Area which can be considered to be as appropriate to the subject application as it was to One Southwood Crossing.

One Southwood Crossing is an 84-unit development; 10 units have rent and income restrictions at 30% of AMI, and the remaining 75 units are restricted at 60% of AMI. This is the second phase of a nearby development, Southwood Crossing Apartments (TDHCA #05199), which received a tax credit allocation in 2005. The phase I property contains 12 units restricted to 30% of AMI and 108 units restricted at 60% of AMI. Sunset Way (TDHCA # 060186) is the third comparable unstablized development in the identified market area. Sunset Way is "the first Rita GO Zone housing complex ...built using a federal housing tax credit set aside after Hurricane Rita ... Only open for two months, the facility is already at 60% occupancy". (www.panews.com 08/08/2007)

Considering these three properties as the unstable supply, the underwriting report for One Southwood Crossing calculated an inclusive capture rate of 5% for the 30% AMI units, and 32% for the 60% AMI units. The overall capture rate was 21%. The demographic report from the One Southwood Crossing application has been used to analyze the demand for the subject properties, Gulfbreeze Plaza I & II.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	30% Units	60% Units	Name	File #	Total Units	25% Comp Units
Southwood Ph I	05199	12	108	N/A			
One Southwood	060238	9	75	N/A			
Sunset Way	060186	10	86	N/A			
Brittany Place (proposed)	07903	13	183	N/A			

INCOME LIMITS						
Jefferson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$10,650	$12,150	$13,700	$15,200	$16,400	$17,650
60	$21,240	$24,300	$27,300	$30,360	$32,760	$35,220
80	$28,350	$32,400	$36,450	$40,500	$43,750	$47,000

OVERALL DEMAND					
	Target Households	Household Size	Income Eligible	Tenure	Demand
DEMAND from TURNOVER					
30% AMI units	100% 22,056	95% 20,909	14% 2,906	34% 994	65% 646
80% AMI units	100% 22,056	95% 20,909	30% 6,223	34% 2,128	65% 1,383
DEMAND from HOUSEHOLD GROWTH					
30% AMI units		95% -53	14% -7	34% -2	100% -2
80% AMI units		95% -53	30% -15	34% -5	100% -5

CAPTURE RATE for Gulfbreeze Plaza II (non-Public Housing units)						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	**Inclusive Capture Rate**
30% AMI units	6	44	0	50	644	8%
80% AMI units	142	452	0	594	1,378	43%
Overall Demand	148	496	0	644	2,022	**32%**

Demand Analysis

The existing 152-unit development at Site I consists entirely of Public Housing units. As a result of damage from Hurricane Rita, only 115 units are occupied, with a population of 342. The subject application proposes new construction of 148 non-Public Housing multifamily units at Site II. The current occupants will be provided with Section 8 vouchers and relocated to the new units, followed by the demolition of the old development and reconstruction of 86 Public Housing units at Site I. Demand is not considered to be an issue for Public Housing units since there is no minimum income requirement. Therefore the underwriting demand analysis will focus on the new units at Site II.

The proposed Gulfbreeze Plaza II will consist of 6 units with rent and income limits restricted at 30% of AMI. Combining these with the unstabilized supply of 30% AMI units previously discussed results in a very low inclusive capture rate of 6%. This rises to 8% when the 13 proposed new units in another CDBG application (Brittany Place) are considered.

The remaining units are not exactly comparable to the remaining unstable units in the market area, which have rent and income restricted to 60% of AMI. The subject rents are limited to the High HOME rent, which is equivalent to 65% of AMI, and therefore slightly higher than the restricted comparables. However, the income limit for the subject units is 80% of AMI, thereby providing a larger demand pool. Applying the 80% AMI demand and including the 60% units in the comparable unstable supply results in an inclusive capture rate of 30% for these units, and an overall capture rate for the subject properties of 22% excluding Brittany Place. Considering the 183 units at Brittany as all new units these capture rates increase to 43% for 60% to 80% units and 32% overall.

This should be considered a worst-case scenario however, since 115 of the 148 units at Gulf Breeze will be made available to the tenants relocating from the old Gulf Breeze. If all of these Gulf Breeze tenants accept the displacement vouchers and move to the new Gulf Breeze II, the 33 remaining units would reduce the inclusive capture rate from the additional Brittany I & II units to 25.5% or just over the inclusive capture rate threshold established by the Department for a typical multifamily development.

Primary Market Occupancy Rates:

"Prior to the series of hurricanes, the comparable data depicted occupancies of 90% to 97% with an average of 95%. Currently, the same data set depicts an average of 100% occupancy...this latter amount may be inflated and could return to pre-storm levels in several months". (p. 70)

Absorption Projections:

"...prior to the storms, absorption for new market rental product, with all other factors being equal would be reasonable at about 15 to 20 units per month. Absorption for tax credit product would likely be at a lesser pace of about 5 to 10 units per month given the data, although currently, there is insufficient product available to support the demand". (p.34)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 750 SF PH30%	$100	$285		$100	
1 BR 750 SF 30%	$236	$285		$236	
1 BR 750 SF PH80%	$100	$496		$100	
1 BR 750 SF 80%	$447	$496		$447	
2 BR 980 SF PH30%	$100	$342		$100	
2 BR 980 SF 30%	$283	$342		$283	
2 BR 980 SF PH80%	$100	$593		$100	
2 BR 980 SF 80%	$534	$593		$534	
2 BR 980 SF PH80%	$100	$593		$100	
2 BR 980 SF 80%	$534	$593		$534	
3 BR 1,150 SF PH30%	$100	$395		$100	
3 BR 1,150 SF 30%	$326	$395		$326	
3 BR 1,150 SF PH80%	$100	$735		$100	
3 BR 1,150 SF 80%	$666	$735		$666	

Market Impact:

Since the majority of the new units will be immediately occupied by relocating tenants with vouchers, and the replacement units will be Public Housing units with no income threshold, the proposed developments are not expected to adversely affect the multifamily housing market in the area.

Comments:

While increasing the total number of units, the proposed project will decrease the number of Public Housing units in the Port Arthur area. However, the Housing Authority points out that they will be providing the current occupants with new Housing Choice Vouchers. By relocating them to the non-Public Housing units and back-filling Site I with 86 reconstructed Public Housing units, the overall number of very low income families served will increase as a result of the subject project. The Housing Authority indicates further that "The balance of 66 units (152 – 86) will be replaced in developments with renters of mixed income where some of the units will be PH. A possibility will be to use 9% credits but due to the limited amount of 9% credits in the region, the HA plans to consider 4% credits using project based vouchers for the non-PH units. As soon as TDHCA makes their CDBG award decisions, the HA will begin the replacement housing planning." (email from Antonio Flores 08/30/07)

Without a project specific market study for the subject, it would be difficult to conclude that the Brittany Place I & II and Gulf Breeze I & II will cause an over saturation of this market. In addition the quick lease up rate evidenced at Sunset Way suggests that there currently is still significant demand in this market. Finally the favorable financing projected for the subject and the uniqueness of the single family design plan at Brittany Place may also mitigate the lease-up risk that would otherwise be associated with a potentially over-saturated market.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N / A

The proposed Public Housing units are supported by an Annual Contribution Contract under which tenants will pay up to 30% of their income toward rent. HUD agrees to subsidize an amount sufficient to offset operating expenses such that the PH units operate at break-even. The Applicant's proposed income is based on an estimated breakeven rent for the PH units and maximum program rents at the 30% of AMI and the High HOME rent for the non-PH units. Rents are adjusted for utility allowances maintained by the Housing Authority of the City of Port Arthur (the Applicant). The Applicant also estimates non-rental income of $3 per unit per month from the PH units and $5 from the non-PH units. The underwriting estimate is based on an assumed average of $100 per month rent from PH tenants, with a breakeven subsidy identified as secondary income. The Underwriter has assumed the same program rents for the non-PH units, the same utility allowances, and the same non-rental income. Overall, the Applicant's proposed gross income is within 1% of the underwriting estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 8/24/2007

The Applicant's proposed annual operating expense is $3,987 per unit; this is within 3% of the underwriting estimate of $4,013 per unit. This is an unusually high figure considering that the Applicant is exempt from property taxes. The primary cause is an extremely high expense for property insurance, which is understandable given the location in the hurricane-affected area. The application initially proposed an insurance premium of $1,100 per unit. When asked to submit a specific quote, the Applicant provided an insurance agent's estimate indicating a total premium of $974 per unit. The Applicant's ratio of total operating expense to effective gross income is 72%, exceeding the underwriting feasibility guideline of 65%. But the underwriting rules provide an exception to the expense ratio limit for developments that include Public Housing as long as the non-PH units do not charge rents lower than the subsidized rents.

Conclusion:

The Applicant's proposed effective gross income and total annual operating expense are both within 5% of the underwriting estimates. However, the Applicant's net operating income (NOI) is 12% less than the underwriting estimate. The underwriting estimates will therefore be used to determine debt capacity. Under the HUD agreement the PH units are not permitted to service any debt, so debt capacity is limited to the new units at Site II. The underwriting NOI combined with the Applicant's proposed financing indicates a first year debt coverage ratio (DCR) of 1.30; this is within the acceptable range of 1.15 to 1.35.

Feasibility:

The underwriting estimates for income, expenses, and NOI, and the estimated debt service, are used to create a 30-year underwriting proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow providing a DCR that remains above 1.15 for at least twenty years. The development can therefore be considered financially feasible.

ACQUISITION INFORMATION

Site I - ASSESSED VALUE

Land Only: 8.98 acres	$23,290	Tax Year:	2006
Existing Buildings:	N / A	Valuation by:	Jefferson CAD
Total Assessed Value:	$23,290	Tax Rate:	2.973579

Comments

The Jefferson County CAD website lists the Total Improvements Value as $0 despite the fact that Site I contains 152 existing Public Housing Units; this is apparently due to the fact that the owner, the Port Arthur Housing Authority, is a tax-exempt organization.

Site I - EVIDENCE of PROPERTY CONTROL

Type: Warranty Deed　　Acreage: N / A

Contract Expiration: N / A　　Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: N / A　　Other: acquired on June 15, 1951

Seller: Lizzie Trow　　Related to Development Team? [ ] Yes [X] No

Site II - ASSESSED VALUE

Land Only: 21.7 acres	$86,680	Tax Year:	2006
Existing Buildings:	$65,790	Valuation by:	Jefferson CAD
Total Assessed Value:	$152,470	Tax Rate:	2.973579

Site II - EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract - Unimproved Property　　Acreage: 21.67

Contract Expiration: 11/16/2007　　Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $1,400,000　　Other:

Seller: Rick & Patricia Heider　　Related to Development Team? [ ] Yes [X] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0　　Date of Last Applicant Revision: N / A

Acquisition Value:

Site I is owned by the Applicant (the Housing Authority of the City of Port Arthur). It is the site of an existing Public Housing development which will be demolished as part of the proposed project. The Application calls for the Applicant to acquire Site II for $1,400,000, or $64,605 per acre. This cost is assumed to be reasonable as the purchase is an arm's length transaction.

Sitework Cost:

The Applicant has claimed $2,200,000 in sitework costs, including $500,000 for demolition of the existing development at Site I. As this total exceeds $9,000 per unit, the Applicant submitted a certification of the itemized costs, completed by William L. Brown, the Developer and General Contractor for the project. On request the Applicant provided additional certification of the sitework costs by a third party architect.

Direct Construction Cost:

The Applicant projected $12.9M for direct construction costs. This is within 1% of the underwriting estimate of $13M.

Interim Interest Expense:

The Applicant has claimed $660,000 in interest on a $5,000,000 revolving bridge loan to be used for construction purposes. This equates to 1.5 years of fully drawn interest at the Lender's underwriting rate of 8.75%. Underwriting guidelines allow for one year of fully drawn interest, which amounts to $437,500. The difference has been included with "ineligible costs" so that a developer fee cannot be accrued upon it.

Contingency & Fees:

The Applicant's allowance for contingency ($754K) and projected contractor fees ($2.1M) are within TDHCA underwriting guidelines.

Developer Fees:

The Applicant has claimed $2.9M in Developer Fees, as well as $150,000 in Housing Consultant Fees and $300,000 in PHA Consultant Fees. The total of $3.4M in developer-related fees exceeds TDHCA underwriting guidelines by $400K. The underwriter has removed these excess fees from the underwriter's calculation and if the Applicant's total development costs are used to determine the award amount, the excess developer fee will be used as an offset source of funds to prevent over funding this development.

Conclusion:

The Applicant has projected $25.6M in total development costs. This is within 5% of the underwriting estimate of $25.7M. The Applicant's projection will therefore be used to determine the development's need for permanent financing. While land costs, marketing, permanent financing costs, excessive construction interest, and reserves are considered ineligible costs for purposes of determining the Developer fee they are costs that can, if reasonable, be funded with the CDBG funds. Thus the Applicant's total costs will only be adjusted by the excess Developer Fee.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N / A

Source: JPMorgan Chase Type: **Interim to Permanent Financing**

Bridge Loan	$5,000,000	Interest Rate:	8.75%	[ ]	Fixed	[X]	Revolving
Permanent	$2,850,000	Interest Rate:	7.75%	[X]	Fixed	Amort:	360 months

Source: TDHCA Type: **Grant**

Principal: $22,700,000 Conditions:

Comments:

CDBG Disaster Recovery Program Funds

Amount: $46,975 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the excess developer fee of $399,150 and permanent loan of $2,850,000 indicates the need for $22,347,827 in gap funds. The Applicant has requested a grant of $22,700,000 under the CDBG Disaster Recovery Program, and thus the gap amount of funds ($22,347,827) will be recommended.

Underwriter:	*Thomas Cavanagh*	Date:	September 5, 2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	September 5, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Gulfbreeze Plaza I and II, Port Arthur, CDBG Disaster Recovery #07902

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
PH CDBG 30%	2	1	1	750	$285	$100	$200	$0.13	$49.00	$36.64
CDBG 30%	2	1	1	750	$285	236	472	0.31	49.00	36.64
PH CDBG 60%	16	1	1	750	$496	100	1,600	0.13	49.00	36.64
CDBG 60%	30	1	1	750	$496	447	13,410	0.60	49.00	36.64
PH CDBG 30%	2	2	1	980	$342	100	200	0.10	59.00	45.21
CDBG 30%	2	2	1	980	$342	283	566	0.29	59.00	45.21
PH CDBG 60%	14	2	1	980	$593	100	1,400	0.10	59.00	45.21
CDBG 60%	24	2	1	980	$593	534	12,816	0.54	59.00	45.21
PH CDBG 60%	18	2	1.5	980	$593	100	1,800	0.10	59.00	45.21
CDBG 60%	32	2	1.5	980	$593	534	17,088	0.54	59.00	45.21
PH CDBG 30%	2	3	2	1,150	$395	100	200	0.09	69.50	49.36
CDBG 30%	2	3	2	1,150	$395	326	651	0.28	69.50	49.36
PH CDBG 60%	32	3	2	1,150	$735	100	3,200	0.09	69.50	49.36
CDBG 60%	56	3	2	1,150	$735	666	37,268	0.58	69.50	49.36
TOTAL:	234		AVERAGE:	998		$388	$90,871	$0.39	$60.99	$45.01

INCOME	Total Net Rentable Sq Ft:	233,460			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					$1,090,452	$1,358,688	Jefferson		5
Secondary Income			Per Unit Per Month:	$5.00	11,976	8,880	$3.16	Per Unit Per Month	
Other Support Income: HUD PHU contribution					238,139	3,096	$1.10	Per Unit Per Month	
POTENTIAL GROSS INCOME					$1,340,567	$1,370,664			
Vacancy & Collection Loss		% of Potential Gross Income:		-7.50%	(82,682)	(102,804)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					$1,257,884	$1,267,860			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		7.40%	$398	0.40	$93,122	$52,600	$0.23	$225	4.15%
Management		5.04%	271	0.27	63,393	63,393	0.27	271	5.00%
Payroll & Payroll Tax		18.58%	999	1.00	233,712	201,392	0.86	861	15.88%
Repairs & Maintenance		9.12%	490	0.49	114,661	107,224	0.46	458	8.46%
Utilities		3.40%	183	0.18	42,816	33,000	0.14	141	2.60%
Water, Sewer, & Trash		7.72%	415	0.42	97,153	160,000	0.69	684	12.62%
Property Insurance		18.12%	974	0.98	227,874	227,874	0.98	974	17.97%
Property Tax	2.973579	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		4.99%	268	0.27	62,800	62,800	0.27	268	4.95%
TDHCA Compliance Fees		0.00%	0	0.00	0	0	0.00	0	0.00%
Other: Security		0.29%	15	0.02	3,600	3,600	0.02	15	0.28%
TOTAL EXPENSES		74.66%	$4,013	$4.02	$939,131	$911,883	$3.91	$3,897	71.92%
NET OPERATING INC		25.34%	$1,362	$1.37	$318,753	$355,977	$1.52	$1,521	28.08%
DEBT SERVICE									
JPM Chase		19.48%	$1,047	$1.05	$245,013	$245,013	$1.05	$1,047	19.32%
Overstated Developer Fee		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		5.86%	$315	$0.32	$73,740	$110,964	$0.48	$474	8.75%
AGGREGATE DEBT COVERAGE RATIO					1.30	1.45			
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)		5.53%	$5,983	$6.00	$1,400,000	$1,400,000	$6.00	$5,983	5.47%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.69%	9,402	9.42	2,200,153	2,200,153	9.42	9,402	8.60%
Direct Construction		51.36%	55,600	55.73	13,010,398	12,893,065	55.23	55,099	50.37%
Contingency	4.96%	2.98%	3,225	3.23	754,661	754,661	3.23	3,225	2.95%
Contractor's Fees	13.89%	8.34%	9,030	9.05	2,113,050	2,113,050	9.05	9,030	8.26%
Indirect Construction		5.75%	6,228	6.24	1,457,464	1,457,464	6.24	6,228	5.69%
Ineligible Costs		1.43%	1,543	1.55	361,000	361,000	1.55	1,543	1.41%
Developer's Fees	15.00%	12.00%	12,987	13.02	3,039,034	3,420,584	14.65	14,618	13.36%
Interim Financing		2.86%	3,096	3.10	724,500	724,500	3.10	3,096	2.83%
Reserves		1.08%	1,165	1.17	272,500	272,500	1.17	1,165	1.06%
TOTAL COST		100.00%	$108,260	$108.51	$25,332,759	$25,596,977	$109.64	$109,389	100.00%
Construction Cost Recap		*71.36%*	*$77,258*	*$77.44*	*$18,078,262*	*$17,960,929*	*$76.93*	*$76,756*	*70.17%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
JPM Chase	11.25%	$12,179	$12.21	$2,850,000	$2,850,000	$2,850,000	Developer Fee Available
Overstated Developer Fee	0.00%	$0	$0.00	0		399,150	$3,021,434
CDBG Funds	89.61%	$97,009	$97.23	22,700,000	22,700,000	22,347,827	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0		0	0%
Additional (Excess) Funds Req'd	-0.86%	($928)	($0.93)	(217,241)	46,977	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$25,332,759	$25,596,977	$25,596,977	$1,071,872

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MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Gulfbreeze Plaza I and II, Port Arthur, CDBG Disaster Recovery #07902

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Townhome Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$62.14	$14,507,908
Adjustments				
Exterior Wall Finish	4.00%		$2.49	$580,316
Elderly	0.00%		0.00	0
9-Ft. Ceilings	2.28%		1.41	330,055
Roofing			0.00	0
Subfloor			(1.12)	(261,758)
Floor Cover			3.08	719,057
Breezeways/Balconies	$19.81	27,090	2.30	536,653
Plumbing Fixtures	$965	(42)	(0.17)	(40,530)
Rough-ins	$425	0	0.00	0
Built-In Appliances	$2,425	234	2.43	567,450
Interior Stairs	$1,485	0	0.00	0
Enclosed Corridors	$52.22		0.00	0
Heating/Cooling			2.43	567,308
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$67.23	6,130	1.77	412,120
Other: hurricane wind adj	$2.11	233,460	2.11	492,601
SUBTOTAL			78.86	18,411,179
Current Cost Multiplier	0.98		(1.58)	(368,224)
Local Multiplier	0.89		(8.67)	(2,025,230)
TOTAL DIRECT CONSTRUCTION COSTS			$68.61	$16,017,725
Plans, specs, survy, bld prmts	3.90%		($2.68)	($624,691)
Interim Construction Interest	3.38%		(2.32)	(540,598)
Contractor's OH & Profit	11.50%		(7.89)	(1,842,038)
NET DIRECT CONSTRUCTION COSTS			$55.73	$13,010,398

PAYMENT COMPUTATION

Primary	$2,850,000	Amort	360
Int Rate	7.75%	DCR	1.30

Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.30

Additional	$22,700,000	Amort	
Int Rate		Aggregate DCR	1.30

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$245,013
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$73,740

Primary	$2,850,000	Amort	360
Int Rate	7.75%	DCR	1.30

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.30

Additional	$22,700,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.30

221 (d)(3) Limit	1-Bedroom	2-Bedroom	3-Bedroom
	$109,142	$132,718	$171,692
$33,462,820	50	92	92

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,090,452	$1,123,166	$1,156,861	$1,191,566	$1,227,313	$1,422,793	$1,649,406	$1,912,114	$2,569,722
Secondary Income	11,976	12,335	12,705	13,086	13,479	15,626	18,115	21,000	28,222
Other Support Income: HUD PHU contrib	238,139	248,003	258,607	269,656	281,168	346,374	426,389	524,533	792,314
POTENTIAL GROSS INCOME	1,340,567	1,383,504	1,428,173	1,474,309	1,521,961	1,784,792	2,093,911	2,457,647	3,390,258
Vacancy & Collection Loss	(82,682)	(103,763)	(107,113)	(110,573)	(114,147)	(133,859)	(157,043)	(184,324)	(254,269)
Employee or Other Non-Rental Units or C	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,257,884	$1,279,741	$1,321,060	$1,363,736	$1,407,814	$1,650,933	$1,936,867	$2,273,323	$3,135,989
EXPENSES at 4.00%									
General & Administrative	$93,122	$96,847	$100,720	$104,749	$108,939	$132,541	$161,257	$196,193	$290,414
Management	63,393	64,495	66,577	68,728	70,949	83,201	97,611	114,568	158,043
Payroll & Payroll Tax	233,712	243,060	252,783	262,894	273,410	332,645	404,713	492,395	728,865
Repairs & Maintenance	114,661	119,248	124,018	128,979	134,138	163,199	198,556	241,574	357,589
Utilities	42,816	44,529	46,310	48,162	50,089	60,941	74,143	90,207	133,528
Water, Sewer & Trash	97,153	101,040	105,081	109,284	113,656	138,280	168,238	204,688	302,988
Insurance	227,874	236,989	246,469	256,327	266,580	324,336	394,604	480,096	710,660
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	62,800	65,312	67,924	70,641	73,467	89,384	108,749	132,310	195,851
Other	3,600	3,744	3,894	4,050	4,211	5,124	6,234	7,585	11,227
TOTAL EXPENSES	$939,131	$975,262	$1,013,775	$1,053,814	$1,095,439	$1,329,650	$1,614,107	$1,959,616	$2,889,165
NET OPERATING INCOME	$318,753	$304,479	$307,285	$309,922	$312,375	$321,283	$322,761	$313,707	$246,823
DEBT SERVICE									
First Lien Financing	$245,013	$245,013	$245,013	$245,013	$245,013	$245,013	$245,013	$245,013	$245,013
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	$73,740	$59,466	$62,272	$64,909	$67,362	$76,270	$77,748	$68,694	$1,810
DEBT COVERAGE RATIO	1.30	1.24	1.25	1.26	1.27	1.31	1.32	1.28	1.01

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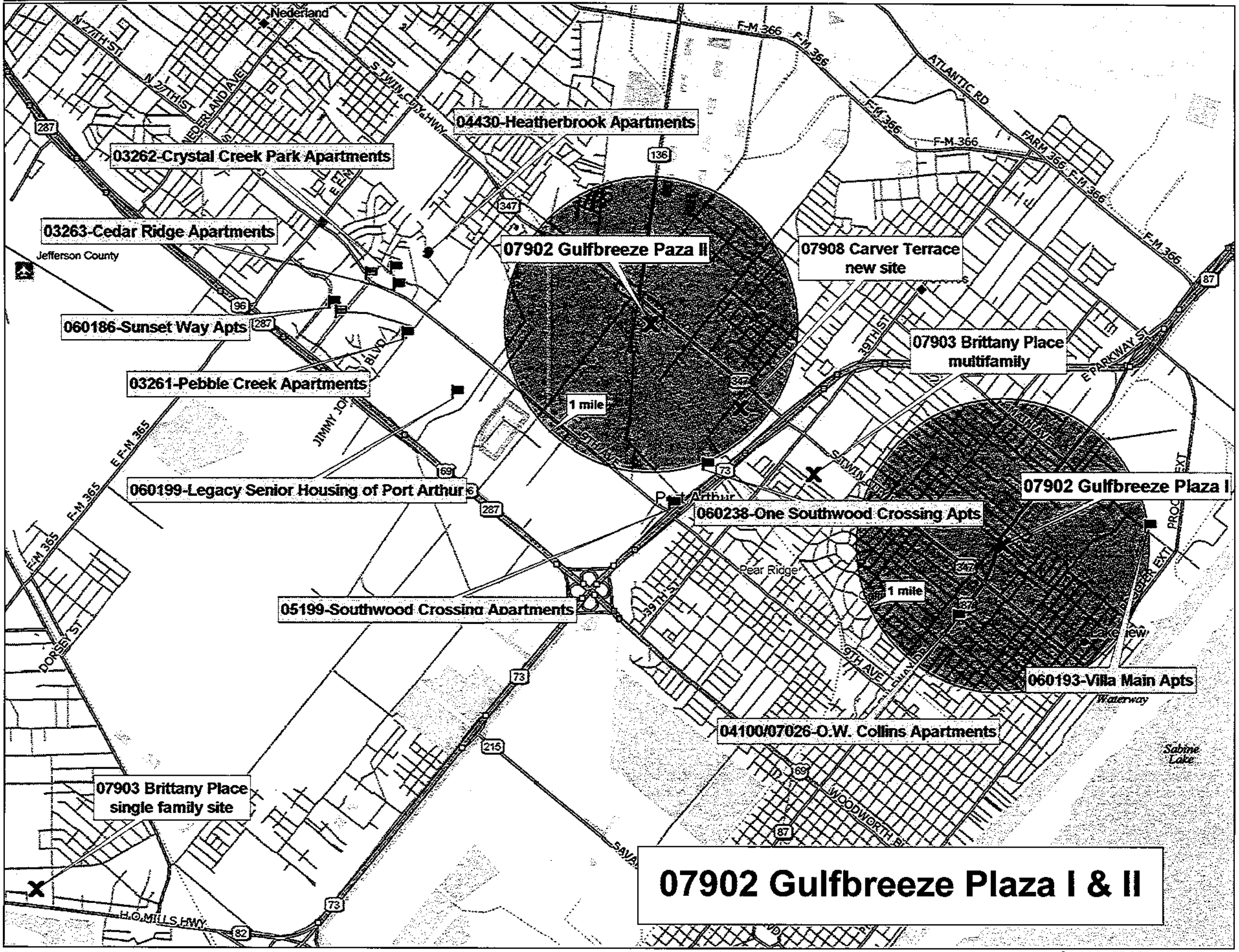

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MN (2.8°E)

Scale 1 : 56,250
1" = 4,687.5 ft Data Zoom 11-7

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Applicant Evaluation

Project ID # **07902** Name: **Gulfbreeze Plaza I & II** City: **Port Arthur**

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

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

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

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

Portfolio Management and Compliance

Total # of Projects monitored: 0

Projects grouped by score: zero to nine: 0; ten to nineteen: 0; twenty to twenty-nine: 0

Projects in Material Noncompliance: Yes ☐ No ☑

monitored with a score less than thirty: 0

not yet monitored or pending review: 7

in noncompliance: 0

Projects not reported in application: Yes ☐ No ☑

# of projects not reported 0

Portfolio Monitoring		Single Audit		Portfolio Analysis	
Not applicable	☑	Not applicable	☑	Not applicable	☑
Review pending	☐	Review pending	☐	No unresolved issues	☐
No unresolved issues	☐	No unresolved issues	☐	Not current on set-ups	☐
Unresolved issues found	☐	Issues found regarding late cert	☐	Not current on draws	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐	Issues found regarding late audit	☐	Not current on match	☐
		Unresolved issues found that warrant disqualification (Comments attached)	☐		

Reviewed by Patricia Murphy Date 8/10/2007

Multifamily Finance Production		HOME		Real Estate Analysis (Workout)	
Not applicable	☐	Not applicable	☑	Not applicable	☐
Review pending	☐	Review pending	☐	Review pending	☐
No unresolved issues	☑	No unresolved issues	☐	No unresolved issues	☑
Unresolved issues found	☐	Unresolved issues found	☐	Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐
Reviewer	Shannon Roth	Reviewer	Veronica Chapa	Reviewer	D. Burrell
Date	8 /10/2007	Date	8 /10/2007	Date	8 /10/2007

Community Affairs		Office of Colonia Initiatives		Financial Administration	
No relationship	☑	Not applicable	☑	No delinquencies found	☑
Review pending	☐	Review pending	☐	Delinquencies found	☐
No unresolved issues	☐	No unresolved issues	☐		
Unresolved issues found	☐	Unresolved issues found	☐		
Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐		
Reviewer	EEF	Reviewer	Maria Cazares	Reviewer	Melissa M. Whitehead
Date	8 /10/2007	Date	8 /13/2007	Date	8 /9 /2007

Letters of Support

07902 – Gulfbreeze Plaza I and II

City of Port Arthur Texas

August 3, 2007

Ms. Jennifer Joyce
TDHCA-Disaster Relief Group
221 E. 11th Street
Austin, TX 77011

RE: Our CDBG application, Gulfbreeze Plaza I & II, town home replacement housing development

Dear Ms. Joyce:

Please allow this letter to serve as our confirmation of what our housing authority stated in their letter to you, dated August 3, 2007, about our CDBG re-development applications. On behalf of our City leaders and as the new Mayor, the City has expressed to the Board of the housing authority in the strongest terms the desire to see this type of town home and/or single family development over traditional apartment design.

We are supportive of the housing authority's effort to rebuild replacement housing in a design that will facilitate the family's dignity, accessibility and home ownership opportunity. Affordable housing communities built as conventional, multi story, walk-up apartments are the norm in Port Arthur. The new council feels it is necessary to change the approach to affordable housing opportunities in Port Arthur with housing designs that are more applicable for families with children and those with special needs that require more housing opportunities with accessible units. As the housing authority has told us, all of the 234 units are accessible for persons with disabilities which are not the case in standard, multi-story, walk-up apartments.

By platting the town homes in such a way to allow them to be subdivided into a lot per unit, the housing authority is in a position to make many more of these affordable units available for eventual home ownership by these families and special needs households. The housing authority has a home ownership program in their agency plan.

The housing authority, through its board of commissioners, will be working to support funding for applications with these town home and single family home designs over conventional garden apartments. If there is a reasonable choice, the housing should be family oriented and in a town home and\or single family design wherever possible.

P.O. BOX 1089 • PORT ARTHUR, TEXAS 77641-1089 • 409/983-8115 • FAX 409/983-8291

SS

If you require additional information, please contact me at the letterhead address or via phone at (409) 983-8105. Your help in making these housing opportunities a reality for Port Arthur is very much appreciated.

Sincerely,

Deloris Prince

Deloris "Bobbie" Prince
Mayor, City of Port Arthur

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07902

Greater PORT Arthur Cluimber of Commerce

4749 Twin City Hwy., Suite 300 • Port Arthur. TX 77642-5836 (409) 963-1107 • Fax (409) 962-1997 or (409) 963-3322

August 7, 2007

Ms. Jennifer Joyce
TDHCA - Disaster Relief Group
221 E. 11th Street
Austin, TX 77011

Re: CDBG Application - Gulf Breeze Plaza I & II, town home replacement housing development

Dear Ms. Joyce:

The Port Arthur Chamber of Commerce supports efforts for the construction of replacement housing development project, "Gulfbreeze Plaza I & II," to be constructed as town homes and/or single family dwellings. The community strongly desires that this type of development be done over the traditional apartment design as it will better enable housing authority residents to have an improved quality of life, with living conditions that will help build pride and self-esteem. It will also allow for more handicapped-accessible apartments, for which we have an increasing need.

The upcoming industrial construction boom in our community will result in thousands of additional people staying in our community, and we are in dire need of housing for families who are still living in temporary residences since being displaced from their housing complexes after Hurricane Rita. This construction will enable many families to return to normal living conditions.

Please do not hesitate to contact me if I can assist you as you move forward with approval of the funding to provide for re-construction of this housing development.

Muy Rutherford
erna Ruthe ford

Sincerely,

Underwriting and PMC Report

07903 – Brittany Place Homes II

[illegible]

Applicant Evaluation

Project ID # **07903** Name: **Brittany Place Homes II** City: **Port Arthur**

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

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

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

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

Portfolio Management and Compliance

Total # of Projects monitored: 10

Projects grouped by score:
- zero to nine: 8
- ten to nineteen: 2
- twenty to twenty-nine: 0

Projects in Material Noncompliance: Yes ☐ No ☑

monitored with a score less than thirty: 10

not yet monitored or pending review: 9

in noncompliance: 0

Projects not reported in application: Yes ☐ No ☑

# of projects not reported: 0

Portfolio Monitoring
- Not applicable ☑
- Review pending ☐
- No unresolved issues ☐
- Unresolved issues found ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Single Audit
- Not applicable ☑
- Review pending ☐
- No unresolved issues ☐
- Issues found regarding late cert ☐
- Issues found regarding late audit ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Portfolio Analysis
- Not applicable ☑
- No unresolved issues ☐
- Not current on set-ups ☐
- Not current on draws ☐
- Not current on match ☐

Reviewed by Patricia Murphy Date 8/10/2007

Multifamily Finance Production
- Not applicable ☐
- Review pending ☐
- No unresolved issues ☑
- Unresolved issues found ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Reviewer Shannon Roth
Date 8 /10/2007

HOME
- Not applicable ☑
- Review pending ☐
- No unresolved issues ☐
- Unresolved issues found ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Reviewer Veronica Chapa
Date 8 /10/2007

Real Estate Analysis (Workout)
- Not applicable ☐
- Review pending ☐
- No unresolved issues ☑
- Unresolved issues found ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Reviewer D. Burrell
Date 8 /10/2007

Community Affairs
- No relationship ☑
- Review pending ☐
- No unresolved issues ☐
- Unresolved issues found ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Reviewer EEF
Date 8 /10/2007

Office of Colonia Initiatives
- Not applicable ☑
- Review pending ☐
- No unresolved issues ☐
- Unresolved issues found ☐
- Unresolved issues found that warrant disqualification (Comments attached) ☐

Reviewer Marla Cazares
Date 8 /13/2007

Financial Administration
- No delinquencies found ☑
- Delinquencies found ☐

Reviewer Melissa M. Whitehead
Date 8 /29/2007

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/05/07 PROGRAM: CDBG Disaster Recover FILE NUMBER: **07903**

This underwriting report has been modified in scope due to the uniqueness of the CDBG Disaster Recovery Program application and funding requirements. This report describes the general characteristics of the development and focuses on the information available regarding the reconstruction or rehabilitation costs and the 5 year viability of the development as proposed and per the funding source guidelines. The scope limitations include not fully evaluating or making recommendations based upon potential events beyond the initial 5 year period.

DEVELOPMENT

Brittany Place Homes II

Location: 3500 Normandy & single family sites at Ray Ave/Port Acres area Region: 5

City: Port Arthur County: Jefferson Zip: 77642 ☐ QCT ☒ DDA

Key Attributes: Family, Urban/Exurban, Reconstruction/New Construction

ALLOCATION

	GRANT REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Disaster Funds	$24,350,000	Grant		**$24,124,201**	TBD*	

*Short term forgiveness of the loan may have a significant impact on the viability of property owners as continued owners.

CONDITIONS

1 Receipt review and acceptance of clarification of the ownership structure and the requested method of funding from the Applicant.

2 Receipt, review, and acceptance, before demolition, of an Operations and Maintenance program to identify asbestos-containing materials and lead-based paint during the demolition process, and procedures to abate the effects of such materials as needed.

3 Receipt, review, and acceptance, prior to closing, of documentation to support the ability for the title company to issue clear title which is free from the Bankruptcy and foreclosure proceedings that are currently impacting the property and the Seller and Special Limited Partner of the Applicant.

4 Receipt, review and acceptance prior to commitment of an explanation from the Seller of the Brittany I site regarding the difference in the sales price and sales price listed on the web.

5 Receipt, review, and acceptance, by commitment, of a new commitment for permanent financing with a competitive market interest rate.

6 Receipt, review and acceptance, of documentation that the single family lots have been properly platted, and fully improved with infrastructure prior to funding any expenses on the single family site and that such documentation shall be provided not less than 12 months from the Board's approval of the award or the single family portion of the award will be deobligated.

7 Should the terms and rates of the proposed debt or Section 8 rents change prior to completion, the transaction should be re-evaluated and an adjustment to the recommended award amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	13
80% of AMI	High HOME	183

PROS

- The application proposes the reconstruction of a multifamily property that is currently uninhabitable due to extensive structural damages.
- The Applicant proposes to expand the opportunity for affordable housing by adding a net of 92 units to the Port Arthur market.

CONS

- The lack of third party reports, including an appraisal, market study, and Phase I ESA, poses a risk due to the addition of units, addition of 15 undeveloped acres, related party involvement, and upfront grant structure of the requested funds.
- The potential tax consequences of receiving $24M in grant funds for the involved for-profit entity do not appear to have been fully contemplated and could adversely affect the viability of the transaction.
- The purchase of the 104 single family lots for $25K per lot appears to be high given the bulk purchase and current undeveloped nature of the property.
- The single family sites have not yet completed the platting process and the development of these units may be delayed or canceled if the current owner fails to complete the significant tasks remaining.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

The Development
Champion at Brittany Place II
3500 Normandy and 25 acres in Port Acres
Port Arthur, Jefferson County, Texas

Operating Partnership
Chicory Court-Brittany Place II, L.P.
Texas limited partnerships

Developer:
Odyssey Residential Holdings, L.P.
(65% of the fee)
100% owned by 1029 Family Limited Partnership, 1029 GP-LLC, owned 100% by Saleem Jafar Family

(Saleem Jafar – Officer)
**James R. (Bill) Fisher – Officer)
Co-Developer
Port Arthur Housing Authority
(35% of the Fee)
** For TDHCA experience certification only, no direct or indirect ownership

.01% General Partner
Chicory GP-Brittany II, LLC.
two Texas Limited Liability Companies to be
Owned and controlled by the Port Arthur Housing Authority or their PFC

Shareholders
Port Arthur Housing Authority or their PFC
See attached list of Board Members

98.99% Limited Partner
Odyssey Residential Holdings, L.P., or their affiliate

1.0 % Special Limited Partner
Owner of Brittany Place Apartments or their affiliate

The Project
Brittany Place Homes II
3500 Normandy Avenue and Hwy 73 and Ray Avenue
Port Arthur, Texas, 77640

Developer:
Odyssey Residential Holdings, L.P.
100% owned by 1029 Family Limited Partnership, 1029 GP-LLC, 100% owned by Saleem Jafar Family
(65% of the Fee)
(Saleem Jafar – Officer)
**James R. (Bill) Fisher – Officer)
Co-Developer
The Port Arthur Housing Authority (35% of the Fee)
** For TDHCA experience certification, only, no direct or indirect ownership

Odyssey Residential GP-LLC
Owned 100% by 1029 Family L.P.

1029 FAMILY LP
Controlled by sole GP
1029 GP-LLC
80% of the LP interest owned by Saleem Jafar
20% by Saleem Jafar II

Port Arthur Housing Authority
A Texas Public Housing Authority
Celo Quesada, Executive Director.
Control by a Board of Directors
See attached list of Directors

1029 GP-LLC, Sole GP of 1029 Family LP, Saleem Jafar, Managing Member, owns 100% of this entity

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CONTACT

Contact: Saleem Jafar or Bill Fisher Phone: 972-701-5550 Fax: 972-701-5562
Email: sjafar@orhlp.com or bfisher8@airmail.net

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments
Port Arthur Housing Authority	$17,006,125	$9,097,202	--
Odyssey Residential Holdings, LP	$8,475,690	$4,332,777	--
Saleem Jafar	Confidential		11 LIHTC Properties
Bill Fisher	N/A		N/A

[1] Liquidity = Current Assets - Current Liabilities

Comments:

The ownership structure as proposed, with a for-profit entity (Odyssey Residential Holdings, LP), is unlikely to be maintained due to the possible tax consequences if the proposed grant funds are received. The Underwriter requested that the Applicant explain how the potential tax consequences will be handled (i.e. the grant funds should be recorded as phantom income with a tax burden). The Applicant responded, "Our structure as an LP was done to address this specific tax consequence. The Housing Authority as an federal income tax exempt entity and will be specifically allocated all income and loss during construction. The grant funds will come during construction, the income goes to the PHA and there is no tax consequence that affects our funding."

However, it is unclear to the Underwriter how this will mitigate the tax consequences of concern. While the grant will be received during construction, the grant funds are being used to build an asset (i.e. the buildings). Even if the grant funds are recorded as income for the Housing Authority during construction, the for-profit entity's entrance into the partnership with a 98.99% interest after construction equates to acquisition of a substantial asset at no cost. Therefore, whether the grant is in the form of cash during construction or a fixed asset after construction, there will likely be a substantial tax consequence to the for profit partner as long as the grant or forgiveness is provided up front. Alternatively, the grant could be provided to the housing authority and then loaned to the partnership or a deferred loan to the partnership could be made and forgiveness could occur once the for-profit partners exit the partnership.

According to the Applicant, the proposed partnership agreement will require the for-profit partners to exit the partnership as soon as will be allowed under the CDBG program rules. It was also implied that the exit price would be nominal and not require the liquidation of all or any portion of the property. Receipt review and acceptance of clarification of the ownership structure and the requested method of funding from the Applicant.

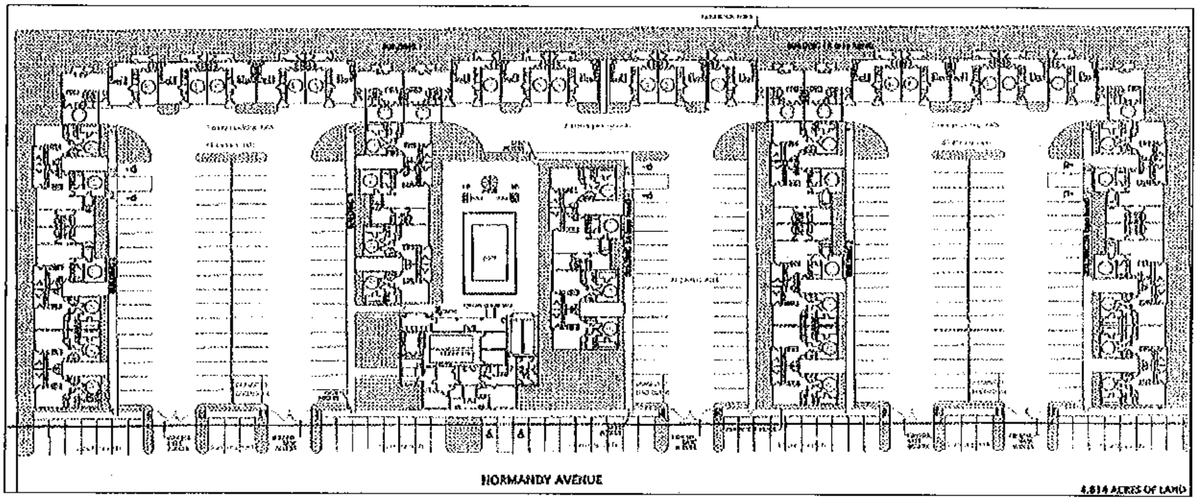
IDENTITIES of INTEREST

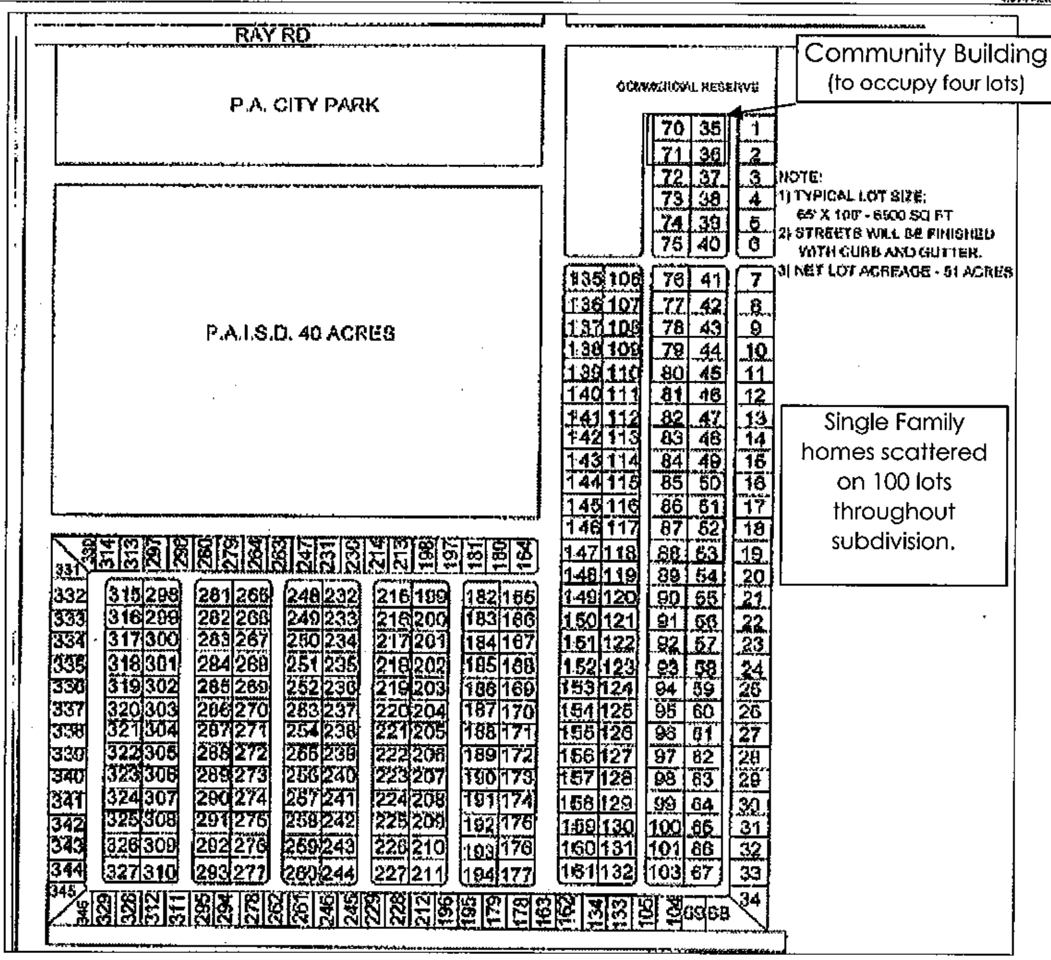
- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities.
- The seller of the townhome site will maintain an ownership interest in the property as a 1% Special Limited Partner.

The Memorandum of Understanding included in the application states, "In order to comply with the requirements of the CDBG NOFA from TDHCA, the owner of the existing property, Brittany Place, will participate in the partnership with a 1.0% limited partner interest as a Special Limited Partner. The SLP is obligated to participate only to the extent required by the rules applicable to the CDBG funding and is further obligated to withdraw at the earliest possible opportunity allowed by the rules. As an SLP, it will have no management authority of any kind in the Partnership and will share income, gains, losses, deductions, credits and distributions of the Partnership in accordance with its Partnership interest, until it withdraws."

PROPOSED SITE

SITE PLAN





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BUILDING CONFIGURATION

Building Type	T 1	T 1a	T 2	T 2a	T 3	T 3	S 1a	S 1	S 2	S 3	S 4	Buildings
Floors/Stories	2	2	2	2	2	2	1	1	1	1	1	
Number	1	1	2	1	1	1	20	20	20	20	20	**107**

BR/BA	SF	Units											# Units	Total SF
1/1	760			12	12	7	7						50	38,000
2/2	940	8	8										16	15,040
3/2	1,120			6	6	3	3						24	26,880
3/2	1,268	3	3										6	7,608
3/2	1,500							1					20	30,000
3/2	1,505								1				20	30,100
3/2	1,506									1			20	30,120
3/2	1,505										1		20	30,100
3/2	1,506											1	20	30,120
Units per Building		11	11	18	18	10	10	1	1	1	1	1	**196**	**237,968**

SITE ISSUES

Total Size:	20.134 acres	Scattered site?	[x] Yes	[ ] No
Flood Zone:	X	Within 100-yr floodplain?	[ ] Yes	[x] No
SF Sites Zoning:	Single Family	Needs to be re-zoned?	[ ] Yes	[x] No [ ] N/A
TH Site Zoning:	Multi-Family	Needs to be re-zoned?	[ ] Yes	[x] No [ ] N/A

TDHCA SITE INSPECTION

Inspector: Real Estate Analysis Staff   Date: 8/30/2007

Overall Assessment:

[ ] Excellent   [x] Acceptable   [ ] Questionable   [ ] Poor   [ ] Unacceptable

Surrounding Uses Brittany I:

- North: Retail
- East: Vacant site, 32nd street and single family residential beyond
- South: Normandy Street and single family residential beyond
- West: Normandy Apartments

Surrounding Uses Brittany II:

- North: Vacant land and occasional single family residential and 58th street
- East: Single family residential, Ray Road with numerous vacant lots and some newer homes
- South: Highway 73 with vacant frontage and gulf/ bayou beyond
- West: Vacant land and occasional single family residential and Jade street

Comments:

The Applicant has proposed the demolition of 104 existing units and the construction of 96 new units at the same site (the existing 104 units have been unoccupied and uninhabitable since the hurricane). The Applicant has indicated that a lower density product is sought and that an additional site is needed to meet the NOFA requirement of replacing at least as many units as are to be demolished. It is not clear that the zoning requirements necessitate a slight reduction in the density from 22.5 units per acre to 20.8 units per acre. In addition to the 96 townhome/garden units to be reconstructed at the existing multifamily site, the Applicant has proposed 100 single family units to be scattered throughout a planned single family subdivision more than 5 miles to the southwest (see attached map).

At this point the single family subdivision has not yet completed the platting process and the site inspection indicates that the property is currently 71 acres of raw land. The plan proposes two 3,600 square foot community buildings, one to the single family development and one to serve the multifamily development. From a functional standpoint, the Applicant has proposed the construction of two separate developments that will be funded under a common financing structure.

The single family portion of the development plan is a significant risk due to the current undeveloped nature of the property and the preliminary development stage of the subdivision. Moreover, it is unclear that the subdivision developer has the capacity to complete the roads and infrastructure in a reasonable time period. The Applicant has indicated:

> "The contract has time lines for lot delivery that work for our development plans. Generally and according to my meetings with the City of Port Arthur, the platting will take 90-120 days to complete. During that process, all the engineering issues and public infrastructure issues are addressed. Construction on the lots will begin immediately there after. That work will take 90-120 days for the first completed lots. We will take down lots and commence construction on the [Single Family homes] as soon as they are ready. The Seller must adhere to our time lines. Note: We have already been contacted by the Seller's bank, Whitney Bank, who is providing their lot development financing. Our first lot closing is expected in the first quarter of 2008" (email from Bill Fisher dated 8/30/2007).

Given that the single family portion of the development is not currently ready to proceed, the uncertainty of projecting construction costs so far into the future and the urgent nature of the Disaster Recovery funding source, the Underwriter recommends setting a firm time constraint that, if not met, would limit the ability of the single family portion of the development to move forward. Therefore, this report is conditioned upon receipt, review and acceptance, of documentation that the single family lots have been properly platted, and fully improved with infrastructure prior to funding any expenses on the single family site and that such documentation shall be provided not less than 12 months from the Board's approval of the award or the single family portion of the award will be deobligated.

The proposed development will have a 5 year compliance affordability period at which time the Applicant may choose to maintain the rents at an affordable level, sell each individual home, or convert the properties to market rate.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

A Phase I ESA is not required by the CDBG NOFA under which the subject application has been submitted. However, this is a risk of the transaction; particularly due to the use of additional currently undeveloped land and the potential for unknown costs that could result in overruns. Given that the existing development at Brittany I thirty or more years old there is a reasonable expectation that lead based paint and asbestos-containing material may be present within the structures. Receipt, review, and acceptance, by demolition, of an Operations and Maintenance program to identify any lead based paint and asbestos-containing materials during the demolition process and abate any effects as needed, is a condition of this report. In addition, an analysis by staff will be conducted prior to funding as part of the HUD mandated environmental review.

MARKET HIGHLIGHTS

Comments:

The NOFA guidelines exclude the requirement that the Applicant provide a market study for the subject development based upon the proposed 30% and 80% rents. The absence of having a market study causes some inherent risks to the Department in not being able to ascertain the market demand for the proposed units particularly since the 104 Brittany I units are currently unoccupied, and the 92 Brittany II units are completely new units. The dedicated Section 8 Vouchers for 13 units will provide some limited mitigation for this risk. A recent (post Hurricane Rita) market study was conducted for One Southwood Crossing (TDHCA #060238), a multifamily development located near the Brittany I site. The market study for the Southwood application was performed by the Gerald Teel Company and provides a valid source of data regarding a Primary Market Area which can be considered to be as appropriate to the subject application as it was to One Southwood Crossing.

One Southwood Crossing is an 84-unit development; 10 units have rent and income restrictions at 30% of AMI, and the remaining 75 units are restricted at 60% of AMI. One Southwood is the second phase of the adjacent development, Southwood Crossing Apartments (TDHCA #05199), which received a tax credit allocation in 2005. The phase I property contains 12 units restricted to 30% of AMI and 108 units restricted at 60% of AMI. Both of these developments are currently in lease-up. A third development, Sunset Way (TDHCA # 060186) is a completed but unstablized development also in the market area. Sunset Way is "the first Rita GO Zone housing complex ...built using a federal housing tax credit set aside after Hurricane Rita ... Only open for two months, the facility is already at 60% occupancy". (www.panews.com 08/08/2007)

Including these three properties as the unstable supply, the underwriting report for One Southwood Crossing calculated an inclusive capture rate of 5% for the 30% AMI units, and 32% for the 60% AMI units. The overall capture rate was 21%.

Currently, there are two other pending applications for CDBG Disaster Recovery funds in Port Arthur both of which propose reconstruction of existing predominately occupied units. One of these two applications, Gulfbreeze I & II, contains 234 new units on two sites to replace 152 existing units that are 76% occupied with public housing tenants. The Gulfbreeze development proposes to add 148 new non-public housing units and replace 86 public housing units (the Housing Authority plans to replace the other 66 public housing units in some future development). Demand is not considered to be an issue for Public Housing units since there is no minimum income requirement. Therefore, this demand analysis will only include the supply of non Public Housing units associated with Gulfbreeze and the units associated with Brittany Place I & II.

The proposed Gulfbreeze Plaza II will have 6 non-Public Housing units with rent and income limits restricted at 30% of AMI while all 13 of the project based Section 8 Voucher units at the subject will target households earning 30% of AMI or less. Combining these with the unstabilized supply of 30% AMI units with the existing unstabilized units form the prior study results in a still very low inclusive capture rate of 8%.

The remaining CDBG units are not exactly comparable to the remaining unstable units in the market area, which have rent and income restricted to 60% of AMI. The CDBG units are limited to the High HOME rent, which is equivalent to 65% of AMI, and therefore slightly higher than the restricted comparables. However, the income limit for these units is 80% of AMI, thereby providing a larger income band from which to draw demand. Expanding the income band to 80% of AMI demand and including the 60% units in the comparable unstable supply results in an inclusive capture rate of over 40% for this units, and an overall capture rate for all of the potential unstabilized properties of 32%.

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This should be considered a worst-case scenario however, since 115 of the 148 units at Gulfbreeze will be made available to the tenants relocating from the old Gulfbreeze Plaza. If all of these Gulfbreeze tenants accept the relocation vouchers and move to the new Gulfbreeze the 33 units remaining units would reduce the inclusive capture rate from the additional Brittany I & II units to 25.5% or just over the inclusive capture rate threshold established by the Department. Without a project specific market study for the subject, however, it would be difficult to conclude that the subject and Gulfbreeze I & II will cause an over saturation of this market. In addition, the quick lease up rate evidenced at Sunset Way suggests that there currently is still significant demand in this market. Finally, the favorable financing projected for the subject and the uniqueness of the single family design plan may also mitigate the lease-up risk that would otherwise be associated with a potentially over saturated market.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 8/30/2007

The Applicant's net rents are derived from the gross program rent limits less the applicable utility allowances. The Applicant has indicated that 13 of the units will be dedicated Section 8 Voucher units and the Housing Authority has agreed to dedicate Section 8 Vouchers in the Memorandum of Understanding (MOU) signed by all of the involved parties. In addition to the signed MOU, the Applicant has formally requested that said vouchers be committed to the proposed development.

However, due to program guidelines, the gross program rents cannot be exceeded by the tenant paid rent plus utility allowance plus Section 8 Voucher subsidy. Therefore, if the property ultimately does not receive Section 8 Vouchers, the development's projected potential gross income will not be significantly adversely affected. Moreover, if the vouchers are used for the non 30% households, the lease-up risk of the higher income households would be reduced further without significantly impacting project income.

The program guidelines do not require the Applicant to submit a market study or appraisal to verify the maximum achievable market rents. Therefore, there is some risk associated with assuming the maximum program rents will be achieved. The estimated market rent in the One Southwood Crossing market study does suggest that the maximum rents at that time could be achieved in this market. The Underwriter has assumed rent levels based on the gross program rents less utility allowances. The tenants will be responsible for electric, water, and sewer costs.

The Applicant's secondary income and vacancy and collection loss estimates are in line with Department standards. However, the Applicant has also included other income from cable and phone services provided to tenants. Typically such services are accompanied by a comparable offsetting expense, but the Applicant has not done so for the phone service. In addition, it is not typical for such services to be provided by the developer in scattered single family site developments. For these reasons, the Underwriter has not included these sources of other income. However, the Underwriter has assumed the Department's standard maximum secondary income per unit of $15 per year.

Despite the difference described above, the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 8/30/2007

The Applicant operating expense estimate of $3,932 per unit is not within 5% of the Underwriter's estimate of $4,312 per unit. A number of the Applicant's estimates of individual line items differ significantly from the Underwriter's estimates, including: general and administrative ($55K lower); payroll and payroll tax ($53K lower); utilities ($13K higher); water, sewer, and trash ($21K higher); and reserve for replacements ($9,800 higher).

The Applicant indicated that the permanent lender will require the projected $300 per unit per year in reserves; however, the lender's commitment does not provide such a requirement and the Applicant has provided no further support. Also of note, the Applicant has included TDHCA compliance fees of $40 per unit per year, but the CDBG program has no compliance fee requirement.

The Applicant and Underwriter have assumed a 100% property tax exemption due to the ownership structure and involvement of the Public Housing Authority. The Applicant has also provided a letter from legal counsel indicating that property will be ground leased to the Applicant in order to qualify for the 100% exemption.

The Applicant has provided an insurance quote to support the Applicant's estimated insurance expense. The Underwriter has used the insurance quote.
Due to the Applicant's plan to operate two 3,600 square foot community buildings to serve the two different property areas and the distance between each property, it is unlikely that the Applicant will be able to achieve significant economies of scale. Therefore, the Underwriter has remained steadfast in the use of expenses that are consistent with the TDHCA database averages for comparable properties in the area.

Conclusion:

The Applicant's estimates of total operating expense and net operating income are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio (DCR). The Underwriter's proforma results in a debt coverage ratio below the Department's 1.15 minimum DCR. Therefore, the Underwriter's recommended financing structure will reflect a decrease in the permanent debt amount and an increase in the development's gap in financing. This will be discussed in detail below in the "Recommended Financing Structure" section.

The Underwriter's expense to income ratio of 69.51% is above the Department's 65% maximum. However, the property has 13 dedicated Section 8 Voucher units, which under the 2007 Real Estate Analysis Rules and Guidelines is a mitigating factor for the 65% maximum. Moreover, the development has a five year affordability horizon at which time the rents may be able to float to market rents, assuming the market rents are higher than the restricted rent levels.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's minimum 15 year period and for the programs 5 year time horizon. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Not Provided Date: N/A

Comments:

Despite the identity of interest nature of the transaction, an appraisal of the subject property was not provided and is not required under the program NOFA requirements. Moreover, due to the request that the funds be a full grant, the risk associated with over-payment for even the non-related party purchase of the single family sites exists.

ASSESSED VALUE

TOWNHOME SITE:

Land Only: 4.61 acres	$100,410	Tax Year:	2006
Existing Buildings:	$349,830	Valuation by:	Jefferson CAD
Total Assessed Value:	$450,240	Tax Rate:	2.973579

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SINGLE FAMILY SITES (UNDEVELOPED):

Land Only:	71.54 acres	$178,850	Tax Year:	2006
One Acre:		$2,500	Valuation by:	Jefferson CAD
Prorata:	15.52 acres	$38,800	Tax Rate:	2.973579
Productivity Value:		$4,220		

EVIDENCE of PROPERTY CONTROL

TOWNHOME RELATED-PARTY PURCHASE:

Type: Commercial Contract - Improved Property — Acreage: 4.614

Contract Expiration: 10/31/2007 — Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $1,500,000 — Other:

Seller: Wythe II Corporation — Related to Development Team? [x] Yes [ ] No

SINGLE FAMILY SCATTERED SITES PURCHASE:

Type: Lot Purchase Agreement — Acreage: 104 lots

Contract Expiration: See Comments — Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $2,600,000 — Other:

Seller: Angel Mid Jeff County JV — Related to Development Team? [ ] Yes [x] No

Comments:

The Lot Purchase Agreement indicates site control for the single family lots will expire 30 days after the plats have been recorded. Because the platting is currently in the beginning stages, it is likely that such date will occur after the Board meeting.

TITLE

Comments:

The title commitment indicates a number of items of concern regarding the existing multifamily site, as follows. Schedule C of the title commitment indicates a two liens for outstanding debt on the property. These two liens are discussed below in the acquisition cost section. Additionally, several mechanic's liens are reflected in Schedule C title commitment. As discussed below, the current owner is currently in bankruptcy and the Applicant has provided a letter from bankruptcy court indicating that the purchase of the property is authorized and that the outstanding debt will be paid at closing. The letter indicates that only these two liens will need to be cleared for the property to be transferred to the seller free and clear.

Receipt, review, and acceptance, prior to closing, of documentation to support the ability for the title company to issue clear title which is free from the Bankruptcy and foreclosure proceedings that are currently impacting the property and the Seller and Special Limited Partner of the Applicant.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The Applicant has provided a Lot Purchase Agreement for the third-party purchase of the 104 single family lots for $25,000 per lot. The 104 single family lots make up approximately half of the entire planned subdivision. The purchase price of $25K per lot appears to be high given the current undeveloped nature of the property and the bulk number of lots under contract; the platting has yet to be completed. Moreover, the neighboring subdivision still has a number of remaining vacant lots. This concern is heightened as a result of the grant form of the funds requested which may stifle the true third-party nature of the transaction. However, the transaction is a third-party transaction under the Department's current guidelines and the purchase price is therefore assumed to be acceptable.

The Applicant has provided a Commercial Contract for Improved Property for the purchase of the existing multifamily site that will be demolished and reconstructed under the proposed development plan. The property is under contract for $1,500,000 or $325,098 per acre. The current owner of the property will be a 1% owner in the partnership. However, the current owner appears to have declared bankruptcy and is currently unable to service the existing debt on the property. The outstanding debt appears to total approximately $968,638. According to the title commitment, the original debt, dated April of 2001, totaled $977,500. It appears that the Developer has received a written authorization from the Bankruptcy Court to purchase the property free and clear for $1,500,000 with the outstanding $968,638 to be paid at closing by the Seller.

The transaction is considered to be an identity of interest transaction due to the continued ownership interest of the seller. An appraisal is not required under the program guidelines; however, the Underwriter requested documentation of the seller's original tax basis in land and buildings to support the transfer price. The Applicant has been unable to provide such documentation at this point. Waleed Kahn (current owner of Wythe II Corp; owner of the subject property) purchase 100% interest in Wythe II Corp in 2003. It is unclear if Wythe II has other assets.

The Underwriter has identified the subject property's listing on the commercial real estate website LoopNet.com where the property is listed for $1,400,000 or $100K less that the contract price. Thus the proposed purchase price may not in fact be a negotiated arms length price. Receipt, review and acceptance of an explanation from the Seller regarding the difference in the sales price and sales price listed on the web is a condition of this report.

It should also be noted that the Applicant has estimated $450,000 in demolition costs and the existing buildings are uninhabitable. Therefore, the transfer of a clean site is approximately $1,950,000 or $423,627 per acre.

The Underwriter has adjusted the purchase price to equal the outstanding debt on the property ($968,638). Based on the bankruptcy court's authorization, it appears that this purchase price would allow for the free and clear transfer of the property. This results in a total transfer price of $3,743,638 for the multifamily and single family sites including $175,000 in closing costs.

Sitework Cost:

The Applicant has estimated $8,042 in sitework costs including $450,000 of demolition costs. It is likely that a majority of the non-demolition sitework costs will be attributed to the single family lots.

Direct Construction Cost:

The Applicant's direct construction cost of $69,107 per unit is within 5% of the Underwriter's estimate of $69,810 per unit. The Underwriter has estimated the direct construction cost of the 100 single family units and associated community building accounts for approximately 67% of the total direct construction cost. When considering the sitework costs, contractor fees, and contingency, it is likely that construction costs associated with the single family sites would exceed 70% of the total construction costs. The Underwriter has provided a breakdown of the costs for the townhome units, garden style units, and single family units in the attached spreadsheet.

Marketing Costs:

The Applicant has included $200,000 in marketing costs. The Department currently has no maximum for marketing costs. However, these costs appear to be unexpectedly high considering the involvement of the housing authority and the inclusion of Section 8 voucher units. Since the Department has no clear limit and a comparable development scenario is not available, the Underwriter has made no adjustment.

Ineligible Costs:

The Applicant has included $50,000 in relocation costs. However, the existing structures are unoccupied; therefore, the Underwriter has removed these costs in the adjusted costs column.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's total costs. Therefore, the Applicant's costs, adjusted for the acquisition price and relocation costs, will be used to determine the development's financing needs. The Applicant's adjusted costs are reflected in the "ADJUSTED" column of the development cost schedule.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: AIG SunAmerica Type: **Interim to Permanent Financing**

Interim:	$5,570,000	Interest Rate:	9.75%	x	Fixed	Term:	24	months
Permanent:	$5,570,000	Interest Rate:	9.75%	x	Fixed	Amort:	360	months

Comments:

The Applicant has provided a commitment indicating interim to permanent financing of $5.57M. However, the Applicant has indicated that only $3,290,000 of the committed funds will be used. Moreover, at the quoted interest rate it would appear that the project can not support the entire amount of the proposed debt.

The commitment indicates an interest rate of 9.75%, which is substantially higher than comparable transactions underwritten by the Department. Another application seeking funds under the CDBG program involving the Port Arthur Housing Authority (07902 - Gulfbreeze Plaza) has received a commitment for permanent financing with an interest rate of 7.75%. In this case it appears that the higher interest rate results in a decrease in the permanent debt that the property can support and an over reliance on Department funds. Therefore, receipt, review, and acceptance, by commitment, of a new commitment for permanent financing with a competitive market interest rate is a condition of this report.

Amount: $192,133 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. In addition, the interest rate on the commitment provided does not appear to be a competitive rate given current market conditions and the collateral (loan to value) risk associated with this development. Therefore, receipt, review and acceptance, by commitment, of a new permanent loan commitment with a market competitive interest rate and supporting a debt coverage ratio at a minimum of 1.15 is a condition of this report. The current underwriting analysis assumes a decrease in the permanent loan amount to $3,126,570 based on the terms reflected in the application materials. As a result, a lower interest rate will result in a greater debt amount and the development's gap in financing that will need to be funded with CDBG funds will likely decrease.

The Applicant's total adjusted development cost estimate less the adjusted permanent loan of $3,126,570 indicates the need for $24,174,201 in gap funds. This is less than the Applicant's funding request of $24,350,000. The Department should consider delaying the forgiveness or grant until the end of the 5 years and/or approve the funding subject to an agreement that prevents the proposed majority for profit owner from requiring the liquidation of the all or part of the subject as a condition of exiting the partnership.

The Underwriter's recommended financing structure indicates no need for additional permanent funds or deferred developer fee. Should the Applicant ultimately receive a more favorable interest rate on the permanent first lien, a reduction in the CDBG funds may be warranted.

The CDBG award amount is below the 221(d)(3) limit for this project.

Underwriter:	*Cameron Dorsey*	Date:	September 5, 2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	September 5, 2007

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MULTIFAMILY COMPARATIVE ANALYSIS

Brittany Place Homes II, Port Arthur, CDBG Disaster Recovery #07903

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected		Rent per Month	Rent per SF	Tnt-Pd Util	Trash
CDBG 30%/ Sec 8	3	1	1	760	$285	$216		$648	$0.28	$69.14	$16.50
CDBG 80%	47	1	1	760	496	427		20,062	0.56	69.14	16.50
CDBG 30%/ Sec 8	2	2	2	940	342	253		507	0.27	88.71	16.50
CDBG 80%	14	2	2	940	593	504		7,060	0.54	88.71	16.50
CDBG 30%/ Sec 8	2	3	2	1,120	395	292		583	0.26	103.36	16.50
CDBG 80%	22	3	2	1,120	735	632		13,896	0.56	103.36	16.50
CDBG 80%	6	3	2	1,268	735	632		3,790	0.50	103.36	16.50
CDBG 30%/ Sec 8	6	3	2	1,504	395	281		1,685	0.19	114.17	16.50
CDBG 80%	94	3	2	1,504	735	621		58,358	0.41	114.17	16.50
TOTAL:	196		AVERAGE:	1,214		$544		$106,589	$0.45	$98.95	$16.50

INCOME				TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
	Total Net Rentable Sq Ft: 237,968							
POTENTIAL GROSS RENT				$1,279,066	$1,280,220	Jefferson		5
Secondary Income		Per Unit Per Month:	$15.00	35,280	23,520	$10.00	Per Unit Per Month	
Other Support Income: Cable & Phone				0	23,520	$10.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$1,314,346	$1,327,260			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(98,576)	(99,540)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,215,770	$1,227,720			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		7.16%	$444	0.37	$86,990	$31,800	$0.13	$162	2.59%
Management		5.00%	310	0.26	60,789	61,386	0.26	313	5.00%
Payroll & Payroll Tax		17.97%	1,115	0.92	218,487	165,200	0.69	843	13.46%
Repairs & Maintenance		8.82%	547	0.45	107,192	87,956	0.37	449	7.16%
Utilities		3.28%	203	0.17	39,825	53,200	0.22	271	4.33%
Water, Sewer, & Trash		4.70%	292	0.24	57,165	78,350	0.33	400	6.38%
Property Insurance		16.82%	1,043	0.86	204,461	205,000	0.86	1,046	16.70%
Property Tax	2.973579	0.00%	0	0.00	0	1	0.00	0	0.00%
Reserve for Replacements		4.03%	250	0.21	49,000	58,800	0.25	300	4.79%
TDHCA Compliance Fees		0.00%	0	0.00	0	7,840	0.03	40	0.64%
Other: Cbl/SuppServ/Security		1.74%	108	0.09	21,150	21,150	0.09	108	1.72%
TOTAL EXPENSES		69.51%	$4,312	$3.55	$845,059	$770,683	$3.24	$3,932	62.77%
NET OPERATING INC		30.49%	$1,891	$1.56	$370,711	$457,037	$1.92	$2,332	37.23%
DEBT SERVICE									
First Lien Mortgage		27.90%	$1,731	$1.43	$339,194	$339,194	$1.43	$1,731	27.63%
TDHCA CDBG Request		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		2.59%	$161	$0.13	$31,517	$117,843	$0.50	$601	9.60%
AGGREGATE DEBT COVERAGE RATIO					1.09	1.35			
RECOMMENDED DEBT COVERAGE RATIO					1.15				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	ADJUSTED	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		13.67%	$19,100	$15.73	$3,743,638	$4,275,000	$3,743,638	$15.73	$19,100	13.74%
Off-Sites		0.00%	0	0.00	0	0	0	0.00	0	0.00%
Sitework		5.76%	8,042	6.62	1,576,265	1,576,265	1,576,265	6.62	8,042	5.78%
Direct Construction		49.96%	69,810	57.50	13,682,722	13,544,889	13,544,889	56.92	69,107	49.70%
Contingency	4.95%	2.76%	3,857	3.18	756,058	756,058	756,058	3.18	3,857	2.77%
Contractor's Fees	13.87%	7.73%	10,801	8.90	2,116,961	2,116,961	2,116,961	8.90	10,801	7.77%
Indirect Construction		5.39%	7,533	6.20	1,476,500	1,526,500	1,476,500	6.20	7,533	5.42%
Permanent Financing		0.83%	1,158	0.95	226,930	226,930	226,930	0.95	1,158	0.83%
Developer's Fees	14.49%	10.65%	14,878	12.25	2,916,000	2,916,000	2,916,000	12.25	14,878	10.70%
Interim Financing		1.89%	2,646	2.18	518,530	518,530	518,530	2.18	2,646	1.90%
Reserves		1.37%	1,913	1.58	375,000	375,000	375,000	1.58	1,913	1.38%
TOTAL COST		100.00%	$139,738	$115.09	$27,388,604	$27,832,133	$27,250,771	$114.51	$139,035	100.00%
Construction Cost Recap		*66.20%*	*$92,510*	*$76.20*	*$18,132,006*	*$17,994,173*	*$17,994,173*	*$75.62*	*$91,807*	*66.03%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	ADJUSTED	RECOMMENDED	
First Lien Mortgage	12.01%	$16,786	$13.83	$3,290,000	$3,290,000	$3,290,000	$3,126,670	Developer Fee Available
TDHCA CDBG Request	88.91%	$124,235	$102.32	24,350,000	24,350,000	24,350,000	24,124,201	$2,916,000
HTC Syndication Proceeds	0.00%	$0	$0.00	0	0	0	0	% of Dev. Fee Deferred
Deferred Developer Fees	0.70%	$980	$0.81	192,133	192,133	192,133	0	0%
Additional (Excess) Funds Req'd	-1.62%	($2,263)	($1.86)	(443,529)	0	(581,362)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$27,388,604	$27,832,133	$27,250,771	$27,250,771	$930,971

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Brittany Place Homes II, Port Arthur, CDBG Disaster Recovery #07903

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Basis

CATEGORY	TOWNHOME	GARDEN	SINGLE FAM	TOTAL
Base Cost	$1,356,041	$3,597,901	$12,105,991	$17,059,933
Adjustments				
Exterior Wall Finish	27,121	71,958	0	99,079
10% Subdivision Discount	0	0	(1,210,599)	(1,210,599)
9-Ft. Ceilings	0	0	0	0
Roofing	0	0	0	0
Subfloor	(20,949)	(53,418)	(377,604)	(451,972)
Floor Cover	69,756	157,658	481,408	708,822
Breezeways/Balconies	28,578	132,081	276,840	437,499
Plumbing Fixtures	21,230	57,960	0	79,190
Rough-Ins	9,350	59,200	45,000	113,550
Built-In Appliances	53,350	136,900	257,500	447,750
Exterior Stairs	0	57,600	0	57,600
Enclosed Corridors	0	0	0	0
Heating/Cooling	55,035	123,272	267,783	446,090
Garages/Carports	109,181	0	857,230	966,411
Comm &/or Aux Bldgs	0	241,362	241,362	482,724
Other: fire sprinklers	0	126,516	0	126,516
SUBTOTAL	1,708,692	4,708,991	12,944,911	19,362,594
Current Cost Multiplier	(34,174)	(94,180)	(258,898)	(387,252)
Local Multiplier	(187,956)	(517,989)	(1,423,940)	(2,129,885)
TOTAL DIRECT CONSTRUCTION COSTS				
Plans, specs, survy, bld prmts	(57,976)	(159,776)	(439,221)	(656,973)
Interim Construction Interest	(50,171)	(138,268)	(380,095)	(568,534)
Contractor's OH & Profit	(170,955)	(471,135)	(1,295,138)	(1,937,228)
NET DIRECT COSTS	$1,207,460	$3,327,644	$9,147,618	$13,682,722

PAYMENT COMPUTATION

Primary	$3,290,000	Amort	360
Int Rate	9.75%	DCR	1.09

Secondary	$24,350,000	Amort	
Int Rate		Subtotal DCR	1.09

Additional	$0	Amort	
Int Rate		Aggregate DCR	1.09

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$322,345
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$48,366

Primary	$3,128,570	Amort	360
Int Rate	9.75%	DCR	1.15

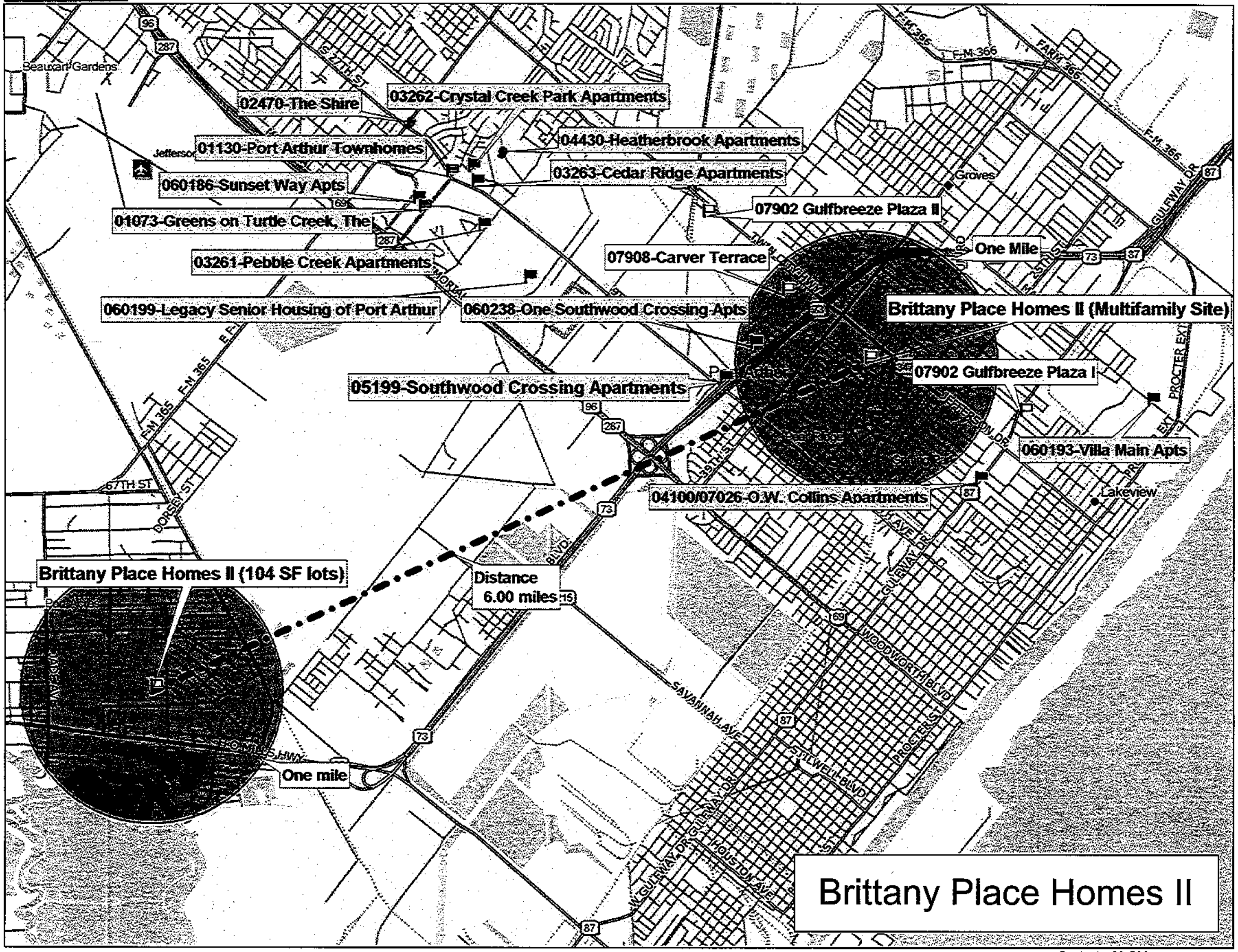
Secondary	$24,124,201	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

221 (d)(3) Limit	1-Bedroom	2-Bedroom	3-Bedroom
	$109,142	$132,718	$171,692
$29,900,548	50	16	130

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,279,066	$1,317,438	$1,356,961	$1,397,670	$1,439,600	$1,668,891	$1,934,702	$2,242,850	$3,014,203
Secondary Income	35,280	36,338	37,429	38,551	39,708	46,032	53,364	61,864	83,140
Other Support Income: Cable & Pł	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,314,346	1,353,776	1,394,390	1,436,221	1,479,308	1,714,924	1,988,066	2,304,714	3,097,343
Vacancy & Collection Loss	(98,576)	(101,533)	(104,579)	(107,717)	(110,948)	(128,619)	(149,105)	(172,854)	(232,301)
Employee or Other Non-Rental Uni	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,215,770	$1,252,243	$1,289,811	$1,328,505	$1,368,360	$1,586,304	$1,838,961	$2,131,860	$2,865,042
EXPENSES at 4.00%									
General & Administrative	$86,990	$90,470	$94,089	$97,852	$101,766	$123,814	$150,639	$183,276	$271,293
Management	60,789	62,612	64,491	66,425	68,418	79,315	91,948	106,593	143,252
Payroll & Payroll Tax	218,487	227,227	236,316	245,768	255,599	310,975	378,349	460,320	681,386
Repairs & Maintenance	107,192	111,479	115,939	120,576	125,399	152,567	185,621	225,837	334,294
Utilities	39,825	41,418	43,075	44,798	46,590	56,683	68,964	83,905	124,200
Water, Sewer & Trash	57,165	59,452	61,830	64,303	66,876	81,364	98,992	120,439	178,279
Insurance	204,461	212,639	221,145	229,991	239,190	291,012	354,060	430,768	637,643
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	49,000	50,960	52,998	55,118	57,323	69,742	84,852	103,236	152,814
Other	21,150	21,996	22,876	23,791	24,743	30,103	36,625	44,560	65,959
TOTAL EXPENSES	$845,059	$878,254	$912,758	$948,623	$985,904	$1,195,577	$1,450,051	$1,758,933	$2,589,119
NET OPERATING INCOME	$370,711	$373,989	$377,053	$379,882	$382,456	$390,727	$388,910	$372,927	$275,923
DEBT SERVICE									
First Lien Financing	$322,345	$322,345	$322,345	$322,345	$322,345	$322,345	$322,345	$322,345	$322,345
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	$48,366	$51,645	$54,708	$57,537	$60,111	$68,382	$66,565	$50,582	($46,422)
DEBT COVERAGE RATIO	1.15	1.16	1.17	1.18	1.19	1.21	1.21	1.16	0.86



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1" = 5,208.3 ft Data Zoom 11-6

Letters of Support

07903 – Brittany Place Homes II

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07903

AUG 22 2007 14:46 FR SEN KYLE JANEK TO 19727015562 P.01/01

STATE OF TEXAS
THE SENATE OF TEXAS

KYLE JANEK
MEMBER

August 22, 2007

Ms. Jennifer Joyce
TDHCA-Disaster Relief Group
221 E. 11th Street
Austin, TX 78701

RE: CDBG application #07-903, Brittany Place Homes II

Dear Ms. Joyce,

This letter is to express my support for the application for Community Development Block Grant (CDBG) Disaster Relief funding for Brittany Place II. Our area was severely impacted by Hurricane Rita and faces a serious housing shortage. In addition, the City of Port Arthur is facing even more pressure for housing stock as a result of economic activity they are experiencing from refinery and petrochemical plant expansions in the area. This one-two punch makes consideration for funding in our area a priority.

It is my understanding the proposed property redevelopment will serve the needs of low and moderate income residents in the Port Arthur area of Senate District 17. The developer plans to demolish and reconstruct this property to put lost housing back in service and add a number of single family homes to that inventory. Additional rental housing built as single family homes will facilitate the City's desire to foster home ownership in the future for the families who will live in these houses.

CDBG dollars allocated to this application will serve three purposes instead of just one. They provide immediate rental housing stock much needed in our area. They add stability in our community by offering future home ownership to the citizens of Port Arthur. This development will jump start single family lot development in a target area for the City.

Please note my whole hearted support for this application and give this application priority consideration with the Disaster Relief funding in the Rita Hurricane Zone.

Sincerely,

Kyle Janek

Kyle Janek

** TOTAL PAGE.01 **

07903

State of Texas
House of Representatives

Capitol Office:
P.O. Box 2910
Austin, TX 78768-2910
(512) 463-0706
Fax (512) 480-0744

Allan B. Ritter

District 21

District Office:
P.O. Box 1265
Nederland, TX 77627
(409) 729-3228
Fax (409) 729-3241

Ms. Jennifer Joyce
TDHCA-Disaster Relief Group
221 E. 11th Street
Austin, TX 77011

RE: CDBG application #07-903, Brittany Place Homes II, town home and single family replacement housing development

Dear Ms. Joyce:

This letter is to express my support for the application for Community Development Block Grant (CDBG) Disaster Relief funding for Brittany Place II. Our area was severely impacted by Hurricane Rita and continues to face a serious housing shortage from the effects of that terrible storm. In addition, the City of Port Arthur is facing even more pressure for housing stock as a result of economic activity they are experiencing from refinery and petrochemical plant expansions in the area. This one-two punch makes consideration for funding in our area a priority.

It is my understanding the proposed property re-development will serve the needs of low and moderate income residents in the Port Arthur area of District 21. The developer plans to demolish and reconstruct this property to put lost housing back in the service as well as add a substantial number of single family homes to that inventory. Additional rental housing built as single family homes will facilitate the City's desire to foster home ownership in the future for the families that will live in these houses.

CDBG dollars allocated to this application will serve three purposes instead of just one. First, they provide immediate rental housing stock much needed in our area. Second, they add stability in our community by offering future home ownership to the citizens of Port Arthur. As a third benefit, this development will jump start, single family lot development in a target area for the City of Port Arthur.

I ask TDHCA staff and the Board of Directors to note my whole hearted support for this application. I further ask you to give this application priority consideration in any funding decision you make with the Disaster Relief funding in the Rita Hurricane Zone.

Sincerely,

Allan B Ritter

Allan B. Ritter

01403

DELORIS "BOBBIE" PRINCE, MAYOR
MICHAEL "SHANE" SINEGAL, MAYOR PRO-TEM

COUNCIL MEMBERS:
JACK CHATMAN, JR.
CAL JONES
THOMAS J. HENDERSON
MARTIN FLOOD
JOHN BEARD, JR.
ROBERT E. WILLIAMSON

City of Port Arthur Texas

STEPHEN FITZGIBBONS
CITY MANAGER

EVANGELINE "VAN" GREEN
CITY SECRETARY

MARK T. SOKOLOW
CITY ATTORNEY

August 3, 2007

Ms. Jennifer Joyce
TDHCA-Disaster Relief Group
221 E. 11th Street
Austin, TX 77011

RE: Our CDBG application, Brittany Place Homes II, town home and single family replacement housing development

Dear Ms. Joyce:

Please allow this letter to serve as our confirmation of what our housing authority stated in their letter to you, dated August 3, 2007, about our CDBG re-development applications. On behalf of our City leaders and as the new Mayor, the City has expressed to the Board of the housing authority in the strongest terms the desire to see this type of town home and/or single family development over traditional apartment design.

We are supportive of the housing authority's effort to rebuild replacement housing in a design that will facilitate the family's dignity, accessibility and home ownership opportunity. Affordable housing communities built as conventional, multi story, walk-up apartments are the norm in Port Arthur. The new council feels it is necessary to change the approach to affordable housing opportunities in Port Arthur with housing designs that are more applicable for families with children and those with special needs that require more housing opportunities with accessible units. As the housing authority has told us, all of the 196 units are accessible for persons with disabilities which are not the case in standard, multi-story, walk-up apartments.

By platting the town homes in such a way to allow them to be subdivided into a lot per unit, the housing authority is in a position to make many more of these affordable units available for eventual home ownership by these families and special needs households. The housing authority has a home ownership program in their agency plan.

The housing authority, through its board of commissioners, will be working to support funding for applications with these town home and single family home designs over conventional garden apartments. If there is a reasonable choice, the housing should be family oriented and in a town home and\or single family design wherever possible.

P.O. BOX 1089 • PORT ARTHUR, TEXAS 77641-1089 • 409/983-8115 • FAX 409/983-8291

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If you require additional information, please contact me at the letterhead address or via phone at (409) 983-8105. Your help in making these housing opportunities a reality for Port Arthur is very much appreciated.

Sincerely,

Deloris Prince

Deloris "Bobbie" Prince
Mayor, City of Port Arthur

Port Arthur Housing Authority

EXECUTIVE DIRECTOR
CELE QUESADA

Ms. Jennifer Joyce
TDHCA-Disaster Relief Group
221 E. 11th Street
Austin, TX 77011

RE: Our CDBG application, Brittany Place Homes II, town home and single family replacement housing development

Dear Ms. Joyce:

Please allow this letter to serve as our confirmation of what Mr. Fisher stated in his letter to you about this development application. We have met with our City leaders including the new Mayor and City Council. They have expressed to me and our Board in the strongest terms their desire to see this type of development over traditional apartment design.

They are very supportive of the housing authority's effort to rebuild replacement housing in a design that will facilitate the family's dignity, accessibility and home ownership opportunity. Affordable housing communities built as conventional, multi story, walk up, apartments is the norm. The new council feels it is necessary to change the approach to affordable housing opportunities in Port Arthur with housing designs that are more applicable for families with children and those with special needs that require more housing opportunities with accessible units. All of these 196 units are accessible for persons with disabilities which are not the case in standard, multi-story, walk up apartments.

By platting both the town homes and the single family homes on individual lots, the housing authority is really in a position to make many more of these affordable units available for eventual home ownership by these families and special needs households.

EXECUTIVE DIRECTOR
CELE QUESADA

I participated personally in the meeting Mr. Fisher refers to with the top City officials along with the PAHA board chairman at that time. It is clear the City is supporting applications like Brittany Place Homes II that provide town homes and single family designs. The Motiva representative was also pushing for our help in getting this subdivision in the Port Acres area moving forward.

As Mr. Fisher indicated, I will be working to get a letter from the Mayor, Ms. Bobbie Prince, to confirm on behalf of the council what they have told us and we have told you. If there is a reasonable choice, the housing should be family oriented and in a town home and\or single family design wherever possible.

If you require additional information, please contact me at the letterhead address or phone number. Your help in making these housing opportunities a reality for Port Arthur is very much appreciated.

Sincerely,

Joe Guillory per Cele Quesada

Cele Quesada
Executive Director.

HOUSING AUTHORITY OF THE CITY OF PORT ARTHUR
920 DEQUEEN, P.O. BOX 2295 PORT ARTHUR, TEXAS 77643
(409) 982-6442 1(800) 590-6442 FAX (409) 985-9072

07903

Greater PORT Arthur Chamber of Commerce
4749 Twin City Hwy., Suite 300 • Port Arthur, TX 77642-5836
(409) 963-1107 • Fax (409) 962-1997 or (409) 963-3322

August 7, 2007

Ms. Jennifer Joyce
TDHCA – Disaster Relief Group
221 E. 11th Street
Austin, TX 77011

Re: CDBG Application – Brittany Place Homes II, town home replacement housing development

Dear Ms. Joyce:

The Port Arthur Chamber of Commerce supports efforts for the construction of the replacement housing development project, "Brittany Place Homes II," to be constructed as town homes and/or single family dwellings. The community strongly desires that this type of development be done over the traditional apartment design, as it will better enable housing authority residents to have an improved quality of life, with living conditions that will help to build pride and self-esteem. It will also allow for more handicapped-accessible apartments, for which we have an increasing need.

The upcoming industrial construction boom in our community will result in thousands of additional people staying in our community, and we are in dire need of housing for families who are still living in temporary residences since being displaced from their housing complexes after Hurricane Rita. This construction will enable many families to return to normal living conditions.

Please do not hesitate to contact me if I can assist you as you move forward with approval of the funding to provide for re-construction of this housing development.

Sincerely,

Verna Rutherford

Verna Rutherford
President

Underwriting and PMC Report

07905 – Orange Navy Homes

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/05/07 PROGRAM: CDBG Disaster Rec FILE NUMBER: 07905

This underwriting report has been modified in scope due to the uniqueness of the CDBG Disaster Recovery Program application and funding requirements. This report describes the general characteristics of the development and focuses on the information available regarding the reconstruction or rehabilitation costs and the 5 year viability of the development as proposed and per the funding source guidelines. The scope limitations include not fully evaluating or making recommendations based upon potential events beyond the initial 5 year period.

DEVELOPMENT

Orange Navy Homes

Location: 90 W. Dewey Avenue Region: 5

City: Orange County: Orange Zip: 77630 [X] QCT [X] DDA

Key Attributes: Single Family, Duplex, Fourplex, Family, Urban/Exurban, Reconstruction

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Disaster Recovery	14,829,394.00	0.00%	25/25	**$14,189,439**	**TBD***	

*Short term forgiveness of the loan may have a significant impact on the viability of property owners as continued owners.

CONDITIONS

1 Receipt, review, and acceptance that within twelve (12) months from the date of this request being approved that the subject properties will have been removed from the National Register of Historic Places.

2 Receipt, review, and acceptance by carryover of a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs is a condition of this report.

3 The Applicant has requested a forgivable loan over a 25 year amortized forgiveness period. Due to the required maintenance and department exposure of such an extended period of forgiveness, consideration should be given to structure the affordability period to maintain rents at 30% and 80% during the entire term of the loan with an allowance for transfer of the property to a non-profit (and subsequent immediate forgiveness of debt) at any time during the requested extended forgiveness period.

4 Should the terms and rates of the proposed debt change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	6
80% of AMI	80% of AMI	109

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PROS	CONS
▫ The proposed reconstruction would continue the revitalization of an existing significantly deteriorated circa 1941 military housing development.	▫ The NOFA did not require that an Environmental Site Assessment (ESA) be provided; however, it is likely that the property will have environmental issues such as asbestos and lead paint which will need to be addressed as part of the HUD mandated environmental review. ▫ Replacing units in a scattered site rather than a concentrated method in this subdivision could accelerate the deterioration of the reconstructed units. ▫ The difficulty in getting the exiting structures de-listed from the National Historic Register will delay and potentially cause this development to not be completed.

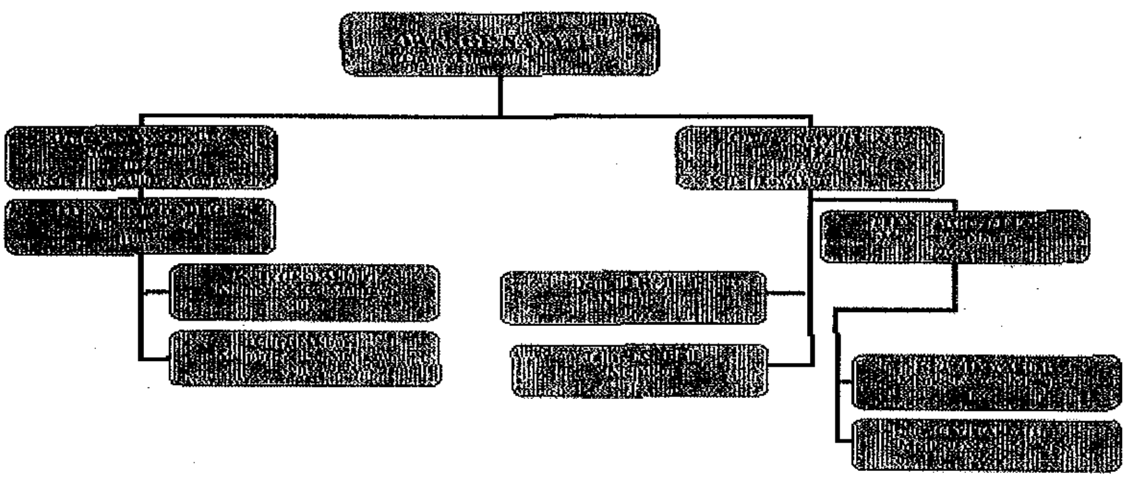
PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

APPLICANT ORGANIZATIONAL CHART



CONTACT

Contact: K.T. (Ike) Akbari Phone: (409) 724-0020 Fax: (409) 721-6603
Email: ikeakbari@itexmgt.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# Completed Developments
Itex Partners, LLC	$499,971	$499,971	9
Itex Developers, LLC	$109,077	$109,077	9
K.T. (Ike) Akbari	$15,968,575	$11,323,675	3
Chris Akbari	$37,922	$3,514	3
Donald R. Ball	$1,326,000	$2,000	N/A

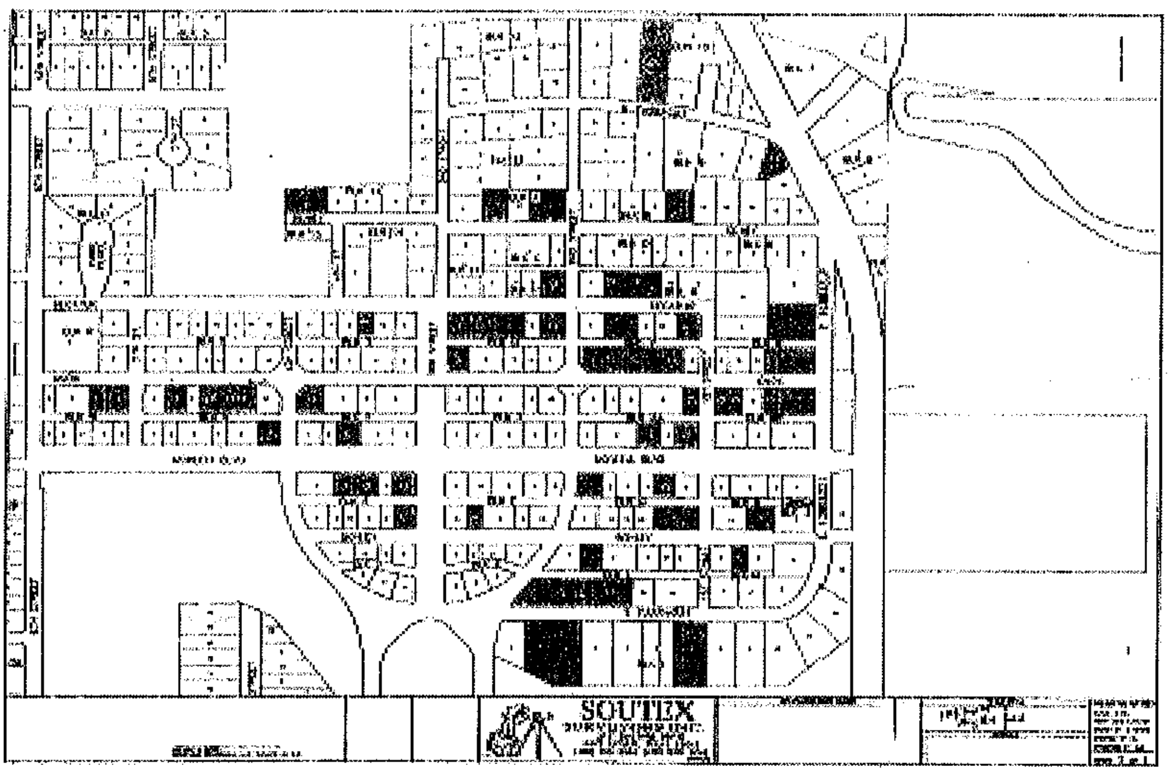
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.
- The seller is regarded as a related party due to the proposed 30% ownership he will have in the limited partnership. An adjustment to the acquisition price for the portion of the property that is being sold has been considered in the acquisition section of this report.

PROPOSED SITE

SITE PLAN



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BUILDING CONFIGURATION

Building Type	SF1360	SF1395	Duplex1360	Duplex1340	Duplex1395	Triplex	Fourplex				Total Buildings
Floors/Stories	2	2	2	2	2	2	2				
Number	3	16	9	9	13	6	4				**60**

BR/BA	SF	Units										Total Units	Total SF
3/2.5	1,340				2							18	24,120
3/2.5	1,360	1		2			3	4				55	74,800
3/2.5	1,395		1			2						42	58,590
Units per Building		1	1	2	2	2	3	4				**115**	**157,510**

Relocation Plan:

None of the 115 units are occupied; therefore, a relocation plan is not required.

SITE ISSUES

Total Size:	13.16 acres	Scattered site?	[X] Yes	[ ] No	
Flood Zone:	AE & X	Within 100-yr floodplain?	[X] Yes	[ ] No	
Zoning:	R-3 - High Density	Needs to be re-zoned?	[ ] Yes	[X] No	[ ] N/A

Comments:

55 of the 60 site are currently registered on the National Register of Historic Places. Due to this fact it may take 6 to 12 months before construction can commence.

A portion of the properties are located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps; therefore, must be developed so that the site will have 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 or subject to more stringent local requirements. Receipt, review, and acceptance by carryover of a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs is a condition of this report.

TDHCA SITE INSPECTION

Inspector: REA Staff   Date: 8/29/2007

Overall Assessment:

[ ] Excellent [ ] Acceptable [X] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North:	Vacant Land	East:	Highway 90
South:	Solomon Johnson Park	West:	Single Family

Comments:

The sites are scattered throughout a very dilapidated neighborhood and even if these units are repaired or replaced there will be a significant number of dilapidated units next door. It would be much better if a whole section of this neighborhood could be revitalized.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: No ESA required at application Date: N/A

Comments:

The NOFA guidelines exclude the requirement that the Applicant provide an environmental site assessment at application. This exclusion however puts the Department at risk of approving and funding a development without sufficient information to insure that the Applicant is aware of and will properly handle issues such as asbestos containing material (ACM), radon, lead-based paint, lead in drinking water and noise. There is some inherent risk that the developer will have cost overruns because of unknown environmental factors at the time of application however the overall risk of funding an environmentally distressed property will be addressed as part of the environmental review required prior to the release of any funds.

MARKET HIGHLIGHTS

Provider: No Market Study Required Date: N/A

Comments:

The NOFA guidelines exclude the requirement that the Applicant provide a market study for the subject development based upon the proposed 30% and 80% rents. The absence of having a market study causes some inherent risks to the Department in not being able to ascertain the market demand for the proposed units.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 8/28/2007

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of March 10, 2006, maintained by the Housing Authority of the City of Beaumont, from the 2007 program gross rent limits. Tenants will be required to pay all the utility costs. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines; therefore, the effective gross income is consistent with the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 8/28/2007

The Applicant's total annual operating expense projection at $3,948 per unit is within 5% of the Underwriter's estimate of $3,780 derived from the TDHCA database and third party data sources. Also, the Applicant's budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general & administrative ($13K lower), repairs & maintenance ($26K lower), water, sewer, and trash ($1K higher), insurance ($49K higher), and property tax ($21K higher).

Conclusion:

The Applicant's net operating income is not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.33, which is within the TDHCA underwriting guidelines of 1.15 to 1.35.

Feasibility:

While acceptable, the Applicant's expense to income ratio estimate of 64.6%, is marginally below the 65% Department guideline. Nevertheless, the Underwriter's analysis reflects a lower expense estimate and an expense to income ratio that is also below 65%; therefore the development can be characterized as feasible under this criteria.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow.

ACQUISITION INFORMATION

ASSESSED VALUE

Sixty (60) scattered sites yielding 115 units		Tax Year:	2007
Tax Rate:	2.68462	Valuation by:	Orange CAD
Total Assessed Value:	$1,056,445		

EVIDENCE of PROPERTY CONTROL

Type:	Purchase and Sale Agreement	Sites:	60
Contract Expiration:	12/31/2007	Valid Through Board Date?	[x] Yes [ ] No
Acquisition Cost:	$1,200,000	Other:	
Seller:	Donald R. Ball & James G. Ball	Related to Development Team?	[x] Yes [ ] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The sellers, Donald R. Ball and James G. Ball, will be 30% owners of the Limited Partnership, Orange Navy I, LLC. The Applicant provided limited documentation of original acquisition costs, holding costs or improvements made to the site that provides justification for $1,200,000 site acquisition value. In a typical TDHCA identity of interest transaction a .01% or less general partnership interest is retained and thus an adjustment for the value retained is not often warranted. In this case the percentage of ownership that will remain with the seller is 30% of the 99.99 limited partnership. Thus the acquisition price has been adjusted to account for the 30% ownership interest that will be retained by the seller. The acquisition price for underwriting proposes is therefore adjusted to $840,036.

Sitework Cost:

The Applicant's claimed sitework costs of $8,517 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is comparable to the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Applicant has claimed $400,000 in interest on a $2,400,000 loan to be used for construction purposes. This equates to more than 1 year of fully drawn interest at the Lender's underwriting rate of 8.5%. Underwriting guidelines allow for one year of fully drawn interest, which amounts to $204,000. The difference has been included with "ineligible costs" so that a developer fee cannot be accrued upon it.

Developer Fees:

The Applicant has claimed $2.25M in Developer Fees which exceeds TDHCA underwriting guidelines by $280K. The underwriter has removed these excess fees from the underwriter's calculation and if the Applicant's total development costs are used to determine the award amount, the excess developer fee will be used as an offset source of funds to eliminate over funding this development.

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Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds. While land costs, marketing, permanent financing costs, excessive construction interest, and reserves are considered ineligible costs for purposes of determining the Developer fee they are costs that can, if reasonable, be funded with the CDBG funds. Thus the Applicant's total costs will only be adjusted by the excess Developer Fee and acquisition cost.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 8/28/2007

Source: JPMorgan Chase Bank Type: **Interim Financing**

Principal: $2,400,000 Interest Rate: 8.5% ☐ Fixed Term: 24 months

Comments:

Interest only set with floating Chase prime rate

Source: JPMorgan Chase Bank Type: **Permanent Financing**

Principal: $2,400,000 Interest Rate: 7.5% ☒ Fixed Amort: 360 months

Comments:

The permanent loan will have an interest rate of approximately 7.5% and will be amortized over 30 years with a term of 15 years.

Source: CDBG Disaster Recovery Permanent Loan Type: **Forgivable at the end of the term**

Principal: $14,829,394 Conditions:

Comments:

The total requested term of the interim and permanent loans are to be 25 years. The Applicant has also requested that the loan be at 0% interest, with the forgiveness of principal payments over the amortization period as the property continues to satisfy the affordability restrictions. The measured forgiveness over the 25 year amortization period will spread out the income tax effect of the gain from the recognized forgiveness. A grant or whole forgiveness after 5 years would result in a much larger one time gain for the for-profit portion of the partnership and a tax liability in the magnitude of $4.2M. An amortized forgiveness provides a tax liability of around $160K per year which could further be partially offset by depreciation losses over the same period. While CDBG Disaster staff has indicated an interest to limit any long term relationships with this short term federal affordability requirement, if it makes sense to consider the Applicant's long term loan structure it would also make sense to consider an equal term affordability requirement.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the excess acquisition cost of $359,964 , developer fee of $279,991 and permanent loan of $2,400,000 indicates the need for $14,189,439 in gap funds. The Applicant has requested a grant of $14,829,394 under the CDBG Disaster Recovery Program, and thus the gap amount of funds will be recommended.

The Applicant has requested a forgivable loan over a 25 year amortized forgiveness period. Due to the required maintenance and department exposure of such an extended period of forgiveness, consideration should be given to structure the affordability period to maintain rents at 30% and 80% during the entire term of the loan with an allowance for transfer of the property to a non-profit (and subsequent immediate forgiveness of debt) at any time during the requested extended forgiveness period.

The Underwriter's recommended financing structure does not indicate a need for deferred developer fees; however, in the event that there is a need for additional funding due to cost overruns, etc, then there should be sufficient deferred developer fees available to fund that shortfall.

The CDBG award amount is below the 221(d)(3) limit for this project.

Underwriter:	Carl Hoover	Date:	September 5, 2007
Director of Real Estate Analysis:	Tom Gouris	Date:	September 5, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Orange Navy Homes, Orange, CDBG Disaster Recovery #07905

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	
CDBG (30%)	1	3	2.5	1,340	$395	$215	$215	$0.16	$180.00	$0.00
CDBG (80%)	17	3	2.5	1,340	$735	$555	9,435	0.41	$180.00	$0.00
CDBG (30%)	3	3	2.5	1,360	$395	$215	645	0.16	$180.00	$0.00
CDBG (80%)	52	3	2.5	1,360	$735	$555	28,860	0.41	$180.00	$0.00
CDBG (30%)	2	3	2.5	1,395	$395	$215	430	0.15	$180.00	$0.00
CDBG (80%)	40	3	2.5	1,395	$735	$555	22,200	0.40	$180.00	$0.00
TOTAL:	115		AVERAGE:	1,370		$537	$61,785	$0.39	$180.00	$0.00

INCOME	Total Net Rentable Sq Ft: 157,510			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$741,420	$741,420	Orange		5
Secondary Income		Per Unit Per Month:	$13.04	18,000	18,000	$13.04	Per Unit Per Month	
Other Support Income:				0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$759,420	$759,420			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(56,957)	(56,952)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$702,464	$702,468			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.38%	$390	0.28	$44,850	$31,500	$0.20	$274	4.48%
Management		5.65%	345	0.25	39,720	35,116	0.22	305	5.00%
Payroll & Payroll Tax		14.58%	890	0.65	102,387	96,000	0.61	835	13.67%
Repairs & Maintenance		12.27%	749	0.55	86,171	60,250	0.38	524	8.58%
Utilities		1.37%	83	0.06	9,591	8,200	0.05	71	1.17%
Water, Sewer, & Trash		0.40%	25	0.02	2,829	3,900	0.02	34	0.56%
Property Insurance		5.51%	336	0.25	38,691	88,000	0.56	765	12.53%
Property Tax	2.68462	9.89%	604	0.44	69,488	90,000	0.57	783	12.81%
Reserve for Replacements		4.91%	300	0.22	34,500	34,500	0.22	300	4.91%
TDHCA Compliance Fees		0.00%	0	0.00			0.00	0	0.00%
Other: Supp. Serv.		0.93%	57	0.04	6,500	6,500	0.04	57	0.93%
TOTAL EXPENSES		61.89%	$3,780	$2.76	$434,726	$453,966	$2.88	$3,948	64.62%
NET OPERATING INC		38.11%	$2,328	$1.70	$267,738	$248,502	$1.58	$2,161	35.38%
DEBT SERVICE									
JPMorgan Chase Bank		28.67%	$1,751	$1.28	$201,374	$200,000	$1.27	$1,739	28.47%
Overstated Developer Fee		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		9.45%	$577	$0.42	$66,364	$48,502	$0.31	$422	6.90%
AGGREGATE DEBT COVERAGE RATIO					1.33	1.24			
RECOMMENDED DEBT COVERAGE RATIO					1.33				

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)		5.12%	$7,305	$5.33	$840,036	$1,200,000	$7.62	$10,435	6.96%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.97%	8,517	6.22	979,500	979,500	6.22	8,517	5.69%
Direct Construction		54.87%	78,310	57.18	9,005,684	9,059,500	57.52	78,778	52.58%
Contingency	5.00%	3.04%	4,341	3.17	499,259	500,946	3.18	4,356	2.91%
Contractor's Fees	14.00%	8.52%	12,156	8.88	1,397,926	1,402,448	8.90	12,195	8.14%
Indirect Construction		3.80%	5,422	3.96	623,500	623,500	3.96	5,422	3.62%
Ineligible costs for Dev. fee		1.59%	2,270	1.66	261,000	261,000	1.66	2,270	1.51%
Developer's Fees	15.00%	11.95%	17,052	12.45	1,961,005	2,250,000	14.28	19,565	13.06%
Interim Financing Costs		3.46%	4,935	3.60	567,500	567,500	3.60	4,935	3.29%
Reserves		1.69%	2,415	1.76	277,690	385,000	2.44	3,348	2.23%
TOTAL COST		100.00%	$142,723	$104.20	$16,413,100	$17,229,394	$109.39	$149,821	100.00%
Construction Cost Recap		*72.40%*	*$103,325*	*$75.44*	*$11,882,369*	*$11,942,394*	*$75.82*	*$103,847*	*69.31%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
JPMorgan Chase Bank	14.62%	$20,870	$15.24	$2,400,000	$2,400,000	$2,400,000	Developer Fee Available
Overstated Developer Fee	0.00%	$0	$0.00	0		279,991	$1,970,009
CBDG - Disaster Funds	90.35%	$128,951	$94.15	14,829,394	14,829,394	14,189,439	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0			0%
Additional (Excess) Funds Req'd	-4.97%	($7,098)	($5.18)	(816,294)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$16,413,100	$17,229,394	$16,869,430	$1,376,727

Orange Navy Homes, Orange, CDBG Disaster Recovery #07905

DIRECT CONSTRUCTION COST ESTIMATE

See the Summary of Costs Tab below

PAYMENT COMPUTATION

Primary	$2,400,000	Amort	360
Int Rate	7.50%	DCR	1.33

Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.33

Additional	$14,829,394	Amort	0
Int Rate	0.00%	Aggregate DCR	1.33

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$201,374
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$66,364

Primary	$2,400,000	Amort	360
Int Rate	7.50%	DCR	1.33

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.33

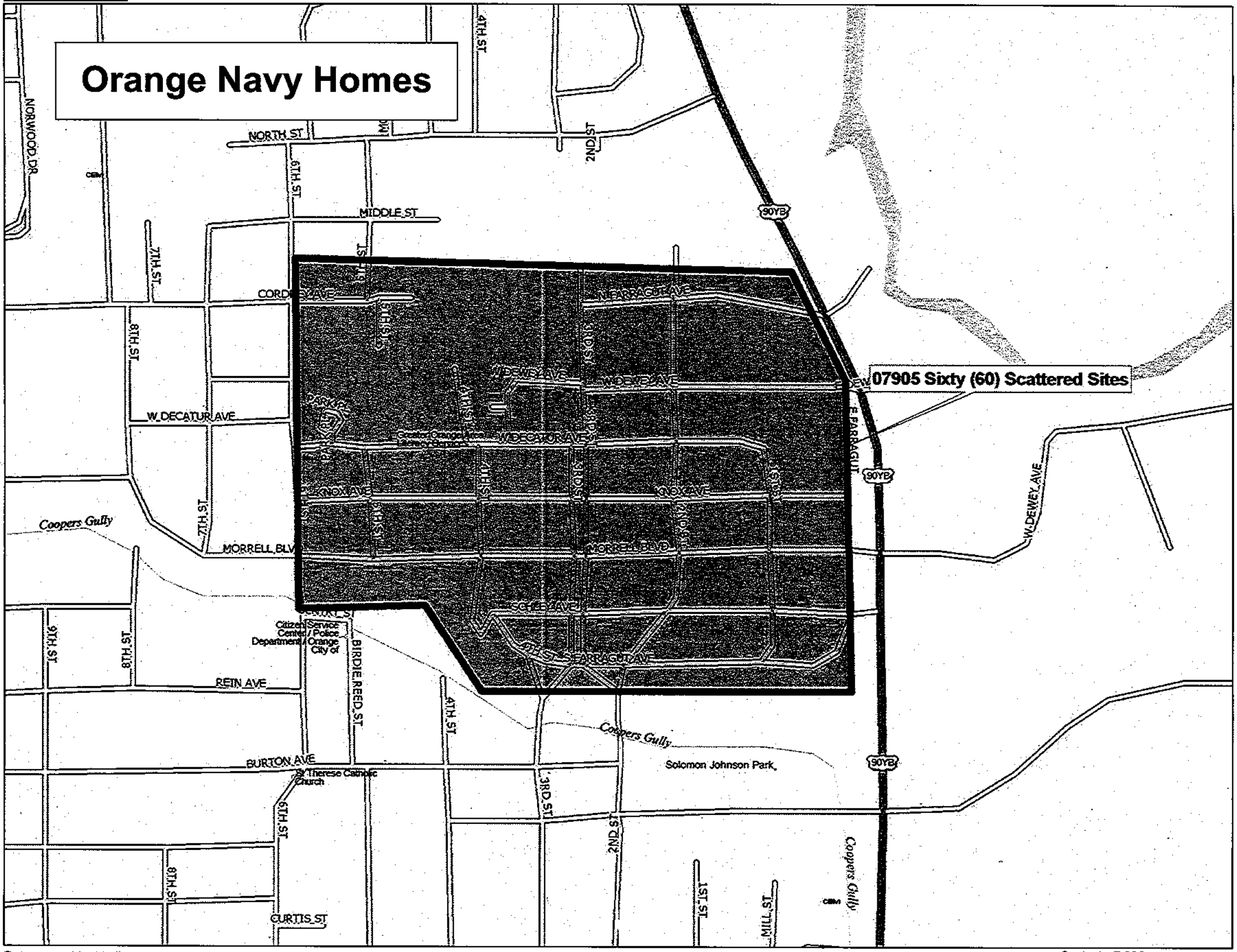
Additional	$14,829,394	Amort	0
Int Rate	0.00%	Aggregate DCR	1.33

221 (d)(3) Limit	1-Bedroom	2-Bedroom	3-Bedroom
	$109,142	$132,718	$171,692
$19,744,580	0	0	115

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	$741,420	$763,663	$786,572	$810,170	$834,475	$967,385	$1,121,464	$1,300,084	$1,747,205
Secondary Income	18,000	18,540	19,096	19,669	20,259	23,486	27,227	31,563	42,418
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	759,420	782,203	805,669	829,839	854,734	990,871	1,148,691	1,331,648	1,789,623
Vacancy & Collection Loss	(56,957)	(58,665)	(60,425)	(62,238)	(64,105)	(74,315)	(86,152)	(99,874)	(134,222)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$702,464	$723,537	$745,244	$767,601	$790,629	$916,556	$1,062,539	$1,231,774	$1,655,401
EXPENSES at 4.00%									
General & Administrative	$44,850	$46,644	$48,510	$50,450	$52,468	$63,835	$77,666	$94,492	$139,871
Management	39,720	40,912	42,139	43,403	44,705	51,826	60,080	69,649	93,603
Payroll & Payroll Tax	102,387	106,482	110,741	115,171	119,778	145,728	177,301	215,713	319,308
Repairs & Maintenance	86,171	89,617	93,202	96,930	100,807	122,648	149,220	181,549	268,736
Utilities	9,591	9,975	10,374	10,789	11,220	13,651	16,609	20,207	29,911
Water, Sewer & Trash	2,829	2,942	3,060	3,182	3,310	4,027	4,899	5,960	8,823
Insurance	38,691	40,238	41,848	43,522	45,263	55,069	67,000	81,515	120,663
Property Tax	69,488	72,267	75,158	78,164	81,291	98,903	120,330	146,400	216,708
Reserve for Replacements	34,500	35,880	37,315	38,808	40,360	49,104	59,743	72,686	107,593
Other	6,500	6,760	7,030	7,312	7,604	9,252	11,256	13,695	20,271
TOTAL EXPENSES	$434,726	$451,718	$469,377	$487,731	$506,806	$614,042	$744,102	$901,867	$1,325,488
NET OPERATING INCOME	$267,738	$271,820	$275,866	$279,870	$283,823	$302,514	$318,437	$329,907	$329,913
DEBT SERVICE									
First Lien Financing	$201,374	$201,374	$201,374	$201,374	$201,374	$201,374	$201,374	$201,374	$201,374
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	$66,364	$70,446	$74,493	$78,496	$82,449	$101,140	$117,063	$128,533	$128,539
DEBT COVERAGE RATIO	1.33	1.35	1.37	1.39	1.41	1.50	1.58	1.64	1.64

43



Data use subject to license.

TN
MN (2.7°E)

Scale 1 : 7,200
1" = 600.0 ft
Data Zoom 14-7

Applicant Evaluation

Project ID # **07905** Name: **Orange Navy Homes** City: **Orange**

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

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

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

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

Portfolio Management and Compliance

Total # of Projects monitored: 3

Projects grouped by score: zero to nine: 3; ten to nineteen: 0; twenty to twenty-nine: 0

Projects in Material Noncompliance: Yes ☐ No ☑

monitored with a score less than thirty: 3

not yet monitored or pending review: 5

in noncompliance: 0

Projects not reported in application: Yes ☐ No ☑

# of projects not reported 0

Portfolio Monitoring		Single Audit		Portfolio Analysis	
Not applicable	☑	Not applicable	☑	Not applicable	☑
Review pending	☐	Review pending	☐	No unresolved issues	☐
No unresolved issues	☐	No unresolved issues	☐	Not current on set-ups	☐
Unresolved issues found	☐	Issues found regarding late cert	☐	Not current on draws	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐	Issues found regarding late audit	☐	Not current on match	☐
		Unresolved issues found that warrant disqualification (Comments attached)	☐		

Reviewed by Patricia Murphy Date 8/10/2007

Multifamily Finance Production		HOME		Real Estate Analysis (Workout)	
Not applicable	☐	Not applicable	☑	Not applicable	☐
Review pending	☐	Review pending	☐	Review pending	☐
No unresolved issues	☑	No unresolved issues	☐	No unresolved issues	☑
Unresolved issues found	☐	Unresolved issues found	☐	Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐
Reviewer	Shannon Roth	Reviewer	Veronica Chapa	Reviewer	D. Burrell
Date	8 /10/2007	Date	8 /10/2007	Date	8 /10/2007

Community Affairs		Office of Colonia Initiatives		Financial Administration	
No relationship	☑	Not applicable	☑	No delinquencies found	☑
Review pending	☐	Review pending	☐	Delinquencies found	☐
No unresolved issues	☐	No unresolved issues	☐		
Unresolved issues found	☐	Unresolved issues found	☐		
Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐		
Reviewer	EEF	Reviewer	Maria Cazares	Reviewer	Melissa M. Whitehead
Date	8 /10/2007	Date	8 /13/2007	Date	8 /9 /2007

Letters of Support

07905 – Orange Navy Homes

CONGRESS OF THE UNITED STATES

HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

KEVIN BRADY
MEMBER OF CONGRESS
8TH DISTRICT OF TEXAS

DEPUTY MAJORITY WHIP

COMMITTEE ON
WAYS AND MEANS
SOCIAL SECURITY
TRADE
JOINT ECONOMIC COMMITTEE
HOUSE POLICY COMMITTEE

August 24, 2007

TDHCA
221 E. 11th Street
Austin, Texas 78701-2401
Attn: Jennifer Joyce
CDBG Disaster Recovery

RE: Orange Navy Homes
Orange, Texas
Application #07905

Dear Ms. Joyce:

I wish to express support for the Community Development Block Grant (CDBG) Disaster Recovery Multifamily Rental Funding Application submitted to the Texas Department of Housing and Community Affairs (TDHCA) proposing the redevelopment of Orange Navy Homes.

When Hurricane Rita struck East Texas nearly two years ago, thousands of Texans were affected, and many of them have still not recovered their pre-Rita standard of living. I applaud the TDHCA's CDBG Disaster Recovery Program and its efforts to assist the residents of East Texas in their prolonged recovery from this disaster. CDBG funding directed specifically to the areas hardest hit by Rita will be a major help in achieving the goal of returning decent, safe and affordable housing stock to the market.

Orange Navy Homes is a particularly worthwhile project for redevelopment. Its 115 residential units have substandard conditions, and many units have been determined to be uninhabitable. This project will help lessen the area's housing shortage while offering multiple positive benefits to the local community.

Again, I appreciate the TDHCA's work in the continued recovery of Southeast Texas, and I am certain that this application will be given its due consideration.

Sincerely,

Kevin Brady
United States Representative
8th District of Texas

200 River Pointe Drive, Suite 304, Conroe, TX 77304 ★ 936-441-5700
1202 Sam Houston Avenue, Suite 8, Huntsville, TX 77340 ★ 936-439-9542
420 Green Avenue, Orange, TX 77630 ★ 409-883-4197
428 Cannon House Office Building, Washington, D.C. 20515 ★ 202-225-4901
http://www.house.gov/brady

07905

TOMMY WILLIAMS

TEXAS STATE SENATOR
DISTRICT 4

COMMITTEES:
FINANCE
EDUCATION
SUBCOMMITTEE ON HIGHER EDUCATION
TRANSPORTATION AND HOMELAND SECURITY
STATE AFFAIRS, VICE CHAIR

August 10, 2007

Texas Department of Housing and Community Affairs
221 E. 11th Street
Austin, Texas 78701-2401
Attn: Jennifer Joyce
CDBG Disaster Recovery

RE: Orange Navy Homes
Orange, Texas

Dear Ms. Joyce:

I wish to express support for the CDBG Disaster Recovery Multifamily Rental Funding Application submitted to the TDHCA and proposing the redevelopment of Orange Navy Homes located in my Senate District.

When Hurricane Rita struck Southeast Texas nearly two years ago, thousands of Texans were affected, and many of them have still not recovered their pre-Rita standard of living. I applaud the TDHCA's CDBG Disaster Recovery Program and its efforts to assist the residents of Southeast Texas in their prolonged recovery from this disaster. CDBG Funding directed specifically to the areas hardest hit by Rita will be a major help in achieving the goal of returning decent, safe and affordable housing stock to the market.

Orange Navy Homes is a particularly worthwhile project for redevelopment. Its 115 residential units have substandard conditions, and many units have been determined to be uninhabitable. I strongly urge the TDHCA to award a CDBG loan to this project.

Sincerely,

Tommy Williams

BEAUMONT OFFICE:
P.O. BOX 8010
BEAUMONT, TEXAS 77726-8010
(409) 838-2030
FAX: (409) 838-2024

CAPITOL OFFICE:
ROOM GE.7
P.O. BOX 12068
AUSTIN, TEXAS 78711
(512) 463-0104
(888) 889-1237
FAX: (512) 463-8373
DIAL 711 FOR RELAY CALLS

THE WOODLANDS OFFICE:
P.O. BOX 8069
THE WOODLANDS, TEXAS 77387-8069
(281) 364-8428
FAX: (281) 364-8073

07905

STATE of TEXAS
HOUSE of REPRESENTATIVES

JOE DESHOTEL
STATE REPRESENTATIVE
District 22

CAPITOL OFFICE:
P.O. BOX 2910
AUSTIN, TX 78768-2910
(512) 463-0662
FAX: (512) 463-8381
joe.deshotel@house.state.tx.us

DISTRICT OFFICE:
ONE PLAZA SQUARE, SUITE 203
PORT ARTHUR, TX 77642
(409) 724-0788

Received
AUG - 1 2007

July 30, 2007

TDHCA
221 E. 11th Street
Austin, Texas 78701-2401
Attn: Jennifer Joyce
CDBG Disaster Recovery

RE: Orange Navy Apartment Homes
Orange, Texas

Dear Ms. Joyce:

I wish to express support for the CDBG Disaster Recovery Multifamily Rental Funding Application submitted to the TDHCA and proposing the redevelopment of Orange Navy Apartment Homes. I have visited with residents of this area prior to Rita and they were in great need of affordable housing than and that need has only been exacerbated by Rita.

I applaud the TDHCA's CDBG Disaster Recovery Program and its efforts to assist the residents of East Texas in their prolonged recovery from this disaster. CDBG Funding directed specifically to the areas hardest hit by Rita will be a major help in achieving the goal of returning decent, safe and affordable housing stock to the market.

Orange Navy Apartment Homes is a particularly worthwhile project for redevelopment. Its 115 residential units have substandard conditions, and many units have been determined to be uninhabitable. I strongly urge the TDHCA to award a CDBG loan to this project.

Sincerely,

Joseph D Deshotel

Joseph D. Deshotel
State Representative
22nd Legislative District

COMMITTEES

Economic Development	Redistricting	Transportation
Chairman	Member	Member

07905

CITY OF ORANGE

P.O. Box 520
Orange, Texas 77631-0520
(409) 883-3611

July 24, 2007

Mr. Ike Akbari
Itex Property Management
PO Box 1363
Nederland, TX 77627

RE: Orange Navy

Dear Mr. Akbari:

As the Mayor of the City of Orange I would like to take this opportunity to express our support to you for your efforts to provide affordable housing in the City of Orange. We hope your effort is successful in seeking assistance through the Texas Department of Housing and Community Affairs (TDHCA) Disaster Recovery Program for the reconstruction of 115 units in the Navy Park Subdivision.

The City of Orange has always attempted to take a proactive approach in making affordable housing available to the citizens of this area. We know that much thought and effort has gone into your plans to provide quality housing to our citizens.

Your program will greatly assist in the redevelopment of this blighted neighborhood within the city. We believe it will establish a positive and productive neighborhood that will promote positive growth and pride in our community.

We enthusiastically support your efforts to obtain assistance to provide affordable housing to our citizens.

Sincerely,

William Brown Claybar
Mayor

07905

CARL K. THIBODEAUX, R. Ph.
COUNTY JUDGE
ORANGE COUNTY COURTHOUSE
801 DIVISION, ROOM 207
ORANGE, TEXAS 77630

JACQUE CRAFT
Administrative Secretary

TELEPHONE: (409) 882-7070
FAX: (409) 882-7079

August 23, 2007

TDHCA
221 E. 11th Street
Austin, Texas 78701-2401
Attn: Jennifer Joyce
CDBG Disaster Recovery

RE: Orange Navy Homes
Orange, Texas
Application #07905

Dear Ms. Joyce:

I wish to express support for the CDBG Disaster Recovery Multifamily Rental Funding Application submitted to the TDHCA and proposing the redevelopment of Orange Navy Homes.

When Hurricane Rita struck East Texas nearly two years ago, thousands of Texans were affected, and many of them have still not recovered their pre-Rita standard of living. We applaud the TDHCA's CDBG Disaster Recovery Program and its efforts to assist the residents of East Texas in their prolonged recovery from this disaster. CDBG Funding directed specifically to the areas hardest hit by Rita will be a major help in achieving the goal of returning decent, safe and affordable housing stock to the market.

Orange Navy Homes is a particularly worthwhile project for redevelopment. Its 115 residential units have substandard conditions, and many units have been determined to be uninhabitable. We strongly urge the TDHCA to award a CDBG loan to this project.

Sincerely,

John P. Dubose
County Judge Pro-tem

Underwriting and PMC Report

07906 – Sunlight Manor

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/04/07 PROGRAM: CDBG Disaster Program FILE NUMBER: **07906**

This underwriting report has been modified in scope due to the uniqueness of the CDBG Disaster Recovery Program application and funding requirements. This report describes the general characteristics of the development and focuses on the information available regarding the reconstruction or rehabilitation costs and the 5 year viability of the development as proposed and per the funding source guidelines. The scope limitations include not fully evaluating or making recommendations based upon potential events beyond the initial 5 year period.

DEVELOPMENT

Sunlight Manor Apartments

Location: 2950 South 8th Street Region: 5

City: Beaumont County: Jefferson Zip: 77701 ☐ QCT ☒ DDA

Key Attributes: Multifamily, Acquisition, Rehabilitation, Family, Urban/Exurban

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Special Disaster Recovery Funds	$8,336,649	0.00%	25 years	**$7,290,598**	**0.00%**	**TBD***

*Short term forgiveness of the loan may have a significant impact on the viability of property owners as continued owners.

CONDITIONS

1 Receipt, review and acceptance by the Department of a detailed scope of work that has not already been completed and budget breakdown by the Third Party Property Condition Assessment (PCA) provider prior to commencement of construction.

2 Receipt, review and acceptance before commencement of construction of proper Phase II or other assessments for soil contamination, abatement of asbestos, lead based paint and other chemicals that may be present at the site as recommended by the Phase I ESA provider in accordance and compliance with O&M plans and federal and state regulations as it relates to renovation and demolition at the subject Site.

3 The Applicant has requested a forgivable loan over a 25 year amortized forgiveness period. Due to the required maintenance and department exposure of such an extended period of forgiveness, consideration should be given to structure the affordability period to maintain rents at 30% and 80% during the entire term of the loan with an allowance for transfer of the property to a non-profit (and subsequent immediate forgiveness of debt) at any time during the requested extended forgiveness period.

4 Should the terms and rates of the proposed debt or Section 8 rents change prior to completion, or the anticipated cost of the rehabilitation as anticipated by the PCA provider change, the transaction should be re-evaluated and an adjustment to the recommended award amount may be warranted.

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SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	6
80% of AMI	80% of AMI	114

PROS

- The requested funding will support the rehabilitation of a 34 year old Section 8 affordable housing development that sustained damage during Hurricane Rita.
- The proposed rehabilitation limits the displacement of existing tenants.

CONS

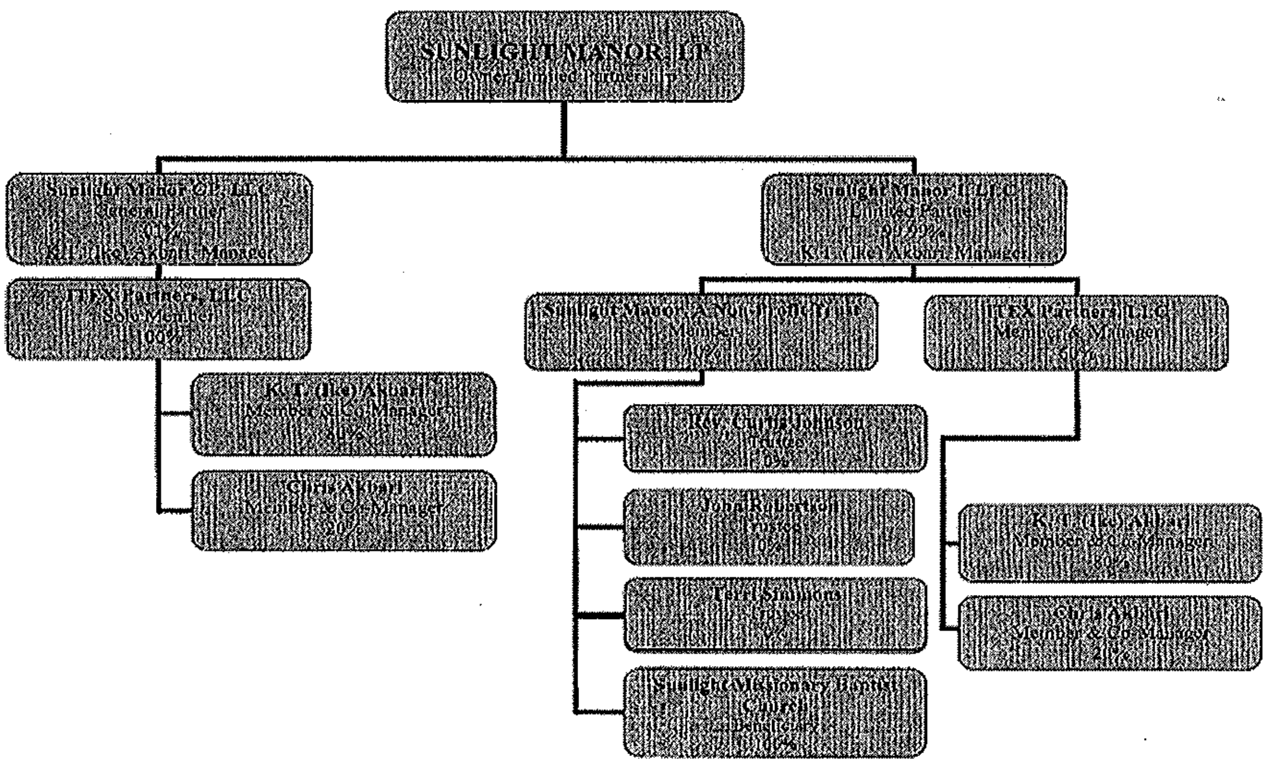
- The PCA provided sufficient detail to substantiate the significant cost of rehabilitation but it appears that a significant amount of work has been completed since their original evaluation.
- The existing budgets did not disaggregate the rehabilitation work that has been completed.

PREVIOUS UNDERWRITING REPORTS

No previous reports, the Applicant applied for 2007 housing tax credit funds (# 07189) but because of the prior year forward commitment of funds there were insufficient remaining funds in the region to receive an award.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: K.T. (Ike) Akbari Phone: (409) 724-0020 Fax: (409) 721-8603
Email: Ikeakbarai@itexmgt.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# Completed Developments
Sunlight Manor, Non-Profit Trust	$-324K	$-6K	0
Itex Partners, LLC.	$499K	$499K	9
KT (Ike) Akbari	Confidential		9

[1] Liquidity = Current Assets - Current Liabilities

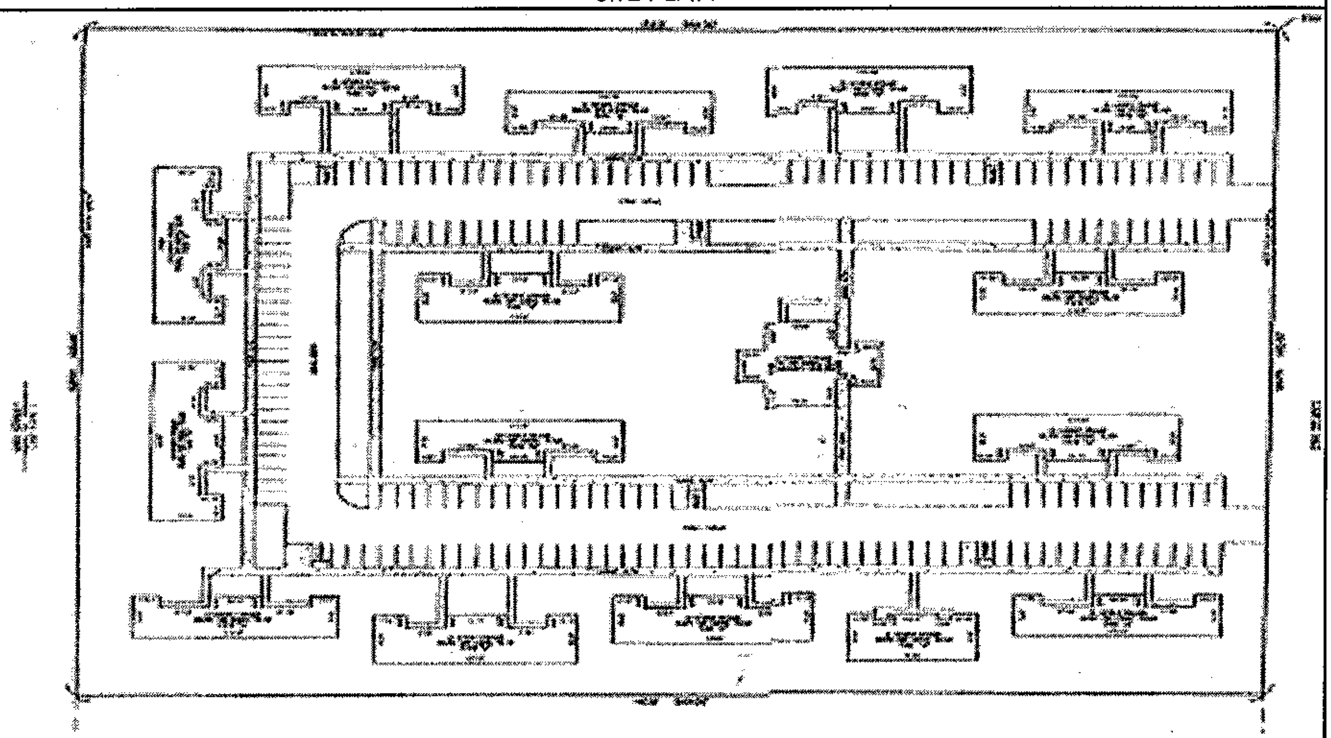
IDENTITIES of INTEREST

The Applicant, Developer, Co-Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for TDHCA funded developments.

The seller is regarded as a related party due to its retaining a 40% ownership interest in the limited partner of the new Applicant entity. An adjustment to the acquisition price for the portion of the property that is being sold has been considered in the acquisition section of this report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	E						Total Buildings
Floors/Stories	2	2	2	2	2						
Number	1	6	6	1	1						**15**

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BR/BA	SF	Units										Total Units	Total SF
1BR	594	8										8	4,752
2BR	761		8									48	36,528
3BR	882			8		2						50	44,100
4BR	1,029				8	6						14	14,406
Units per Building		8	8	8	8	8						**120**	**99,786**

*The one-story community building is not included in the listing above .

Rehabilitation Summary:

The development was constructed in 1973 and contains 120 units of affordable housing. It is considered to be in average condition and has a 100% project-based Section 8 Housing Assistance Payment (HAP) contract. The contract was last renewed with an effective date of July 1, 2001 for a term of 20 years. The new Applicant entity is proposing to acquire the property and rehabilitate it at a total cost of approximately $84,305 per unit. The proposed hard construction cost per unit is estimated to be $50,474. Rehabilitation will consist of foundation repair and maintenance, masonry repair and replacement, carpentry repair and replacement, new roofs, 100% window replacements, electrical repairs and upgrades, concrete drive and parking repair, handicap ramps, striping and signage, sidewalk repair and upgrades, site utility upgrades, fencing, gate and landscape repairs and upgrades, new flooring, plumbing repair and replacement, and various other items.

The Applicant did not provide a detailed scope of work for the above rehabilitation items nor was a detail of the work already completed and funded by other means provided. The property condition assessment appears to be out of date based upon the needs of the property as identified in a site inspection conducted by TDHCA staff on August 30, 2007. The Underwriter has requested such detailed information but the Applicant has not been able to provide it before completion of the underwriting report. In addition, during the Department's inspection of the property it was apparent that rehabilitation of the interiors of some units was ongoing and that a considerable amount of rehabilitation work had already been accomplished at the property. Therefore, receipt, review and acceptance by the Department of a detailed scope of work that has not already been completed and budget breakdown by the Third Party Property Condition Assessment (PCA) provider prior to commencement of construction is a condition of this report.

Relocation Plan:

As apartment units turn over, the units will not be rented out to new residents to open up additional unoccupied units as a relocation resource. Residents will be moved on-site to the unoccupied units to vacate buildings and facilitate the rehabilitation of the property. Some residents may be temporarily relocated to housing located near the site if there is no unoccupied units available on site. Once units are renovated, the residents will be moved to the newly renovated units, provided they meet the income restrictions and provided they wish to remain with or return to the property.

Sunlight Manor, LP, the owner will pay for the residents' relocation expenses, including the fees for transferring utilities, regardless of whether the resident decides to remain on site or move, at a rate required by the HUD Relocation Handbook. Relocation costs is estimated to be $125,000 including fees for transferring utilities.

SITE ISSUES

Total Size:	7.65 acres	Scattered site?	[ ]	Yes	[X]	No		
Flood Zone:	X	Within 100-yr floodplain?	[ ]	Yes	[X]	No		
Zoning:	Multifamily	Needs to be re-zoned?	[ ]	Yes	[X]	No	[ ]	N/A

TDHCA SITE INSPECTION

Inspector: REA staff   Date: 8/30/2007

Overall Assessment:

[ ] Excellent   [X] Acceptable   [ ] Questionable   [ ] Poor   [ ] Unacceptable

Surrounding Uses:

North: Drainage Canal and MHMR Facility   East: 8th Street & Church Beyond

South: Commercial Properties   West: Vacant Property

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Median Consulting Company   Date: 3/28/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

"Based on the results of this preliminary assessment, MCC has determined that "Recognized Environmental Conditions", as defined by ASTM, were identified in connection with activities at the subject property. Further assessment is recommended based on the available information as of the date of this draft report. MCC reserves the right to alter our findings based on our review of any

Since the transformers are owned by Entergy, they are responsible for the assessment and cleanup of the releases that have been identified associated with the transformers. In the absence of any action by Entergy, MCC recommends a Phase II ESA be conducted in the areas of the two transformers with observed oil stains. Therefore, further assessment of soils is recommended at this time. We recommend collecting soil samples from three to six inches below the surface and from one to two feet below the surface using a hand auger. If it is evident that the soil staining extends deeper than two feet, an additional soil sample should be collected six inches below the depth of where the contamination appears to end. The soil samples should be analyzed for the presence of total petroleum hydrocarbons (TPH), benzene, toluene, ethybenzene, and total xylenes (BTEX), and polychlorinated biphenyls (PCBs). Should the results indicate levels that exceed the regulatory limits, additional sampling and/or removal of the contaminated soil may be necessary.

Since the transformers are on the ground and direct contact with the residents of the property is eminent, and since at least two of the transformers have evidence of leaks, MCC recommends that ITEX request that Entergy, Inc. test each of the six ground transformers for the presence of PCBs. If the units are reported by Entergy, Inc., MCC recommends that Entergy replace the units with non-PCB containing units.

MCC was unable to verify if a release has or has not occurred on the adjacent property occupied by Ideal Transmission. Since the area between the two properties is a topographic low area and groundwater is expected to be encountered at a relatively shallow depth below the ground surface, MCC cannot confirm whether or not this facility has the potential to impact the Site without further investigation. We recommend that the soil and groundwater samples be collected from the property boundary near the Ideal Transmission for analysis for Total Petroleum Hydrocarbons (TPH), Polyaromatic Hydrocarbons (PAHs) and Volatile Organic Compounds (VOCs) to ensure the property has not been adversely impacted by these constituents. Since only shallow impacts are suspected, the samples can be collected with a hand auger. If contamination is present, the owner may want to obtain an Innocent Owner Operator Certificate from the Texas Commission on Environmental Quality (TCEQ) so they are exempt from liability associated with any release.

Suspect asbestos containing materials (ACMs) identified at the subject site include ceramic wall tiles in the bathrooms of the residential units, 12-inch by 12-inch vinyl floor tiles, drop ceiling panels in the office, recreational building, plaster walls and ceilings, drywall and joint compound (drywall), and asphalt roof shingles. The suspect ACMs observed appeared to be in good condition with little evidence of friability. Since the suspect materials are in good condition, they can be left in place and managed as ACMs. However, if renovations or other activities are planned that may disturb the suspect ACMs, the materials should be sampled and laboratory analyzed to determine the presence or absence of asbestos. If the materials are found to be an ACM, they should be removed and disposed of by a licensed asbestos and abatement contractor in accordance with all local, state and federal regulations, prior to renovations. If the suspect materials are non-ACMs, no further action is required.

Painted surfaces observed on the interior of the buildings and on the outside of the multi-purpose/office building appeared to be in fair to good condition. Since paint manufactured prior to 1978 could contain lead and renovations are planned for the property, MCC recommends that a lead-based paint survey be conducted on the interior and exterior surfaces. Additionally, MCC recommends that surface soil samples be collected from the perimeter of the multi-purpose/office building and sampled for lead since paint could have flaked and chipped off the building." (Pg 28-29)

Comments:

Receipt, review and acceptance before commencement of construction of proper Phase II or other assessments for soil contamination, abatement of asbestos, lead based paint and other chemicals that may be present at the site as recommended by the Phase I ESA provider in accordance and compliance with O&M plans and federal and state regulations as it relates to renovation and demolition at the subject Site is a condition of this report.

MARKET DEMAND

Under this CDBG Disaster Fund application, the Applicant was not required to and did not provide a market study for the subject development based upon the proposed 30% and 80% rents; however, this is an existing development that has historically experienced occupancy levels of 90% to 95%, and has a project-based Section 8 Housing Assistance Payment (HAP) contract in place that was last renewed on July 1, 2001 with a term of 20 years. Accordingly, it is most likely that existing tenants will choose to remain at the property and occupancy levels should remain high over the long term based upon the proposed repairs and rehabilitation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of 2006, maintained by Jefferson County from projected rents based on a 100% project-based Section 8 Housing Assistance Payments contract. The property is currently an all bills paid development with no deduction for utility allowance. The Applicant provided no evidence for a rental increase request based on the switch. The Underwriter's income projection estimate was $41K less than the Applicant's potential gross annual income. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 8/24/2007

The Applicant's total annual operating expense projection at $4,244 per unit is within 5% of the Underwriter's estimate of $4,039, derived from the TDHCA database, and third party data sources; however, the Applicant's budget has several line items that deviate significantly when compared to the database averages, particularly, payroll and payroll tax $12K higher, repairs and maintenance $22.9K lower, utilities $8K higher, and property taxes $31.6K higher. The Applicant has indicated that this property tax exempt development will be required to pay full taxes after the transfer in ownership and will not seek a property tax exemption. Moreover, the Applicant believes that the assessed value will rise to more than twice the proposed sales price even though the anticipated NOI capped at the appraisal district's published cap rate suggests an assessed value at not more than 30% over the transfer price. The Underwriter's annual property tax estimate is based upon this latter evaluation.

Conclusion:

The Applicant's total expenses are within 5% of the Underwriter's estimate; however, effective gross income and net operating income is not within 5%. Therefore the Underwriter's NOI will be used to evaluate debt service capacity.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 through the five year affordability period and only turns below the 1.15 minimum in year 15. This is because both the Applicant and Underwriter's proforma reflect an expense to income ratio well above the 65% maximum guideline in 10TAC §1.32(i)(4). The rule allows for mitigation of both concerns in the form of an ongoing project based Section 8 subsidy. Therefore, with the proposed operating subsidy, the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: The Gerald A. Teel Company   Date: 2/22/2007

Number of Revisions: 0   Date of Last Applicant Revision: N/A

Land Only: 7.65 acres	$200,000	As of:	2/22/2007
Existing Buildings: (as-is)	$1,275,000	As of:	2/22/2007
Total Development: (as-is)	$1,475,000	As of:	2/22/2007

ASSESSED VALUE

Land Only: 7.65 acres	$37,320	Tax Year:	2006
Existing Buildings:	$1,377,830	Valuation by:	Jefferson CAD
Total Assessed Value:	$1,415,150	Tax Rate:	2.727382

EVIDENCE of PROPERTY CONTROL

Type: Purchase Money Contract   Acreage: 7.6515

Contract Expiration: 12/31/2007   Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $1,450,000   Other: Amended down to $1,250,000 on July 19, 2007

Seller: Sunlight Manor, A Non-Profit Trust   Related to Development Team? [X] Yes [ ] No

Comments:

The seller, Sunlight Manor, A Non-Profit Trust is related to the purchaser through the seller's intent to retain and own a 40% interest of the limited partner owner of the new Applicant entity.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0   Date of Last Applicant Revision: N/A

Acquisition Value:

The seller of the subject property is related to the Applicant; therefore, the acquisition price is evaluated as an identity of interest. The original sales contract price of $1,450,000 was executed in consideration of a Housing tax credit application which would not have included the current owner in the new partnership. The contract was amended to reflect a lower acquisition amount of $1,250,000 in recognition of the CDGB application which requires the current owner to remain as an owner in the partnership entity receiving an award.

This section intentionally left blank.

The current owner acquired the property in a documented cash deed for $81,874 and provided evidence of a mortgage for improvements in the original amount of $1,044,096. In addition the Applicant provided a third party appraisal which estimated an "as is" value of $1,475,000 as of 2/22/2007. The amended sales price appears to be somewhat overstated given the documented original acquisition costs. In addition, in a typical TDHCA identity of interest transaction a .01% or less general partnership interest is retained and thus an adjustment for the value retained is not often warranted. In this case the percentage of ownership that will remain with the seller is 40% of the 99.99 limited partnership. Thus the acquisition price has been adjusted to account for the 40% ownership interest that will be retained by the seller. In addition $55K in acquisition and closing costs were included in full as they are a new cost to the project. The acquisition price for underwriting proposes is therefore adjusted to $730,627.

Sitework Cost:

The proposed sitework cost of $7,375 per unit is considered to be high for a rehabilitation development but is within the Department's guidelines.

Direct Construction Cost:

The Applicant's direct construction cost is the same as that provided by the Property Condition Assessment (PCA) provider, Science Engineering, Ltd. in the PCA report dated February 26, 2007. The underwriting report will reflect the same amount based upon the PCA report subject to change based upon the detailed evaluation of already competed and funded work to be provided as a condition of this report.

Contingency & Fees:

The Applicant's developer fees were overstated by $271.6K as they appear to have been calculated as 15% of the total cost less the fee themselves rather than adjusting for acquisition, reserves and permanent financing costs as called for in the Underwriting rules. These fees have been adjusted accordingly in the Underwriter's analysis.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule which is $1,045,051 less than the Applicant's cost will be used to determine the development's need for permanent funds.

APPLICANT'S PROPOSED FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Source: JP Morgan Chase Bank Type: **Interim to Permanent Financing**

Interim:	$1,900,000	Interest Rate:	8.5%	☐	Fixed	Term:	24	months
Permanent:	$1,900,000	Interest Rate:	7.5%	X	Fixed	Term:	360	months

Comments:

The permanent loan is to have an amortization of 30 years with a term of 15 years.

This section intentionally left blank.

Source:	CDBG Disaster Recovery Funds			Type:	**Interim to Permanent Financing**		
Interim:	$8,336,649	Interest Rate:	0.0%	X	Fixed	Amort:	24 months
Permanent:	$8,336,649	Interest Rate:	0.0%	X	Fixed	Amort:	300 months

Comments:

The total requested term of the interim and permanent loans are to be 25 years. The Applicant has also requested that the loan be at 0% interest, with the forgiveness of principal payments over the amortization period as the property continues to satisfy the affordability restrictions. The measured forgiveness over the 25 year amortization period will spread out the income tax effect of the gain from the recognized forgiveness. A grant or whole forgiveness after 5 years would result in a much larger one time gain for the for-profit portion of the partnership and a tax liability in the magnitude of $1.4M. An amortized forgiveness provides a tax liability of around $60K per year which could further be partially offset by depreciation losses over the same period. While CDBG Disaster staff has indicated an interest to limit any long term relationships with this short term federal affordability requirement, if it makes sense to consider the Applicant's long term loan structure it would also make sense to consider an equal term affordability requirement.

It would appear that the long term loan structure would be more financially feasible as it would put the owner and therefore the property in a better long term financial position.

CONCLUSIONS & UNDERWRITER'S RECOMMENDATIONS

Recommended Financing Structure:

As stated above the Underwriter's proforma is used to determine the debt service capacity of the Applicant; accordingly, the proposed first lien conventional loan from J.P. Morgan Chase Bank (or other acceptable substitute source) is satisfactory; however, due to the reduction in total development costs resulting from the adjustment to the acquisition price and developer fees, the development's gap in financing will decrease, thereby requiring less CDBG Disaster Recovery financing from the Department. This decreased second lien CDBG Disaster Recovery Fund loan amount needed from the Department is $7,290,598.

The Applicant has requested a forgivable loan over a 25 year amortized forgiveness period. Due to the required maintenance and department exposure of such an extended period of forgiveness, consideration should be given to structure the affordability period to maintain rents at 30% and 80% during the entire term of the loan with an allowance for transfer of the property to a non-profit (and subsequent immediate forgiveness of debt) at any time during the requested extended forgiveness period.

The Underwriter's recommended financing structure does not indicate a need for deferred developer fees; however, in the event that there is a need for additional funding due to cost overruns, etc, then there should be sufficient deferred developer fees available to fund that shortfall.

The CDBG award amount is below the 221(d)(3) limit for this project.

Underwriter:	D. Burrell	Date:	September 4, 2007
Director of Real Estate Analysis:	Tom Gouris	Date:	September 4, 2007

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MULTIFAMILY COMPARATIVE ANALYSIS

Sunlight Manor Apartments, Beaumont, CDBG Disaster Program #07906

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
CDBG (30%)	Section 8	6	1	1	594	$285	$227	$1,362	$0.38	$58.00	$32.00
CDBG (80%)	Section 8	2	1	1	594	$496	413	826	0.70	58.00	32.00
CDBG (80%)	Section 8	48	2	1	761	$593	481	23,088	0.63	79.00	37.00
CDBG (80%)	Section 8	50	3	1	882	$735	506	25,300	0.57	97.00	41.00
CDBG (80%)	Section 8	14	4	2	1,029	$762	605	8,470	0.59	118.00	46.00
TOTAL:		120		AVERAGE:	832		$492	$59,046	$0.59	$89.65	$39.38

INCOME	Total Net Rentable Sq Ft:	99,786			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					$708,552	$749,520	Jefferson		5
Secondary Income			Per Unit Per Month:	$10.00	14,400	14,400	$10.00	Per Unit Per Month	
Other Support Income:					0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$722,952	$763,920			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(54,221)	(57,300)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					$668,731	$706,620			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		7.36%	$410	0.49	$49,200	$48,600	$0.49	$405	6.88%
Management		5.28%	294	0.35	35,290	37,500	0.38	313	5.31%
Payroll & Payroll Tax		15.67%	873	1.05	104,760	117,000	1.17	975	16.56%
Repairs & Maintenance		10.18%	568	0.68	68,104	45,200	0.45	377	6.40%
Utilities		3.28%	183	0.22	21,937	30,000	0.30	250	4.25%
Water, Sewer, & Trash		5.83%	325	0.39	38,998	33,000	0.33	275	4.67%
Property Insurance		10.77%	600	0.72	72,000	72,000	0.72	600	10.19%
Property Tax	2.727382	7.83%	436	0.52	52,366	84,000	0.84	700	11.89%
Reserve for Replacements		5.38%	300	0.36	36,000	36,000	0.36	300	5.09%
TDHCA Compliance Fees		0.00%	0	0.00	0	0	0.00	0	0.00%
Other:Supportive Services		0.90%	50	0.06	6,000	6,000	0.06	50	0.85%
TOTAL EXPENSES		72.47%	$4,039	$4.86	$484,654	$509,300	$5.10	$4,244	72.08%
NET OPERATING INC		27.53%	$1,534	$1.84	$184,077	$197,320	$1.98	$1,644	27.92%
DEBT SERVICE									
J.P. Morgan Chase		23.84%	$1,329	$1.60	$159,421	$158,500	$1.59	$1,321	22.43%
CDBG Disaster Loan		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		3.69%	$205	$0.25	$24,656	$38,820	$0.39	$324	5.49%
AGGREGATE DEBT COVERAGE RATIO					1.15	1.24			
RECOMMENDED DEBT COVERAGE RATIO					1.15				

CONSTRUCTION COST									
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		7.95%	$6,089	$7.32	$730,627	$1,505,000	$15.08	$12,542	14.70%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		9.63%	7,379	8.87	885,500	885,500	8.87	7,379	8.65%
Direct Construction		45.76%	35,050	42.15	4,206,000	4,206,000	42.15	35,050	41.09%
Contingency	4.99%	2.76%	2,117	2.55	254,066	254,066	2.55	2,117	2.48%
Contractor's Fees	13.97%	7.74%	5,927	7.13	711,283	711,283	7.13	5,927	6.95%
Indirect Construction		7.78%	5,961	7.17	715,300	715,300	7.17	5,961	6.99%
Permanent Loan Costs		1.19%	913	1.10	109,500	109,500	1.10	913	1.07%
Developer's Fees	15.00%	11.46%	8,778	10.56	1,053,322	1,325,000	13.28	11,042	12.94%
Interim Financing		2.72%	2,083	2.51	250,000	250,000	2.51	2,083	2.44%
Reserves		2.99%	2,292	2.76	275,000	275,000	2.76	2,292	2.69%
TOTAL COST		100.00%	$76,588	$92.10	$9,190,598	$10,236,649	$102.59	$85,305	100.00%
Construction Cost Recap		*65.90%*	*$50,474*	*$60.70*	*$6,056,849*	*$6,056,849*	*$60.70*	*$50,474*	*59.17%*

SOURCES OF FUNDS						RECOMMENDED	
J.P. Morgan Chase	20.67%	$15,833	$19.04	$1,900,000	$1,900,000	$1,900,000	Developer Fee Available
CDBG Disaster Loan	90.71%	$69,472	$83.55	8,336,649	8,336,649	7,290,598	$1,053,322
Deferred Developer Fees	0.00%	$0	$0.00	0		0	0%
Additional (Excess) Funds Req'd	-11.38%	($8,717)	($10.48)	(1,046,051)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$9,190,598	$10,236,649	$9,190,598	$390,447

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MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Sunlight Manor Apartments, Beaumont, CDBG Disaster Program #07906

PAYMENT COMPUTATION

Primary	$1,900,000	Amort	360
Int Rate	7.50%	DCR	1.15

Secondary	$8,336,649	Amort	
Int Rate		Subtotal DCR	1.15

Additional	$0	Amort	
Int Rate		Aggregate DCR	1.15

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$159,421
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$24,656

Primary	$1,900,000	Amort	360
Int Rate	7.50%	DCR	1.15

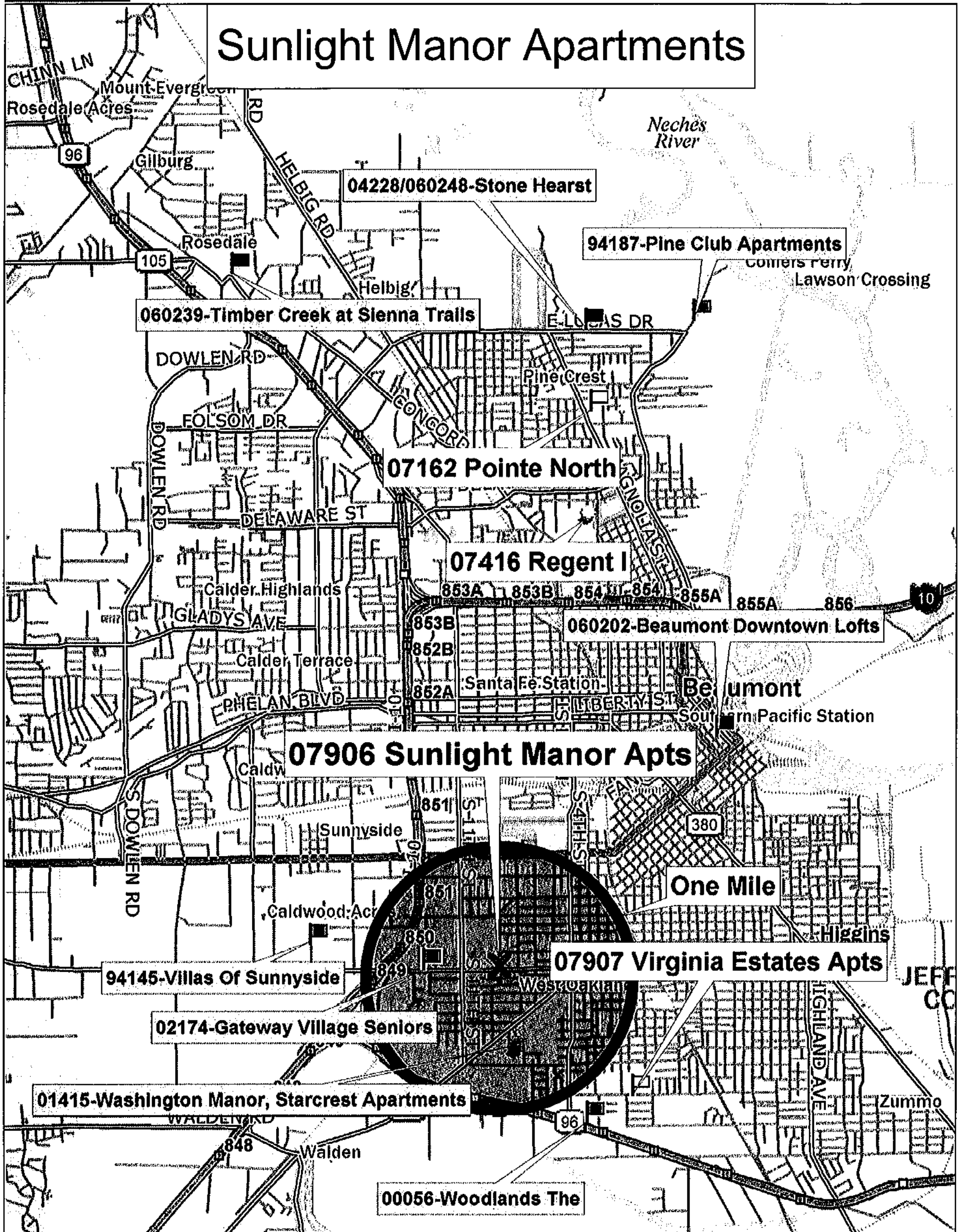
Secondary		Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

221 (d)(3) Limit	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
	$109,142	$132,718	$171,692	$188,467
$18,466,738	8	48	50	14

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$708,552	$729,809	$751,703	$774,254	$797,482	$924,500	$1,071,748	$1,242,450	$1,669,749
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	722,952	744,641	766,980	789,989	813,689	943,288	1,093,530	1,267,701	1,703,684
Vacancy & Collection Loss	(54,221)	(55,848)	(57,523)	(59,249)	(61,027)	(70,747)	(82,015)	(95,078)	(127,776)
Employee or Other Non-Rental Units or C	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$668,731	$688,793	$709,456	$730,740	$752,662	$872,542	$1,011,515	$1,172,623	$1,575,907
EXPENSES at 4.00%									
General & Administrative	$49,200	$51,168	$53,215	$55,343	$57,557	$70,027	$85,198	$103,657	$153,438
Management	35,290	36,349	37,439	38,563	39,719	46,046	53,380	61,882	83,164
Payroll & Payroll Tax	104,760	108,950	113,308	117,841	122,554	149,106	181,410	220,714	326,710
Repairs & Maintenance	68,104	70,828	73,661	76,607	79,672	96,933	117,934	143,484	212,392
Utilities	21,937	22,814	23,727	24,676	25,663	31,223	37,987	46,217	68,413
Water, Sewer & Trash	38,998	40,557	42,180	43,867	45,622	55,506	67,531	82,162	121,620
Insurance	72,000	74,880	77,875	80,990	84,230	102,478	124,681	151,693	224,543
Property Tax	52,366	54,460	56,639	58,904	61,261	74,533	90,681	110,327	163,310
Reserve for Replacements	36,000	37,440	38,938	40,495	42,115	51,239	62,340	75,847	112,271
Other	6,000	6,240	6,490	6,749	7,019	8,540	10,390	12,641	18,712
TOTAL EXPENSES	$484,654	$503,687	$523,471	$544,036	$565,412	$685,631	$831,532	$1,008,623	$1,484,573
NET OPERATING INCOME	$184,077	$185,105	$185,985	$186,704	$187,251	$186,911	$179,983	$164,000	$91,335
DEBT SERVICE									
First Lien Financing	$159,421	$159,421	$159,421	$159,421	$159,421	$159,421	$159,421	$159,421	$159,421
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	$24,656	$25,684	$26,564	$27,283	$27,830	$27,490	$20,562	$4,579	($68,086)
DEBT COVERAGE RATIO	1.15	1.16	1.17	1.17	1.17	1.17	1.13	1.03	0.57



Scale 1 : 62,500
1" = 5,208.3 ft
Data Zoom 11-0

Applicant Evaluation

Project ID # **07906** Name: **Sunlight Manor 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

Total # of Projects monitored: 3

Projects grouped by score: zero to nine: 3; ten to nineteen: 0; twenty to twenty-nine: 0

Projects in Material Noncompliance: Yes ☐ No ☑

monitored with a score less than thirty: 3

not yet monitored or pending review: 5

in noncompliance: 0

Projects not reported in application: Yes ☐ No ☑

# of projects not reported 0

Portfolio Monitoring		Single Audit		Portfolio Analysis	
Not applicable	☑	Not applicable	☑	Not applicable	☑
Review pending	☐	Review pending	☐	No unresolved issues	☐
No unresolved issues	☐	No unresolved issues	☐	Not current on set-ups	☐
Unresolved issues found	☐	Issues found regarding late cert	☐	Not current on draws	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐	Issues found regarding late audit	☐	Not current on match	☐
		Unresolved issues found that warrant disqualification (Comments attached)	☐		

Reviewed by Patricia Murphy Date 8/10/2007

Multifamily Finance Production		HOME		Real Estate Analysis (Workout)	
Not applicable	☐	Not applicable	☑	Not applicable	☐
Review pending	☐	Review pending	☐	Review pending	☐
No unresolved issues	☑	No unresolved issues	☐	No unresolved issues	☑
Unresolved issues found	☐	Unresolved issues found	☐	Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐
Reviewer	Shannon Roth	Reviewer	Veronica Chapa	Reviewer	D. Burrell
Date	8 /10/2007	Date	8 /10/2007	Date	8 /10/2007

Community Affairs		Office of Colonia Initiatives		Financial Administration	
No relationship	☑	Not applicable	☑	No delinquencies found	☑
Review pending	☐	Review pending	☐	Delinquencies found	☐
No unresolved issues	☐	No unresolved issues	☐		
Unresolved issues found	☐	Unresolved issues found	☐		
Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐		
Reviewer	EEF	Reviewer	Maria Cazares	Reviewer	Melissa M. Whitehead
Date	8 /10/2007	Date	8 /13/2007	Date	8 /9 /2007

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Letters of Support

07906 – Sunlight Manor

07906

Received

AUG - 1 2007

STATE of TEXAS
HOUSE of REPRESENTATIVES

JOE DESHOTEL
STATE REPRESENTATIVE
District 22

CAPITOL OFFICE:
P.O. BOX 2910
AUSTIN, TX 78768-2910
(512) 463-0662
FAX: (512) 463-8381
joe.deshotel@house.state.tx.us

DISTRICT OFFICE:
ONE PLAZA SQUARE, SUITE 203
PORT ARTHUR, TX 77642
(409) 724-0788

July 30, 2007

TDHCA
221 E. 11th Street
Austin, Texas 78701-2401
Attn: Jennifer Joyce
CDBG Disaster Recovery

RE: Sunlight Manor Apartments
Beaumont, Texas

Dear Ms. Joyce:

I wish to express support for the CDBG Disaster Recovery Multifamily Rental Funding Application submitted to the TDHCA proposing the redevelopment of Sunlight Manor Apartments. Sunlight Manor was home to many single mothers prior to Hurricane Rita. Many of these families were left homeless and are in great need of clean affordable housing.

I applaud the TDHCA's CDBG Disaster Recovery Program and its efforts to assist the residents of East Texas in their prolonged recovery from this disaster. CDBG Funding directed specifically to the areas hardest hit by Rita will be a major help in achieving the goal of returning decent, safe and affordable housing stock to the market.

Sunlight Manor Apartments is a particularly worthwhile project for redevelopment. Its 120 residential units have substandard conditions, and many units have been determined to be uninhabitable. I strongly urge the TDHCA to award a CDBG loan to this project.

Sincerely,

Joseph D. Deshotel

Joseph D. Deshotel
State Representative
22nd Legislative District

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COMMITTEES

Economic Development	Redistricting	Transportation
Chairman	Member	Member

07906

City of Beaumont

Becky Ames
Mayor

August 3, 2007

TDHCA
231 E. 11th Street
Austin, Texas 78701-2401

Attn: Jennifer Joyce
CDBG Disaster Recovery

RE: Sunlight Manor Apartments, Beaumont, Texas

Dear Ms. Joyce:

I wish to express support for the CDBG Disaster Recovery Multifamily Rental Funding Application submitted to the TDHCA and proposing the redevelopment of Sunlight Manor Apartments.

When Hurricane Rita struck East Texas nearly two years ago, thousands of Texans were affected, and many of them have still not received their pre-Rita standard of living. We applaud the TDHCA's CDBG Disaster Recovery Program and its efforts to assist the residents of East Texas in their prolonged recovery from this disaster. CDBG Funding directed specifically to the areas hardest hit by Rita will be a major help in achieving the goal of returning decent, safe and affordable housing stock to the market.

Sunlight Manor Apartments is a particularly worthwhile project for redevelopment. Its 120 residential units have substandard conditions, and many units have been determined to be uninhabitable. We strongly urge the TDHCA to award a CDBG loan to this project.

Sincerely,

Becky Ames

Becky Ames
Mayor

BA/bo

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Mayor's Office • (409) 880-3736 • Fax (409) 880-3112
P.O. Box 3827 • Beaumont, Texas 77704-3827

Underwriting and PMC Report

07907 – Virginia Estates

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/05/07 PROGRAM: CDBG Disaster Fund FILE NUMBER: **07907**

This underwriting report has been modified in scope due to the uniqueness of the CDBG Disaster Recovery Program application and funding requirements. This report describes the general characteristics of the development and focuses on the information available regarding the reconstruction or rehabilitation costs and the 5 year viability of the development as proposed and per the funding source guidelines. The scope limitations include not fully evaluating or making recommendations based upon potential events beyond the initial 5 year period.

DEVELOPMENT

Virginia Estates Apartments

Location: 2250 W. Virginia Street Region: 5

City: Beaumont County: Jefferson Zip: 77705 [X] QCT [X] DDA

Key Attributes: Multifamily, Acquisition, Rehabilitation, Family, Urban/Exurban

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Special Disaster Recovery Fund	$8,127,830	0.00%	25 Yrs.	**$6,707,534**	**0.00%**	**TBD***

*Short term forgiveness of the loan may have a significant impact on the viability of property owners as continued owners.

CONDITIONS

1 Receipt, review and acceptance by the Department of a detailed scope of work that has not already been completed and budget breakdown by the Third Party Property Condition Assessment (PCA) provider prior to commencement of construction.

2 The Applicant has requested a forgivable loan over a 25 year amortized forgiveness period. Due to the required maintenance and department exposure of such an extended period of forgiveness, consideration should be given to structure the affordability period to maintain rents at 30% and 80% during the entire term of the loan with an allowance for transfer of the property to a non-profit (and subsequent immediate forgiveness of debt) at any time during the requested extended forgiveness period.

3 Should the terms and rates of the proposed debt or Section 8 rents change prior to completion, or the anticipated cost of the rehabilitation as anticipated by the PCA provider change, the transaction should be re-evaluated and an adjustment to the recommended award amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	6
80% of AMI	80% of AMI	104

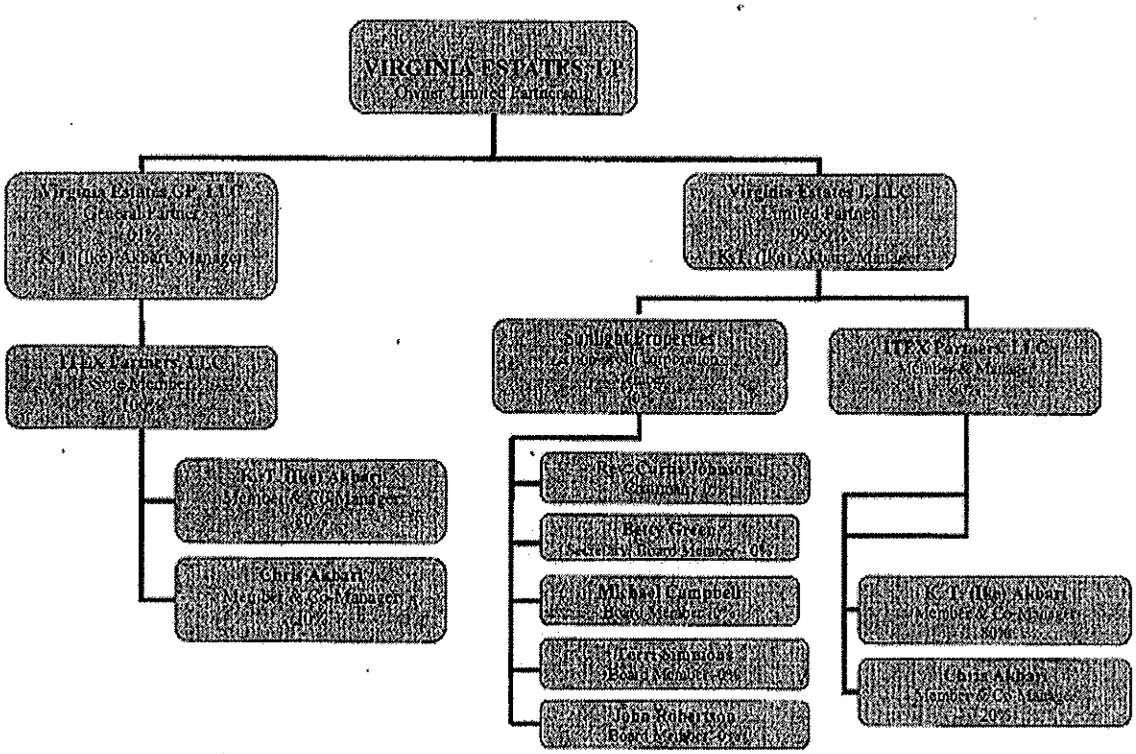
PROS	CONS
▫ The requested funding will support the rehabilitation of a 34 year old Section 8 affordable housing development that sustained damage during Hurricane Rita.	▫ The NOFA did not require that an Environmental Site Assessment (ESA) be provided; however, it is likely that the property will have environmental issues such as asbestos and lead paint which will need to be addressed as part of the HUD mandated environmental review.
▫ The proposed rehabilitation limits the displacement of existing tenants.	▫ The PCA provided sufficient detail to substantiate the significant cost of rehabilitation but it appears that a significant amount of work has been completed since their original evaluation.
	▫ The existing budgets did not disaggregate the rehabilitation work that has been completed.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: K.T. (Ike) Akbari Phone: (409) 724-0020 Fax: (409) 721-6603
Email: ikeakbari@itexmgt.com

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KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# Completed Developments
Sunlight Properties - Non-Profit Trust	$-262K	$-118K	0
Itex Partners, LLC	$499K	$499K	9
K.T. (Ike) Akbari	Confidential		9

[1] Liquidity = Current Assets - Current Liabilities

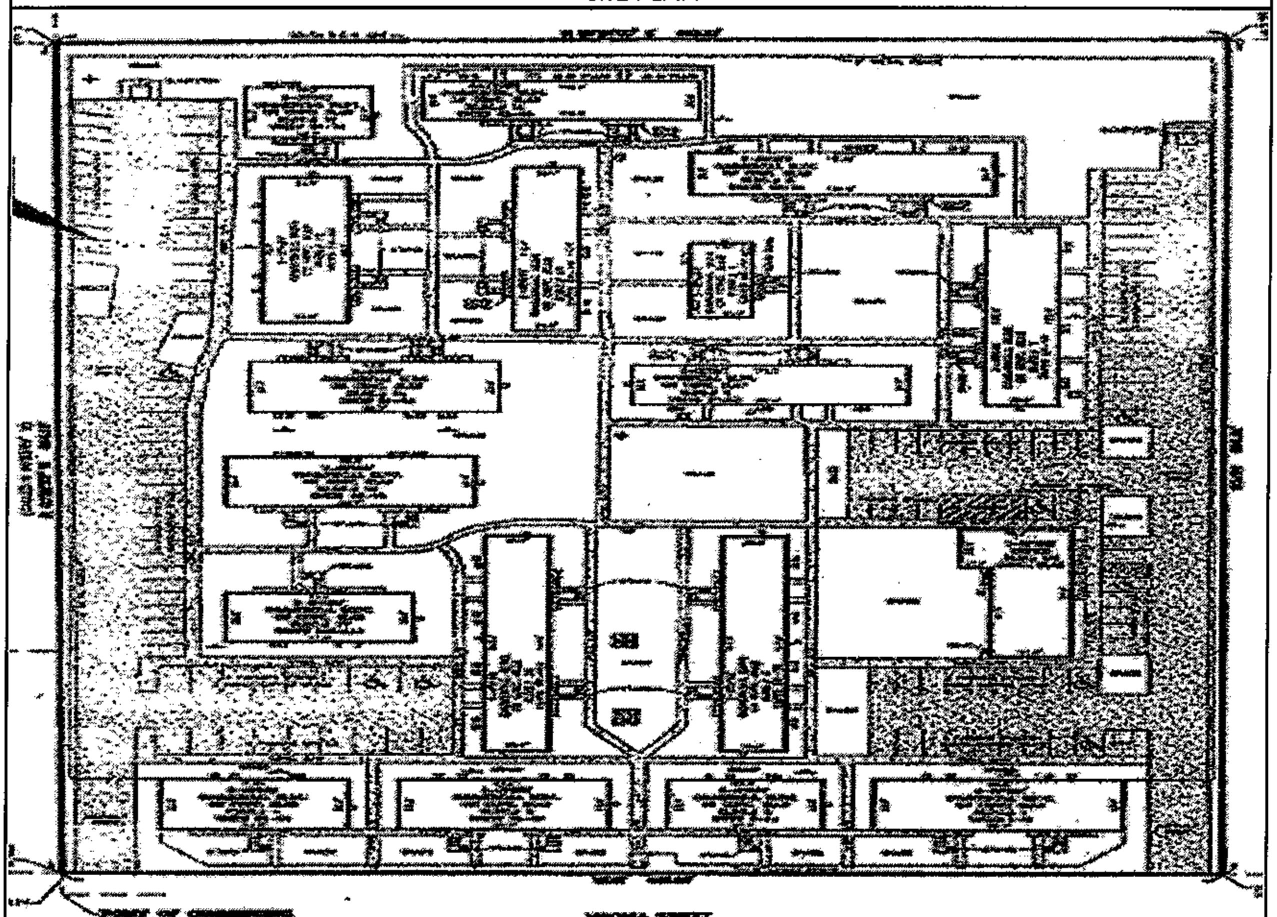
IDENTITIES of INTEREST

The Applicant, Developer, Co-Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for TDHCA-funded developments.

The seller is regarded as a related party due to their retention of 40% ownership in the limited partner of new Applicant entity. An adjustment to the acquisition price for the portion of the property that is being sold has been considered in the acquisition section of this report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D	E	F	G	H	I		Total Buildings
Floors/Stories	2	2	2	2	2	2	2	2	2		
Number	1	4	2	1	1	2	3	2	1		17

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BR/BA	SF	Units										Total Units	Total SF
1BR/1BA	640	6				8						14	8,960
2BR/1BA	780		8	6	4							48	37,440
3BR/1.5BA	900						8	6				34	30,600
4BR/2BA	1,080								6			12	12,960
5BR/2BA	1,250									2		2	2,500
Units per Building		6	8	6	4	8	8	6	6	2		**110**	**92,460**

Rehabilitation Summary:

The development was constructed in 1973 and contains 110 units of affordable housing. It is considered to be in average condition and has a project-based Section 8 Housing Assistance Payment (HAP) contract covering 40% of the units. The contract was last renewed with an effective date of July 1, 2006 for a term of 4 years. The property is proposed to be acquired by the Applicant entity and significantly rehabilitated at a cost of approximately $84,253 per unit. Direct construction cost per unit is estimated to be $47,648. The rehabilitation will consist of foundation repair and maintenance, masonry repair and replacement, carpentry repair and replacement, new roofs, 100% window replacement, electrical repairs and upgrades, concrete drive and parking repair, handicap ramps, striping and signage, sidewalk repair and upgrades, site utility upgrades, fencing, gate and landscape repairs and upgrades, new flooring, plumbing repair and replacement, and various other items.

The Applicant did not provide a detailed scope of work for the above rehabilitation items nor was a detail of the work already completed and funded by other means provided. The property condition assessment appears to be out of date based upon the needs of the property as identified in a site inspection conducted by TDHCA staff on August 30, 2007. The Underwriter has requested such detailed information but the Applicant has not been able to provide it before completion of the underwriting report. In addition, during the Department's inspection of the property it was apparent that a considerable amount of rehabilitation work had already been accomplished at the property. Therefore, receipt, review and acceptance by the Department of a detailed scope of work that has not already been completed and budget breakdown by the Third Party Property Condition Assessment (PCA) provider prior to commencement of construction is a condition of this report.

Relocation Plan:

As apartment units turn over, the units will not be rented out to new residents to open up additional unoccupied units as a relocation resource. Residents will be moved on-site to the unoccupied units to vacate buildings and facilitate the rehabilitation of the property. Some residents may be temporarily relocated to housing located near the site if there is no unoccupied units available on site. Once units are renovated, the residents will be moved to the newly renovated units, provided they meet the income restrictions and provided they wish to remain with or return to the property.

Virginia Estates, LP, the owner will pay for the residents' relocation expenses, including the fees for transferring utilities, regardless of whether the resident decides to remain on site or move, at a rate required by the HUD Relocation Handbook. Relocation costs is estimated to be $125,000 including fees for transferring utilities.

SITE ISSUES

Total Size:	6 acres	Scattered site?	[ ]	Yes	[X]	No		
Flood Zone:	X	Within 100-yr floodplain?	[ ]	Yes	[X]	No		
Zoning:	Multifamily	Needs to be re-zoned?	[ ]	Yes	[X]	No	[ ]	N/A

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TDHCA SITE INSPECTION

Inspector: TDHCA Staff Date: 8/30/2007

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Wooded lot and SFR beyond East: Vacant lot and newer SFR beyond

South: West Virginia Street and SFR beyond West: Power transformer, park and Odom Academy beyond

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: No ESA required at application Date: N/A

Comments:

The NOFA guidelines exclude the requirement that the Applicant provide an environmental site assessment at application. This exclusion however puts the Department at risk of approving and funding a development without sufficient information to insure that the Applicant is aware of and will properly handle issues such as asbestos containing material (ACM), radon, lead-based paint, lead in drinking water and noise. There is some inherent risk that the developer will have cost overruns because of unknown environmental factors at the time of application however the overall risk of funding an environmentally distressed property will be addressed as part of the environmental review required prior to the release of any funds.

MARKET HIGHLIGHTS

Provider: No Market Study Required Date: N/A

Comments:

The NOFA guidelines exclude the requirement that the Applicant provide a market study for the subject development based upon the proposed 30% and 80% rents. The absence of having a market study causes some inherent risks to the Department in not being able to ascertain the market demand for the proposed units; however, this is an existing development that has been in operation since 1973 and has a project-based Section 8 Housing Assistance Payment (HAP) contract covering 40% of the units. The existing HAP contract was last renewed on July 1, 2006 with a term of 4 years. Accordingly, it is likely that existing tenants will choose to remain at the property and occupancy levels should remain high over the long term based upon the proposed repairs and rehabilitation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 8/24/2007

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of 2006, maintained by Jefferson County from their projected rents. Some of the Applicant's rent projections (on 40% of the units) are based on project-based Section 8 rental subsidy rates. The Underwriter also used maximum program rent limits where appropriate and maximum Section 8 rental subsidy rates on the subsidized units for the Department's analysis. The Applicant's income estimate is approximately $10.6K less than the Underwriter's. This is due to the fact that the Applicant did not reflect the High HOME rents allowable for 5 of the one-bedroom at 80% units. The Applicant has projected that those 5 units will be rented at the same rate as the 3 required Section 8 rental subsidy units. The Applicant provided no additional documentation to support Section 8 rents for those 5 units.

Tenants will be required to pay electric utility costs. The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines. Overall the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 8/24/2007

The Applicant's total annual operating expense projection of $4,202 per unit is not within 5% of the Underwriter's estimate of $3,846, derived from the TDHCA database, and third party data sources. The Applicant's budget has some line items that deviate significantly when compared to the database averages, particularly, repairs and maintenance $9K lower, utilities $11.7K higher, and property taxes $32.9 higher. The Applicant has indicated that this property tax exempt development will be required to pay full taxes after the transfer in ownership and will not seek a property tax exemption. Moreover, the Applicant believes that the assessed value will rise to more than twice the proposed sales price even though the anticipated NOI capped at the appraisal district's published cap rate suggests an assessed value at not more than 50% over the transfer price. The Underwriter's annual property tax estimate is based upon this latter evaluation.

Conclusion:

The Applicant's effective gross income is within 5% of the Underwriter's; however, total annual operating expense and net operating income are not within 5%. Therefore, the Underwriter's net operating income (NOI) will be used to evaluate the debt service capacity. Using this method, the proforma and estimated debt service result in a debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure reflects an increase in the first lien permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section below.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 through the five year affordability period and only turns below the 1.15 minimum prior to year 30. This is because both the Applicant and Underwriter's proforma reflect an expense to income ratio well above the 65% maximum guideline in 10TAC §1.32(i)(4). The rule allows for mitigation of both concerns in the form of an ongoing project based Section 8 subsidy. Therefore, with the proposed operating subsidy, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 6 acres	$60,000	Tax Year:	2006
Existing Buildings:	$1,283,230	Valuation by:	Jefferson CAD
Total Assessed Value:	$1,343,230	Tax Rate:	2.727382

EVIDENCE of PROPERTY CONTROL

Type:	Purchase Money Contract	Acreage:	6
Contract Expiration:	12/31/2007	Valid Through Board Date?	[X] Yes [ ] No
Acquisition Cost:	$1,200,000	Other:	
Seller:	Sunlight Properties	Related to Development Team?	[X] Yes [ ] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 8/24/2007

Acquisition Value:

The seller of the subject property is related to the Applicant, therefore, the acquisition price is being evaluated as an identity of interest. The proposed sales contract is $1,200,000 and the Jefferson County Appraisal District value for 2006 is $1,343,230. The Applicant has stated that they are not able to locate the original closing statement and all of the holding costs of the seller; however, based upon the information provided, the sales price is reasonable. In the Underwriter's analysis however, the acquisition price has been adjusted to account for the 40% ownership interest that will be retained by the seller in the limited partnership of the new Applicant entity. In addition $65K in acquisition and closing costs were included in full as they are a new cost to the project. The acquisition price for underwriting purposes is therefore adjusted to $785,048.

Sitework Cost:

The proposed sitework cost of $8,974 per unit is considered to be high for a rehabilitation development but is within the Department's guidelines.

Direct Construction Cost:

The Applicant's direct construction cost is the same as that provided by the Property Condition Assessment (PCA) provider, Science Engineering, Ltd. in the PCA report dated July, 2007. The underwriting report will reflect the same amount based upon the PCA report subject to change based upon the detailed evaluation of already competed and funded work to be provided as a condition of this report.

Contingency & Fees:

The Applicant's developer fees were overstated by $407K as they appear to have been calculated as 15% of the total cost less the fee themselves rather than adjusting for acquisition, reserves and permanent financing costs as is stated in the Underwriting rules. These fees have been adjusted accordingly in the Underwriter's analysis.

Reserves

The Applicant's reserves are estimated to be $323K. This is $98K more than the Underwriter's estimate of $224.8K that has been derived from the TDHCA underwriting guidelines would allow without further documentation.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule which is $985,296 less than the Applicant's cost will be used to determine the development's need for permanent funds.

APPLICANT'S PROPOSED FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 8/24/2007

Source: JP Morgan Chase Bank Type: **Interim to Permanent Financing**

Interim:	$1,140,000	Interest Rate:	8.5%	[ ]	Fixed	Term:	24	months
Permanent:	$1,140,000	Interest Rate:	7.5%	X	Fixed	Term:	360	months

Comments:

The construction loan will carry an interest rate of approximately 8.5% and will require interest-only payments. The permanent loan will have an interest rate of approximately 7.5% and will be amortized over 30 years with a term of 15 years. These loans are to be in first lien positions.

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Source:	CDBG Disaster Recovery Funds			Type:	**Interim to Permanent Financing**		
Principal:	$8,127,830	Interest Rate:	0.0%	X Fixed	Amort:	300	months

Comments:

The total requested term of the interim and permanent loans are to be 25 years. The Applicant has also requested that the loan be at 0% interest, with the forgiveness of principal payments over the amortization period as the property continues to satisfy the affordability restrictions. The measured forgiveness over the 25 year amortization period will spread out the income tax effect of the gain from the recognized forgiveness. A grant or whole forgiveness after 5 years would result in a much larger one time gain for the for-profit portion of the partnership and a tax liability in the magnitude of $1.4M. An amortized forgiveness provides a tax liability of around $60K per year which could further be partially offset by depreciation losses over the same period. While CDBG Disaster staff has indicated an interest to limit any long term relationships with this short term federal affordability requirement, if it makes sense to consider the Applicant's long term loan structure it would also make sense to consider an equal term affordability requirement.

CONCLUSIONS & UNDERWRITER'S RECOMMENDATIONS

Recommended Financing Structure:

As stated above, the proforma analysis of the Applicant's projections results in a debt coverage ratio above the Department's maximum guideline of 1.35. Therefore, the underwriting analysis assumes an increase in the first lien permanent loan amount from J.P. Morgan Chase Bank (or other acceptable substitute source) to $1,575,000 based on the terms reflected in the application materials. As a result the development's gap in financing will decrease, thereby requiring less CDBG Disaster Recovery financing from the Department. This decreased second lien CDBG Disaster Recovery loan amount needed from the Department is $6,707,534.

The Applicant has requested a forgivable loan over a 25 year amortized forgiveness period. Due to the required maintenance and department exposure of such an extended period of forgiveness, consideration should be given to structure the affordability period to maintain rents at 30% and 80% during the entire term of the loan with an allowance for transfer of the property to a non-profit (and subsequent immediate forgiveness of debt) at any time during the requested extended forgiveness period.

The Underwriter's recommended financing structure does not indicate a need for deferred developer fees; however, in the event that there is a need for additional funding due to cost overruns, etc, then there should be sufficient deferred developer fees available to fund that shortfall.

Underwriter:	D. Burrell	Date:	September 5, 2007
Director of Real Estate Analysis:	Tom Gouris	Date:	September 5, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Virginia Estates Apartments, Beaumont, CDBG Disaster Fund #07907

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
CDBG30%	6	1	1	640	$285	$227	$1,362	$0.35	$58.00	$32.00
CDBG80%/S8	3	1	1	640	$496	296	888	0.46	58.00	32.00
CDBG80%	5	1	1	640	$496	438	2,190	0.68	58.00	32.00
CDBG80%/S8	18	2	1	780	$593	364	6,552	0.47	79.00	37.00
CDBG80%	30	2	1	780	$593	514	15,420	0.66	79.00	37.00
CDBG80%/S8	15	3	1.5	900	$735	433	6,495	0.48	97.00	41.00
CDBG80%	19	3	1.5	900	$735	638	12,122	0.71	97.00	41.00
CDBG80%/S8	7	4	2	1,080	$762	489	3,423	0.45	118.00	46.00
CDBG80%	5	4	2	1,080	$762	644	3,220	0.60	118.00	46.00
CDBG80%/S8	1	5	2	1,250	$876	552	552	0.44	118.00	46.00
CDBG80%	1	5	2	1,250	$876	758	758	0.61	118.00	46.00
TOTAL:	110		AVERAGE:	841		$482	$52,982	$0.57	$86.85	$38.75

INCOME	Total Net Rentable Sq Ft:	92,460	TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT			$635,784	$624,288	Jefferson		5
Secondary Income	Per Unit Per Month:	$10.91	14,400	14,400	$10.91	Per Unit Per Month	
Other Support Income:			0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME			$650,184	$638,688			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(48,764)	(47,904)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions			0				
EFFECTIVE GROSS INCOME			$601,420	$590,784			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.47%	$299	0.36	$32,872	$33,500	$0.36	$305	5.67%
Management		5.00%	273	0.33	30,071	31,150	0.34	283	5.27%
Payroll & Payroll Tax		16.00%	875	1.04	96,250	94,309	1.02	857	15.96%
Repairs & Maintenance		10.44%	571	0.68	62,763	53,600	0.58	487	9.07%
Utilities		3.36%	184	0.22	20,216	32,000	0.35	291	5.42%
Water, Sewer, & Trash		5.98%	327	0.39	35,938	39,700	0.43	361	6.72%
Property Insurance		9.15%	500	0.59	55,000	55,000	0.59	500	9.31%
Property Tax	2.727382	8.48%	464	0.55	51,002	84,000	0.91	764	14.22%
Reserve for Replacements		5.49%	300	0.36	33,000	33,000	0.36	300	5.59%
TDHCA Compliance Fees		0.00%	0	0.00	0	0	0.00	0	0.00%
Other:		1.00%	55	0.06	6,000	6,000	0.06	55	1.02%
TOTAL EXPENSES		70.35%	$3,846	$4.58	$423,112	$462,259	$5.00	$4,202	78.25%
NET OPERATING INC		29.65%	$1,621	$1.93	$178,309	$128,525	$1.39	$1,168	21.75%
DEBT SERVICE									
JP Morgan Chase		15.90%	$870	$1.03	$95,653	$95,000	$1.03	$864	16.08%
CDBG Disaster Loan		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		13.74%	$751	$0.89	$82,656	$33,525	$0.36	$305	5.67%
AGGREGATE DEBT COVERAGE RATIO					1.86	1.35			
RECOMMENDED DEBT COVERAGE RATIO					1.35				

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)		9.48%	$7,137	$8.49	$785,048	$1,265,000	$13.68	$11,500	13.65%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		11.92%	8,975	10.68	987,200	987,200	10.68	8,975	10.65%
Direct Construction		41.37%	31,148	37.06	3,426,300	3,426,300	37.06	31,148	36.97%
Contingency	4.94%	2.63%	1,982	2.36	217,988	217,988	2.36	1,982	2.35%
Contractor's Fees	13.82%	7.36%	5,544	6.60	609,842	609,842	6.60	5,544	6.58%
Indirect Construction		7.97%	6,005	7.14	660,500	660,500	7.14	6,005	7.13%
Permanent Loan Costs		2.85%	2,146	2.55	236,100	236,100	2.55	2,146	2.55%
Developer's Fees	15.00%	11.08%	8,344	9.93	917,810	1,325,000	14.33	12,045	14.30%
Interim Financing		2.62%	1,972	2.35	216,900	216,900	2.35	1,972	2.34%
Reserves		2.71%	2,044	2.43	224,847	323,000	3.49	2,936	3.49%
TOTAL COST		100.00%	$75,296	$89.58	$8,282,534	$9,267,830	$100.24	$84,253	100.00%
Construction Cost Recap		*63.28%*	*$47,648*	*$56.69*	*$5,241,330*	*$5,241,330*	*$56.69*	*$47,648*	*56.55%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
JP Morgan Chase	13.76%	$10,364	$12.33	$1,140,000	$1,140,000	$1,575,000	Developer Fee Available
CDBG Disaster Loan	98.13%	$73,889	$87.91	8,127,830	8,127,830	6,707,534	$917,810
Deferred Developer Fees	0.00%	$0	$0.00	0		0	$0
Additional (Excess) Funds Req'd	-11.90%	($8,957)	($10.66)	(985,296)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$8,282,534	$9,267,830	$8,282,534	$769,708

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MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Virginia Estates Apartments, Beaumont, CDBG Disaster Fund #07907

PAYMENT COMPUTATION

Primary	$1,140,000	Amort	360
Int Rate	7.60%	DCR	1.86

Secondary	$8,127,630	Amort	
Int Rate		Subtotal DCR	1.86

Additional	$0	Amort	
Int Rate		Aggregate DCR	1.86

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$132,152
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$46,157

Primary	$1,575,000	Amort	360
Int Rate	7.50%	DCR	1.35

Secondary	$8,127,630	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

221 (d)(3) Limit	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom
	$109,142	$132,718	$171,692	$188,467
$16,374,518	14	48	34	14

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$635,784	$654,858	$674,503	$694,738	$715,580	$829,554	$961,680	$1,114,851	$1,498,267
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	650,184	669,690	689,780	710,474	731,788	848,343	983,462	1,140,102	1,532,201
Vacancy & Collection Loss	(48,764)	(50,227)	(51,734)	(53,286)	(54,884)	(63,626)	(73,760)	(85,508)	(114,915)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$601,420	$619,463	$638,047	$657,188	$676,904	$784,717	$909,702	$1,054,594	$1,417,286
EXPENSES at 4.00%									
General & Administrative	$32,872	$34,187	$35,554	$36,977	$38,456	$46,787	$56,924	$69,256	$102,516
Management	30,071	30,973	31,902	32,859	33,845	39,236	45,485	52,730	70,864
Payroll & Payroll Tax	96,250	100,100	104,104	108,268	112,599	136,994	166,674	202,784	300,170
Repairs & Maintenance	62,763	65,273	67,884	70,600	73,424	89,331	108,685	132,232	195,735
Utilities	20,216	21,024	21,865	22,740	23,650	28,773	35,007	42,592	63,046
Water, Sewer & Trash	35,938	37,375	38,870	40,425	42,042	51,151	62,233	75,716	112,078
Insurance	55,000	57,200	59,488	61,868	64,342	78,282	95,242	115,877	171,526
Property Tax	51,002	53,042	55,164	57,370	59,665	72,592	88,319	107,454	159,058
Reserve for Replacements	33,000	34,320	35,693	37,121	38,605	46,969	57,145	69,526	102,915
Other	6,000	6,240	6,490	6,749	7,019	8,540	10,390	12,641	18,712
TOTAL EXPENSES	$423,112	$439,735	$457,015	$474,977	$493,647	$598,655	$726,104	$880,807	$1,296,621
NET OPERATING INCOME	$178,309	$179,727	$181,032	$182,211	$183,257	$186,062	$183,598	$173,787	$120,665
DEBT SERVICE									
First Lien Financing	$132,152	$132,152	$132,152	$132,152	$132,152	$132,152	$132,152	$132,152	$132,152
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	$46,157	$47,576	$48,880	$50,060	$51,105	$53,910	$51,446	$41,635	($11,486)
DEBT COVERAGE RATIO	1.35	1.36	1.37	1.38	1.39	1.41	1.39	1.32	0.91

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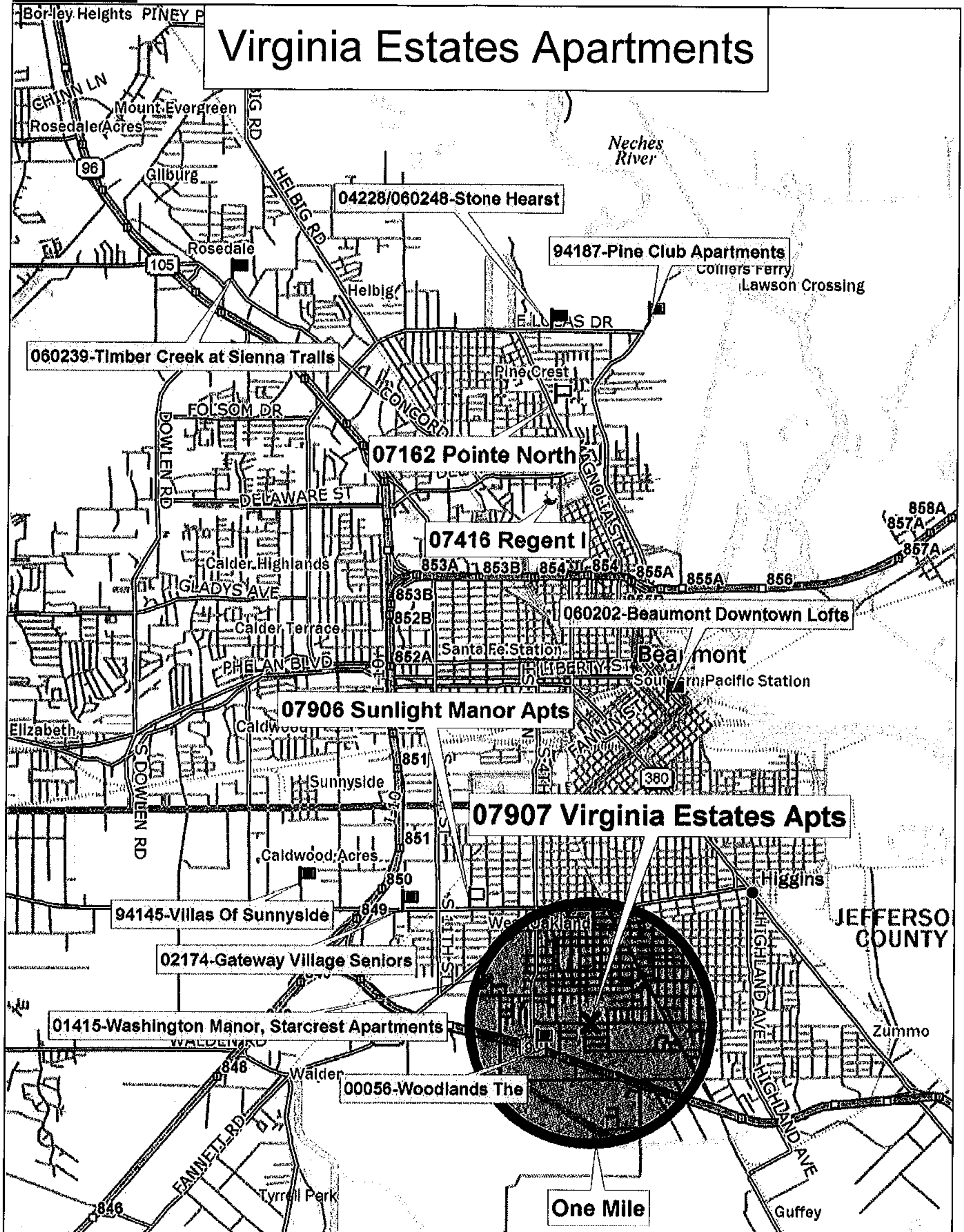
DeLorme

Street Atlas USA® 2007 Plus

Virginia Estates Apartments



TN
MN (2.9°E)

Scale 1 : 68,750
1" = 1.09 mi
Data Zoom 11-0

Applicant Evaluation

Project ID # **07907** Name: **Virginia Estates Apartments** City: **Beaumont**

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

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

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

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

Portfolio Management and Compliance

Total # of Projects monitored: 3

Projects grouped by score
- zero to nine: 3
- ten to nineteen: 0
- twenty to twenty-nine: 0

Projects in Material Noncompliance: Yes ☐ No ☑

monitored with a score less than thirty: 3

not yet monitored or pending review: 5

in noncompliance: 0

Projects not reported in application: Yes ☐ No ☑

# of projects not reported 0

Portfolio Monitoring

Not applicable	☑
Review pending	☐
No unresolved issues	☐
Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐

Single Audit

Not applicable	☑
Review pending	☐
No unresolved issues	☐
Issues found regarding late cert	☐
Issues found regarding late audit	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐

Portfolio Analysis

Not applicable	☑
No unresolved issues	☐
Not current on set-ups	☐
Not current on draws	☐
Not current on match	☐

Reviewed by Patricia Murphy Date 8/10/2007

Multifamily Finance Production

Not applicable	☐
Review pending	☐
No unresolved issues	☑
Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐

Reviewer Shannon Roth
Date 8 /10/2007

HOME

Not applicable	☑
Review pending	☐
No unresolved issues	☐
Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐

Reviewer Veronica Chapa
Date 8 /10/2007

Real Estate Analysis (Workout)

Not applicable	☐
Review pending	☐
No unresolved issues	☑
Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐

Reviewer D. Burrell
Date 8 /10/2007

Community Affairs

No relationship	☑
Review pending	☐
No unresolved issues	☐
Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐

Reviewer EEF
Date 8 /10/2007

Office of Colonia Initiatives

Not applicable	☑
Review pending	☐
No unresolved issues	☐
Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐

Reviewer Maria Cazares
Date 8 /13/2007

Financial Administration

No delinquencies found	☑
Delinquencies found	☐

Reviewer Melissa M. Whitehead
Date 8 /9 /2007

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Letters of Support

07907 – Virginia Estates

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07907

TOMMY WILLIAMS
TEXAS STATE SENATOR
DISTRICT 4

COMMITTEES:
FINANCE
EDUCATION
SUBCOMMITTEE ON HIGHER EDUCATION
TRANSPORTATION AND HOMELAND SECURITY
STATE AFFAIRS, VICE CHAIR

August 10, 2007

Texas Department of Housing and Community Affairs
221 E. 11th Street
Austin, Texas 78701-2401
Attn: Jennifer Joyce
CDBG Disaster Recovery

RE: Virginia Estates Apartments
Beaumont, Texas

Dear Ms. Joyce:

I wish to express support for the CDBG Disaster Recovery Multifamily Rental Funding Application submitted to the TDHCA and proposing the redevelopment of Virginia Estates Apartments located in my Senate District.

When Hurricane Rita struck Southeast Texas nearly two years ago, thousands of Texans were affected, and many of them have still not recovered their pre-Rita standard of living. I applaud the TDHCA's CDBG Disaster Recovery Program and its efforts to assist the residents of Southeast Texas in their prolonged recovery from this disaster. CDBG Funding directed specifically to the areas hardest hit by Rita will be a major help in achieving the goal of returning decent, safe and affordable housing stock to the market.

Virginia Estates Apartments is a particularly worthwhile project for redevelopment. Its 110 residential units have substandard conditions, and many units have been determined to be uninhabitable. I strongly urge the TDHCA to award a CDBG loan to this project.

Sincerely,

Tommy Williams

BEAUMONT OFFICE:
P.O. BOX [illegible]
BEAUMONT, TEXAS [illegible]
[illegible]
FAX [illegible]

CAPITOL OFFICE:
ROOM [illegible]
P.O. BOX 12068
AUSTIN, TEXAS 78711
(512) 463-0104
(800) [illegible]
FAX: (512) 463-[illegible]
DIAL 711 FOR RELAY CALLS

THE WOODLANDS OFFICE:
P.O. BOX [illegible]
THE WOODLANDS, TEXAS [illegible]
(281) [illegible]
FAX: (281) [illegible]

134

0 1407

Received

AUG - 1 2007

STATE of TEXAS
HOUSE of REPRESENTATIVES

JOE DESHOTEL
STATE REPRESENTATIVE
District 22

CAPITOL OFFICE:
P.O. BOX 2910
AUSTIN, TX 78768-2910
(512) 463-0662
FAX: (512) 463-8381
joe.deshotel@house.state.tx.us

DISTRICT OFFICE:
ONE PLAZA SQUARE, SUITE 203
PORT ARTHUR, TX 77642
(409) 724-0788

July 30, 2007

TDHCA
221 E. 11th Street
Austin, Texas 78701-2401
Attn: Jennifer Joyce
CDBG Disaster Recovery

RE: Virginia Estates Apartments
Beaumont, Texas

Dear Ms. Joyce:

I wish to express support for the CDBG Disaster Recovery Multifamily Rental Funding Application submitted to the TDHCA proposing the redevelopment of Virginia Estates Apartments. I remember when these apartments were built and it was a very desirable place to live. However since hurricane Rita they have substantially deteriorated and many are not suitable to live in.

I applaud the TDHCA's CDBG Disaster Recovery Program and its efforts to assist the residents of East Texas in their prolonged recovery from this disaster. CDBG Funding directed specifically to the areas hardest hit by Rita will be a major help in achieving the goal of returning decent, safe and affordable housing stock to the market.

Virginia Estates Apartments is a particularly worthwhile project for redevelopment. Its 110 residential units have substandard conditions, and many units have been determined to be uninhabitable. I strongly urge the TDHCA to award a CDBG loan to this project.

Sincerely,

Joseph D. Deshotel

Joseph D. Deshotel
State Representative
22nd Legislative District

COMMITTEES

ECONOMIC DEVELOPMENT
CHAIRMAN

REDISTRICTING
MEMBER

TRANSPORTATION
MEMBER

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07907

City of Beaumont

Becky Ames
Mayor

August 3, 2007

TDHCA
231 E. 11th Street
Austin, Texas 78701-2401

Attn: Jennifer Joyce
CDBG Disaster Recovery

RE: Virginia Estates Apartments, Beaumont, Texas

Dear Ms. Joyce:

I wish to express support for the CDBG Disaster Recovery Multifamily Rental Funding Application submitted to the TDHCA and proposing the redevelopment of Virginia Estates Apartments.

When Hurricane Rita struck East Texas nearly two years ago, thousands of Texans were affected, and many of them have still not received their pre-Rita standard of living. We applaud the TDHCA's CDBG Disaster Recovery Program and its efforts to assist the residents of East Texas in their prolonged recovery from this disaster. CDBG Funding directed specifically to the areas hardest hit by Rita will be a major help in achieving the goal of returning decent, safe and affordable housing stock to the market.

Virginia Estates Apartments is a particularly worthwhile project for redevelopment. Its 110 residential units have substandard conditions, and many units have been determined to be uninhabitable. We strongly urge the TDHCA to award a CDBG loan to this project.

Sincerely,

Becky Ames

Becky Ames
Mayor

BA/bo

Mayor's Office • (409) 880-3736 • Fax (409) 880-3112
P.O. Box 3827 • Beaumont, Texas 77704-3827

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Underwriting and PMC Report

07908 – Carver Terrace

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/06/07 PROGRAM: CDBG Disaster FILE NUMBER: **07908**

This underwriting report has been modified in scope due to the uniqueness of the CDBG Disaster Recovery Program application and funding requirements. This report describes the general characteristics of the development and focuses on the information available regarding the reconstruction or rehabilitation costs and the 5 year viability of the development as proposed and per the funding source guidelines. The scope limitations include not fully evaluating or making recommendations based upon potential events beyond the initial 5 year period.

DEVELOPMENT

Carver Terrace Townhomes

Location: 46th Street (near Twin City Highway) Region: 5

City: Port Arthur County: Jefferson Zip: 77642 ☐ QCT ☒ DDA

Key Attributes: Family, Reconstruction, Urban/Exurban

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
CDBG Disaster Relief	$16,705,260	0.00%	25 years	**$16,705,262**	**TBD***	

*Short term forgiveness of the loan may have a significant impact on the viability of property owners as continued owners.

CONDITIONS

1 Receipt, review, and acceptance, by carryover, of a HUD-approved application for demolition or disposition and documentation of a Development Based Operating Subsidy Agreement from the Housing Authority.

2 Should the terms and rates of the proposed debt or operating subsidy change prior to completion, the transaction should be re-evaluated and an adjustment to the recommended award amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	9
80% of AMI	High HOME	171

PROS

- The application proposes the reconstruction of a multifamily property that is currently in a poorly located, heavily concentrated low income rental area.

CONS

- The lack of third party reports, including an appraisal, market study, and Phase I ESA, poses a significant risk due to the addition of units, and a generous grant structure of the requested funds.

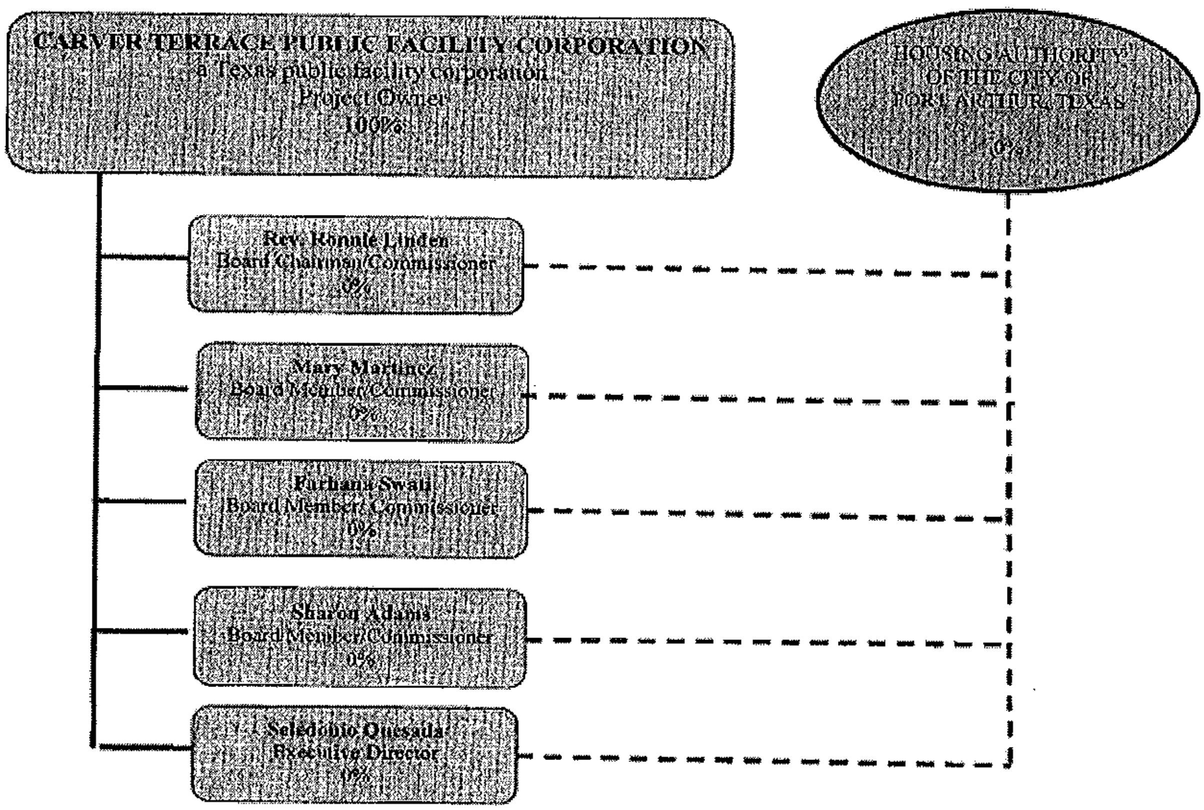
- The development plan calls for the continuation of 72 public housing units on the new site to potentially help serve the lowest income levels in the community.
- The development will result in the possible elimination or relocation of funding for 108 public housing units.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: K.T. (Ike) Akbari Phone: (409) 724-0020 Fax: (409) 721-6603
Email: ikeakbari@itexmgt.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# Completed Developments
Itex Developers, LLC (Developer)	$109,077	$109,077	9
K.T. (Ike) & Cheryl Akbari	CONFIDENTIAL		3
Chris Akbari	CONFIDENTIAL		3

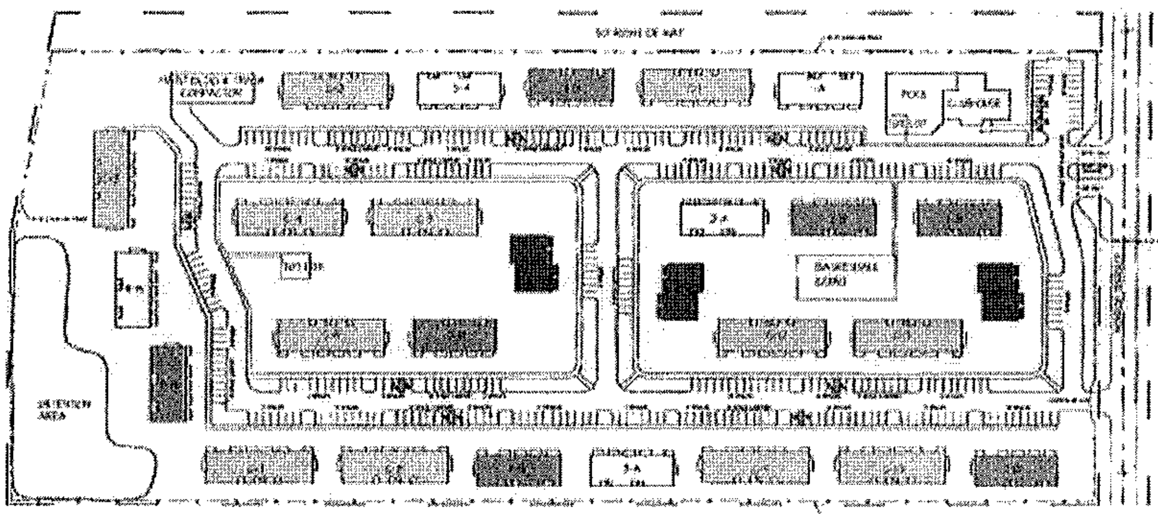
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant contact, Developer, General Contractor, property manager, and supportive services provider are related entities.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D							Total Buildings
Floors/Stories	2	2	2	2							
Number	5	7	12	3							**27**

BR/BA	SF	Units										Total Units	Total SF
1/1	693	1	1									12	8,316
1/1	840	1	1									12	10,080
2/1 & 2/2	1,007			2								24	24,168
2/2	1,134			2								24	27,216
2/2 & 2/2.5	1,178	2	2	2								48	56,544
3/2	1,308	2	2	2	4							60	78,480
Units per Building		6	6	8	4							**180**	**204,804**

The property is currently improved with a 180-unit, 100% Public Housing development constructed in the 1950's. The Applicant indicates that the current property, Carver Terrace sustained damages from the Hurricane back in 2005, and is a contributing factor in the need for reconstruction. The Applicant has proposed demolition of the existing structures and construction of 27 new residential buildings each with four two story townhome units and two to four conventional garden style residential buildings. The proposed reconstructed development will be built on a new approximately 18.95-acre tract of land several miles from the existing site.

Seventy-two of the 180 proposed units will be public housing units (PHUs) receiving an operating subsidy. According to the Applicant, "Pursuant to a Memorandum of Understanding dated July 26, 2007, between ITEX Developers, LLC ("ITEX") and the Housing Authority of the City of Port Arthur ("HACPA"), HACPA can increase the number of public housing units in the Project to the extent financially feasible..." Furthermore, the Applicant has indicated that the "...PHU's will benefit from an Operating Subsidy Agreement from HACPA...In connection with the operation of Carver Terrace Townhomes, HACPA will retain the right and responsibility to provide the Operating Subsidy received under that certain Consolidated Annual Contributions Contract between [HUD] and HACPA...to assist in the operation of the PHU's. The ACC shall be amended to incorporate the PHU's by a Mixed-Finance Amendment to Consolidated [ACC] to be entered into by and between HACPA and HUD..."

Relocation Plan:

Residents may be transported to the new site so that they can assess the benefits of relocating to the new development. Once there, income restriction requirements will be discussed with tenants and those who do not qualify will have the opportunity to be counseled by housing authority representatives concerning alternative public housing locations or non-public housing options.

SITE ISSUES

Total Size:	18.95 acres	Scattered site?	[ ] Yes	[X] No	
Flood Zone:	Zone X	Within 100-yr floodplain?	[ ] Yes	[X] No	
Zoning:	Light Commercial	Needs to be re-zoned?	[ ] Yes	[ ] No	[X] N/A

TDHCA SITE INSPECTION

Inspector: TDHCA Staff Date: 8/29/2007

Overall Assessment:

[ ] Excellent [x] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: Wal-Mart and Retail

South: Office/ Warehouse and freeway

East: Retail

West: Church

Comments:

Near new retail and business activity

HIGHLIGHTS of ENVIRONMENTAL REPORTS

The NOFA guidelines exclude the requirement that the Applicant provide an environmental site assessment at application. This exclusion however puts the Department at risk of approving and funding a development without sufficient information to insure that the Applicant is aware of and will properly handle issues. There is some inherent risk that the developer will have cost overruns because of unknown environmental factors at the time of application however the overall risk of funding an environmentally distressed property will be addressed as part of the environmental review required prior to the release of any funds.

MARKET HIGHLIGHTS

The NOFA guidelines exclude the requirement that the Applicant provide a market study for the subject development based upon the proposed 30% and 80% rents. The absence of having a market study causes some inherent risks to the Department in not being able to ascertain the market demand for the proposed units. In this instance, the units will be replacement units with public housing and therefore this risk is somewhat mitigated.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 8/30/2007

Seventy-two of the 80% CDBG units will be public housing units and will receive an operating subsidy. The Applicant has indicated that, " A portion of the funds allocated to HACPA under the ACC shall be provided to the Project Owner to defray the difference between the property income for the PHUs and the property expenses for the PHs. The operating subsidy shall not exceed an amount equal to the estimated property expenses for the PHUs for the applicable Property Fiscal Year, less the estimated property income for the PHUs for such period...Calculation and payment of the Operating Subsidy shall be determined in accordance with a regulatory and operating Agreement...to be negotiated between HACPA and Project Owner."

The Applicant provided a blank Regulatory and Operating Agreement form to substantiate the operating subsidy anticipated. In addition, receipt of the Operating Subsidy is conditioned upon the Project Owner's acceptance and execution of the R&O Agreement and in accordance with the Mixed-Finance Amendment. The underwriting rent collected for the public housing units are set at $100 with the difference needed to support these units' prorata share of operating expenses reflected as a lump sum PHU Operating Subsidy. Tenants in the PHUs will be required to pay only 30% of their monthly income towards rent. It is not possible to accurately project actual rent to be paid by the tenant as this figure will fluctuate from household to household. Based on past experience with public housing units (PHUs), both the Applicant and the Underwriter has assumed the that no debt can be serviced by the PHUs.

Receipt, review, and acceptance, by carryover, of a HUD-approved application for demolition or disposition and documentation of a Development Based Operating Subsidy Agreement from the Housing Authority are conditions of this report.

For the non-PHU CDBG units, the Underwriter utilized projected rents calculated by subtracting tenant-paid utility allowances as of April 1, 2007, maintained by the Port Arthur Housing Authority, from the 2007 program gross rent limits. Tenants will be required to pay electric utility costs only.

In addition, the Underwriter has used the minimum standard for other secondary income of $5 per unit and has assumed the standard vacancy and collection loss. The Applicant estimated no secondary income but used the standard vacancy and collection loss assumption of 7.5%. However, as indicated above, the Underwriter anticipates that the PHUs will operate at an occupancy level of 100%. Therefore, the Underwriter's estimate of Vacancy and Collection Loss has been changed to reflect a standard rate of 7.5% of potential gross income only for the units that will not operate as PHUs and 0% for the PHUs. This change results in a total vacancy and collection loss rate of 5.45% of the development's potential gross income. In addition, the Underwriter's assumptions include an additional monthly operating subsidy which allows these units to cover only operating expenses. This calculation is in accordance with methodology used by other Texas Housing Authorities proposing mixed public housing and tax credit units. Despite these differences, effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 3 Date of Last Applicant Revision: 8/30/2007

The Applicant's total annual operating expense projection at $3,530 per unit is not within 5% of the Underwriter's estimate of $3,255, derived from the TDHCA database, and third-party data sources. The Applicant's *revised* budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: General & Administrative ($28K lower), Payroll and Payroll Tax ($21K lower), Repairs & Maintenance ($75K higher), and *Property Insurance ($22K higher)*.

Furthermore, the Underwriter is assuming the 100% property tax exemption proposed by the Applicant, which will be achieved through a long-term lease of the property by the Applicant from the Beaumont Housing Authority.

Conclusion:

The Applicant's operating expenses, and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.24, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the ***Underwriter's*** base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. It should also be noted that the Applicant's proforma reflect an expense to income ratio well above the 65% maximum guideline in 10TAC §1.32(i)(4); however the rule allows for mitigation of this concern in the form of an ongoing operating subsidy. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	14.4 acres	$242,620	Tax Year:	2006
Existing Buildings:		$0	Valuation by:	Jefferson CAD
Total Assessed Value:		$242,620	Tax Rate:	2.973579

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Commercial Property Acreage: 18.95

Contract Expiration: 11/30/2007 Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $1,890,300 Other:

Seller: Jacob & Pete M.H. Doornbos, Family LP Related to Development Team? [ ] Yes [x] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 8/30/2007

Acquisition Value:

The current 180-unit site is owned and operated by the Housing Authority of the City of Port Arthur. The Applicant will acquire the proposed new site for $1,890,300, or $99,752 per acre. This cost is assumed to be reasonable as the purchase is an arm's length transaction.

Sitework Cost:

The Applicant claimed sitework costs over the Department's maximum guideline of $9,000 per unit and provided sufficient third party certification through a detailed certified cost estimate by a third party architect to justify these costs.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $652K or 6% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 8/30/2007

Source: Prudential Type: **Interim to Permanent Financing**

Principal: $3,730,000 Interest Rate: 6.35% ☐ Fixed Amort: ____ months

Comments:

The interim loan will be for up to 2 years with interest only payments.

Source: CDBG Disaster Recovery Permanent Loan Type: **Deferred Forgivable at the end of the term**

Principal: $16,705,260 Conditions: ____

Comments:

No payments of principal or interest as long as the property continues to satisfy the affordability restrictions.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of $3,730,000 and the CBDG-Disaster Funds of $16,705,262 indicates that no additional funds will be needed.

Underwriter:	____ *Diamond Unique Thompson*	Date:	September 6, 2007
Director of Real Estate Analysis:	____ *Tom Gouris*	Date:	September 6, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Carver Terrace Townhomes, Port Arthur, CDBG Disaster #07908

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
CDBG 30%		9	1	1	693	$285	$236	$2,124	$0.34	$49.00	$36.64
CDBG 80%		3	1	1	693	$569	447	1,341	0.65	49.00	36.64
CDBG 80%	PHU	12	1	1	840	$569	100	1,200	0.12	49.00	36.64
CDBG 80%	PHU	8	2	1	1,007	$682	100	800	0.10	59.00	45.21
CDBG 80%		16	2	2	1,007	$682	534	8,544	0.53	59.00	45.21
CDBG 80%	PHU	8	2	2	1,134	$682	100	800	0.09	59.00	45.21
CDBG 80%		16	2	2	1,134	$682	534	8,544	0.47	59.00	45.21
CDBG 80%	PHU	20	2	2	1,178	$682	100	2,000	0.08	59.00	45.21
CDBG 80%		28	2	2.5	1,178	$682	534	14,952	0.45	59.00	45.21
CDBG 80%	PHU	24	3	2.5	1,308	$789	100	2,400	0.08	69.50	49.36
CDBG 80%		36	3	2.5	1,308	$789	666	23,958	0.51	69.50	49.36
TOTAL:		180		AVERAGE:	1,138		$370	$66,663	$0.33	$61.17	$45.45

INCOME	Total Net Rentable Sq Ft: 204,804				TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					$799,956	$1,008,252	Jefferson		5
Secondary Income		Per Unit Per Month:	$5.00		10,800		$0.00	Per Unit Per Month	
Other Support Income: PHU Subsidy					147,958		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$958,714	$1,008,252			
Vacancy & Collection Loss		% of Potential Gross Income:	-5.58%		(53,517)	(75,624)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0				
EFFECTIVE GROSS INCOME					$905,197	$932,628			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		7.42%	$373	0.33	$67,138	$39,100	$0.19	$217	4.19%
Management		3.88%	195	0.17	35,138	47,000	0.23	261	5.04%
Payroll & Payroll Tax		18.46%	928	0.82	167,114	146,000	0.71	811	15.65%
Repairs & Maintenance		10.48%	527	0.46	94,830	169,600	0.83	942	18.19%
Utilities		3.65%	184	0.16	33,030	42,000	0.21	233	4.50%
Water, Sewer, & Trash		8.73%	439	0.39	79,055	59,700	0.29	332	6.40%
Property Insurance		5.48%	275	0.24	49,589	72,000	0.35	400	7.72%
Property Tax	2.973579	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		5.97%	300	0.26	54,000	54,000	0.26	300	5.79%
TDHCA Compliance Fees		0.00%	0	0.00			0.00	0	0.00%
Other: Supportive Services		0.66%	33	0.03	6,000	6,000	0.03	33	0.64%
TOTAL EXPENSES		64.73%	$3,255	$2.86	$585,894	$635,400	$3.10	$3,530	68.13%
NET OPERATING INC		35.27%	$1,774	$1.56	$319,303	$297,228	$1.45	$1,651	31.87%
DEBT SERVICE									
First Lien Mortgage		28.42%	$1,429	$1.26	$257,282	$256,000	$1.25	$1,422	27.45%
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		6.85%	$345	$0.30	$62,021	$41,228	$0.20	$229	4.42%
AGGREGATE DEBT COVERAGE RATIO					1.24	1.16			
RECOMMENDED DEBT COVERAGE RATIO					1.24				

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)		9.19%	$10,807	$9.50	$1,945,300	$1,945,300	$9.50	$10,807	9.52%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		10.39%	12,222	10.74	2,200,000	2,200,000	10.74	12,222	10.77%
Direct Construction		49.75%	58,508	51.42	10,531,443	9,775,000	47.73	54,306	47.83%
Contingency	4.69%	2.82%	3,320	2.92	597,553	597,553	2.92	3,320	2.92%
Contractor's Fees	13.14%	7.90%	9,294	8.17	1,672,909	1,672,909	8.17	9,294	8.19%
Indirect Construction		5.47%	6,431	5.65	1,157,500	1,157,500	5.65	6,431	5.66%
Ineligible Costs		0.37%	434	0.38	78,145	78,145	0.38	434	0.38%
Developer's Fees	11.92%	9.45%	11,111	9.77	2,000,000	2,000,000	9.77	11,111	9.79%
Interim Financing		2.90%	3,410	3.00	613,855	613,855	3.00	3,410	3.00%
Reserves		1.77%	2,078	1.83	374,020	395,000	1.93	2,194	1.93%
TOTAL COST		100.00%	$117,615	$103.37	$21,170,724	$20,435,262	$99.78	$113,529	100.00%
Construction Cost Recap		*70.86%*	*$83,344*	*$73.25*	*$15,001,905*	*$14,245,462*	*$69.56*	*$79,141*	*69.71%*

SOURCES OF FUNDS

	%	Per Unit	Per SF	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	17.62%	$20,722	$18.21	$3,730,000	$3,730,000	$3,730,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0			$2,000,000
HTC Syndication Proceeds	78.91%	$92,807	$81.57	16,705,260	16,705,260	16,705,262	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0			0%
Additional (Excess) Funds Req'd	3.47%	$4,086	$3.59	735,464	2	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$21,170,724	$20,435,262	$20,435,262	$1,557,008

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Carver Terrace Townhomes, Port Arthur, CDBG Disaster #07908

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$53.77	$11,011,634
Adjustments				
Exterior Wall Finish	8.00%		$4.30	$880,931
Elderly			0.00	0
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.24)	(252,933)
Floor Cover			2.43	497,674
Porches/Balconies	$31.31	34,231	5.23	1,071,588
Plumbing Fixtures	$805	472	1.86	379,960
Rough-ins	$400	0	0.00	0
Built-In Appliances	$1,850	180	1.63	333,000
Exterior Stairs	$1,800	36	0.32	64,800
Interior Stairs	$1,089	108	0.57	117,612
Heating/Cooling			1.90	389,128
Carports	$9.75	15,120	0.72	147,420
Comm &/or Aux Bldgs	$65.36	4,014	1.28	262,365
Other: fire sprinkler	$1.95		0.00	0
SUBTOTAL			72.77	14,903,178
Current Cost Multiplier	0.98		(1.46)	(298,064)
Local Multiplier	0.89		(8.00)	(1,639,350)
TOTAL DIRECT CONSTRUCTION COSTS			$63.31	$12,965,765
Plans, specs, survy, bld prmts	3.90%		($2.47)	($505,665)
Interim Construction Interest	3.38%		(2.14)	(437,595)
Contractor's OH & Profit	11.50%		(7.28)	(1,491,063)
NET DIRECT CONSTRUCTION COSTS			$51.42	$10,531,443

PAYMENT COMPUTATION

Primary	$3,730,000	Amort	480
Int Rate	6.35%	DCR	1.24

Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.24

Additional	$16,705,260	Amort	
Int Rate	0.00%	Aggregate DCR	1.24

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$257,282
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$62,021

Primary	$3,730,000	Amort	480
Int Rate	6.35%	DCR	1.24

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.24

Additional	$16,705,260	Amort	0
Int Rate	0.00%	Aggregate DCR	1.24

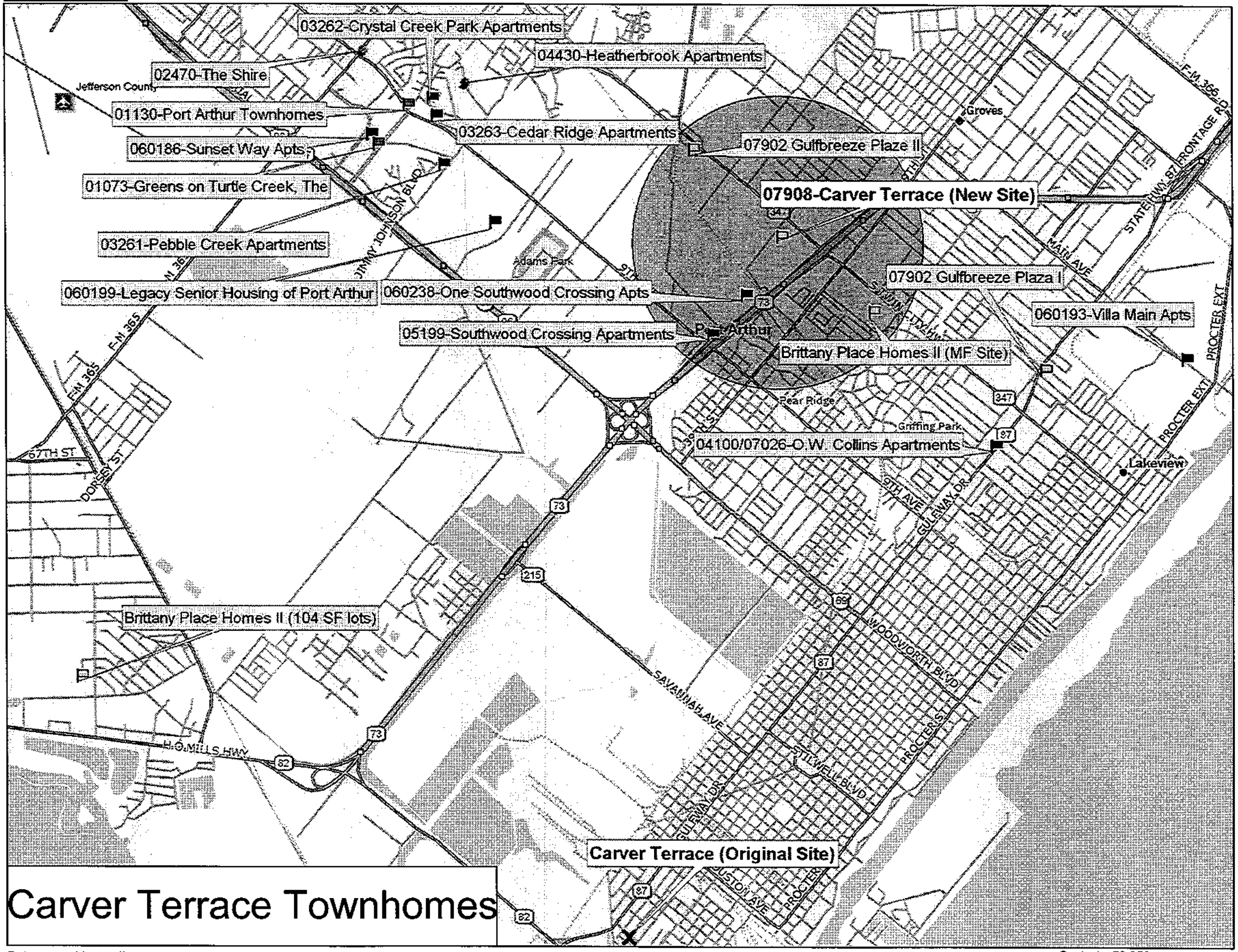
221 (d)(3) Limit	1-Bedroom	2-Bedroom	3-Bedroom
	$109,142	$132,718	$171,692
$25,661,856	24	96	60

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	$799,956	$823,955	$848,673	$874,134	$900,358	$1,043,761	$1,210,005	$1,402,728	$1,885,149
Secondary Income	10,800	11,124	11,458	11,801	12,155	14,092	16,336	18,938	25,451
Other Support Income: PHU Subsidy	147,958	154,632	161,597	168,863	176,443	219,553	274,812	338,444	519,050
POTENTIAL GROSS INCOME	958,714	989,711	1,021,728	1,054,798	1,088,956	1,277,406	1,501,153	1,760,110	2,429,650
Vacancy & Collection Loss	(53,517)	(55,247)	(57,034)	(58,880)	(60,787)	(71,306)	(83,796)	(98,252)	(135,626)
Employee or Other Non-Rental Units or Concess	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$905,197	$934,464	$964,694	$995,918	$1,028,169	$1,206,099	$1,417,357	$1,661,858	$2,294,023
EXPENSES at 4.00%									
General & Administrative	$67,138	$69,824	$72,617	$75,522	$78,542	$95,559	$116,262	$141,451	$209,381
Management	35,138	36,274	37,447	38,659	39,911	46,818	55,018	64,509	89,048
Payroll & Payroll Tax	167,114	173,799	180,751	187,981	195,500	237,856	289,388	352,084	521,171
Repairs & Maintenance	94,830	98,623	102,568	106,671	110,938	134,973	164,215	199,793	295,742
Utilities	33,030	34,351	35,725	37,154	38,640	47,012	57,197	69,589	103,009
Water, Sewer & Trash	79,055	82,217	85,506	88,926	92,483	112,520	136,898	166,557	246,545
Insurance	49,589	51,573	53,636	55,781	58,012	70,581	85,872	104,477	154,651
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	54,000	56,160	58,406	60,743	63,172	76,859	93,511	113,770	168,407
Other	6,000	6,240	6,490	6,749	7,019	8,540	10,390	12,641	18,712
TOTAL EXPENSES	$585,894	$609,061	$633,146	$658,186	$684,219	$830,716	$1,008,751	$1,224,871	$1,806,667
NET OPERATING INCOME	$319,303	$325,403	$331,548	$337,732	$343,951	$375,383	$408,606	$436,987	$487,357
DEBT SERVICE									
First Lien Financing	$257,282	$257,282	$257,282	$257,282	$257,282	$257,282	$257,282	$257,282	$257,282
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	$62,021	$68,121	$74,266	$80,450	$86,668	$118,101	$151,324	$179,705	$230,074
DEBT COVERAGE RATIO	1.24	1.26	1.29	1.31	1.34	1.46	1.59	1.70	1.89

DeLORME

Street Atlas USA® 2007 Plus



Data use subject to license.

www.delorme.com

Scale 1 : 56,250

1" = 4,687.5 ft

Data Zoom 11-7

Applicant Evaluation

Project ID # **07908** Name: **Carver Terrace Townhomes** City: **Port Arthur**

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

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

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

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

Portfolio Management and Compliance

Total # of Projects monitored: 3

Projects grouped by score: zero to nine: 3; ten to nineteen: 0; twenty to twenty-nine: 0

Projects in Material Noncompliance: Yes ☐ No ☑

monitored with a score less than thirty: 3

not yet monitored or pending review: 5

in noncompliance: 0

Projects not reported in application: Yes ☐ No ☑

# of projects not reported 0

Portfolio Monitoring		Single Audit		Portfolio Analysis	
Not applicable	☑	Not applicable	☑	Not applicable	☑
Review pending	☐	Review pending	☐	No unresolved issues	☐
No unresolved issues	☐	No unresolved issues	☐	Not current on set-ups	☐
Unresolved issues found	☐	Issues found regarding late cert	☐	Not current on draws	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐	Issues found regarding late audit	☐	Not current on match	☐
		Unresolved issues found that warrant disqualification (Comments attached)	☐		

Reviewed by Patricia Murphy Date 8/10/2007

Multifamily Finance Production		HOME		Real Estate Analysis (Workout)	
Not applicable	☐	Not applicable	☑	Not applicable	☐
Review pending	☐	Review pending	☐	Review pending	☐
No unresolved issues	☑	No unresolved issues	☐	No unresolved issues	☑
Unresolved issues found	☐	Unresolved issues found	☐	Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐
Reviewer	Shannon Roth	Reviewer	Veronica Chapa	Reviewer	D. Burrell
Date	8 /10/2007	Date	8 /10/2007	Date	8 /10/2007

Community Affairs		Office of Colonia Initiatives		Financial Administration	
No relationship	☑	Not applicable	☑	No delinquencies found	☑
Review pending	☐	Review pending	☐	Delinquencies found	☐
No unresolved issues	☐	No unresolved issues	☐		
Unresolved issues found	☐	Unresolved issues found	☐		
Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐		
Reviewer	EEF	Reviewer	Maria Cazares	Reviewer	Melissa M. Whitehead
Date	8 /10/2007	Date	8 /13/2007	Date	8 /9 /2007

Letters of Support

07908 – Carver Terrace

07908

State of Texas
House of Representatives

Capitol Office:
P.O. Box 2910
Austin, TX 78768-2910
(512) 463-0706
Fax (512) 480-0744

Allan B. Ritter

District 21

District Office:
P.O. Box 1265
Nederland, TX 77627
(409) 729-3228
Fax (409) 729-3241

TDHCA
221 E. 11th Street
Austin, Texas 78701-2401
Attn: Jennifer Joyce
CDBG Disaster Recovery

RE: Carver Terrace Townhomes
Port Arthur, Texas

Dear Ms. Joyce:

I wish to express support for the CDBG Disaster Recovery Multifamily Rental Funding Application submitted to the TDHCA and proposing the redevelopment of Carver Terrace Townhomes.

When Hurricane Rita struck East Texas nearly two years ago, thousands of Texans were affected, and many of them have still not recovered their pre-Rita standard of living. We applaud the TDHCA's CDBG Disaster Recovery Program and its efforts to assist the residents of East Texas in their prolonged recovery from this disaster. CDBG Funding directed specifically to the areas hardest hit by Rita will be a major help in achieving the goal of returning decent, safe and affordable housing stock to the market.

Carver Terrace Townhomes is a particularly worthwhile project for redevelopment. Its 180 residential units have substandard conditions, and many units have been determined to be uninhabitable. We respectfully request the TDHCA's favorable consideration for a CDBG loan to this project.

Sincerely,

Allan B Ritter

Allan B. Ritter

Received

AUG - 1 2007

STATE of TEXAS
HOUSE of REPRESENTATIVES

JOE DESHOTEL
STATE REPRESENTATIVE
District 22

CAPITOL OFFICE:
P.O. BOX 2910
AUSTIN, TX 78768-2910
(512) 463-0662
FAX: (512) 463-8381
joe.deshotel@house.state.tx.us

DISTRICT OFFICE:
ONE PLAZA SQUARE, SUITE 203
PORT ARTHUR, TX 77642
(409) 724-0788

July 30, 2007

TDHCA
221 E. 11th Street
Austin, Texas 78701-2401
Attn: Jennifer Joyce
CDBG Disaster Recovery

RE: Carver Terrace Townhomes
Port Arthur, Texas

Dear Ms. Joyce:

I wish to express support for the CDBG Disaster Recovery Multifamily Rental Funding Application submitted to the TDHCA and proposing the redevelopment of Carver Terrace Townhomes.

When Hurricane Rita struck East Texas nearly two years ago, thousands of Texans were affected, and many of them have still not recovered their pre-Rita standard of living. I applaud the TDHCA's CDBG Disaster Recovery Program and its efforts to assist the residents of East Texas in their prolonged recovery from this disaster. CDBG Funding directed specifically to the areas hardest hit by Rita will be a major help in achieving the goal of returning decent, safe and affordable housing stock to the market.

Carver Terrace Townhomes is a particularly worthwhile project for redevelopment. Its 180 residential units have substandard conditions, and many units have been determined to be uninhabitable. I strongly urge the TDHCA to award a CDBG loan to this project.

Sincerely,

Joseph D Deshotel

Joseph D. Deshotel
State Representative
22nd Legislative District

COMMITTEES

Economic Development	Redistricting	Transportation
Chairman	Member	Member

U1408

DELORIS "BOBBIE" PRINCE, MAYOR
MICHAEL "SHANE" SINEGAL, MAYOR PRO-TEM

COUNCIL MEMBERS:
JACK CHATMAN, JR.
CAL JONES
THOMAS J. HENDERSON
MARTIN FLOOD
JOHN BEARD, JR.
ROBERT E. WILLIAMSON

City of Port Arthur Texas

STEPHEN FITZGIBBONS
CITY MANAGER

EVANGELINE "VAN" GREEN
CITY SECRETARY

MARK T. SOKOLOW
CITY ATTORNEY

July 30, 2007

TDHCA
221 E. 11th Street
Austin, Texas 78701-2401

Attn: Jennifer Joyce
CDBG Disaster Recovery

RE: Carver Terrace Townhomes
Port Arthur, Texas

Dear Ms. Joyce:

I wish to express support for the CDBG Disaster Recovery Multifamily Rental Funding Application Submitted to the TDHCA and proposing the redevelopment of Carver Terrace and Carver Square Apartments as Carver Terrace Townhomes.

When Hurricane Rita struck East Texas nearly two years ago, thousands of Texans were affected, and many of them have still not recovered their pre-Rita standard of living. We applaud the TDHCA's CDBG Disaster Recovery Program and its efforts to assist the residents of East Texas in their prolonged recovery from this disaster. CDBG Funding directed specifically to the areas hardest hit by Rita will be a major help in achieving the goal of returning decent, safe and affordable housing stock to the market.

Carver Terrance Townhomes is a particularly worthwhile project for redevelopment. Its 180 residential units have substandard conditions, and may units have been determined to be uninhabitable. We strongly urge the TDHCA to award a CDBG loan to this project.

Sincerely,

Deloris Prince

Deloris "Bobbie" Prince
Mayor

DP/smb

P.O. BOX 1089 • PORT ARTHUR, TEXAS 77641-1089 • 409/983-8115 • FAX 409/983-8291

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
September 13, 2007

Action Item

Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG Disaster Recovery housing contracts administered by TDHCA for CDBG Round 1 Funding.

Requested Action

Approve or deny the request for an amendment related to South East Texas Regional Planning Commission's housing contract under the CDBG Disaster Recovery Program

Background

The U. S. Department of Housing and Urban Development approved the State of Texas Action Plan (Action Plan) related to the *CDBG Disaster Recovery Funds to Areas Most Impacted & Distressed by Hurricane Rita* specifically states that contract amendments that vary more than 5% must be approved by the TDHCA Board.

South East Texas Regional Planning Commission (SETRPC) Contract Number C060003

Summary of Request
SETRPC is requesting Amendment #2 to transfer $5,000,000 from SETRPC's emergency repair budget category to SETRPC's reconstruction budget category; $1,500,000 from the city of Beaumont's emergency repair budget category and $1,000,000 from the city's single family rental budget category to the city's reconstruction budget category and $1,245,000 from the city of Beaumont's emergency repair category to the city's rehabilitation category; and $2,025,000 from the city of Port Arthur's emergency repair budget category to the city's reconstruction budget category and $1,465,000 from the city of Port Arthur's emergency repair category to the city's rehabilitation category. These changes are requested because more than one and a half years have passed since the date of the storm and during that time the emergency repair needs of the region have been substantially met by other funding sources available in the region, particularly through faith-based organizations. In addition, due to the length of time that has passed since the storm, further deterioration to hurricane damaged homes has occurred, resulting in a greater need for reconstructed units in SETRPC. Each of these requests can be substantiated by the types of requests for assistance submitted by the applicants throughout the three-county region. The number of proposed beneficiaries will be reduced from 2,226 to 830 or a reduction in beneficiaries of 1,396.

Current Budget

	SETRPC	Port Arthur	Beaumont	TOTAL
Emergency Repair	$4,750,000	$3,490,000	$2,745,000	**$10,985,000**
Rehabilitation	$4,075,500	$560,000	$1,155,000	**$5,790,500**
Reconstruction	$3,918,750	$0	$0	**$3,918,750**
Rental Rehabilitation	$0	$0	$1,000,000	**$ 1,000,000**
Demolition	$365,750	$1,250,000	$0	**$1,615,750**
Planning/Project Delivery	$2,038,241	$265,000	$245,000	**$2,548,241**
General Administration	$640,295	$0	$0	**$640,295**
TOTAL	**$15,788,536**	**$5,565,000**	**$5,145,000**	**$26,498,536**

SETRPC

Proposed Budget

	Amended	Requested	$ Change	% Change
Emergency Repair	$4,750,000	$0	($4,750,000)	(100)%
Rehabilitation	$4,075,500	$4,075,500	$0	0.0%
Reconstruction	$3,918,750	$8,668,750	$4,750,000	55%
Demolition	$365,750	$365,750	$0	0.0%
Planning/Project Delivery	$2,038,241	$2,038,241	$0	0.0%
General Administration	$640,295	$640,295	$0	0.0%

Proposed Project Deliverables

	Maximum/ Activity	Original Beneficiaries	Requested Beneficiaries	Change	% Change
Emergency Repair	$25,000	360	0	(360)	(100.0%)
Rehabilitation	$65,000	165	165	0	0.0%
Reconstruction	$135,000	70	180	110	61.1%
Demolition	$5,000	193	193	0	0.0%
Total		**788**	**538**	**(250)**	

City of Beaumont

Proposed Budget

	Original	Requested	$ Change	% Change
Emergency Repair	$2,745,000	$0	($2,745,000)	(100.0%)
Rehabilitation	$1,155,000	$2,400,000	$1,245,000	52.0%
Reconstruction	$0	$2,500,000	$2,500,000	100.0%
Rental Rehabilitation	$1,000,000	$0	($1,000,000)	(100.0%)
Planning/Project Delivery	$245,000	$245,000	$0	0.0%

Proposed Project Deliverables

	Maximum/ Activity	Original Beneficiaries	Requested Beneficiaries	Change	% Change
Emergency Repair	$25,000	296	0	(296)	(100.0%)
Rehabilitation	$65,000	45	92	47	51.%
Rental Rehabilitation	$0	140	0	(140)	(100.0%)
Reconstruction	$135,000	0	52	52	100.0%
Total		**481**	**144**	**(337)**	

City of Port Arthur

Proposed Budget

	Original	Requested	$ Change	% Change
Emergency Repair	$3,490,000	$0	($3,490,000)	(100.0%)
Rehabilitation	$560,000	$2,025,000	$1,465,000	72.35%
Reconstruction	$0	$2,025,000	$2,025,000	100.0%
Planning/Project Delivery	$245,000	$265,000	$0	0.0%

Proposed Project Deliverables

	Maximum/ Activity	Original Beneficiaries	Requested Beneficiaries	Change	% Change
Emergency Repair	$25,000	893	0	(893)	(100.0%)
Rehabilitation	$65,000	64	100	36	36.0%
Reconstruction	$135,000	0	48	48	100.0%
Total		**957**	**148**	**(809)**	

Requested Action

Approve or deny the request to move $5,000,000 from SETRPC's emergency repair budget category to SETRPC's reconstruction budget category; $1,500,000 from the city of Beaumont's emergency repair budget category and $1,000,000 from the city's single family rental budget category to the city's reconstruction budget category and $1,245,000 from the city of Beaumont's emergency repair category to the city's rehabilitation category; and $2,025,000 from the city of Port Arthur's emergency repair budget category to the city's reconstruction budget category and $1,465,000 from the city of Port Arthur's emergency repair category to the city's rehabilitation category. The required beneficiaries to be assisted will also be reduced by 1,396 accordingly.

OFFICE OF RURAL COMMUNITY AFFAIRS

BOARD ACTION REQUEST
September 13, 2007

Action Item

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

Requested Action

Approve the request for amendments related to the use of non-housing funds under the State of Texas Action Plan (Action Plan) for *Community Development Block Grant (CDBG) Disaster Recovery Funds to Areas Most Impacted and Distressed by Hurricane Rita*.

Background

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

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

City of Pine Forest DRS060040

Summary of Request
The City of Pine Forest is requesting approval of a transfer in funding categories to move $20,000 from the debris line item and $15,000 from the shelter line item to move the total $35,000 in to the street improvements line item.

On August 30, 2006 the TDHCA Governing Board approved a $100,000 award for street improvements, debris, and sheltering activities. Since the award, the Orange County Drainage District has agreed to provide the requested drainage improvements. This agreement has freed up $35,000 from the City's award that it has determined will be best used completing additional repairs to streets though out the City that were damaged during Hurricane Rita. The City has also since decided against sheltering in the proposed location. There will be no change in the number of beneficiaries.

Activity	Current Budget	Change (+/-)		Revised Budget
Street Improvements	$ 52,500.00	+	$ 35,000.00	$ 87,500.00
Flood and Drainage Debris Removal	$ 20,000.00	-	$ 20,000.00	$ -
Shelter	$ 15,000.00	-	$ 15,000.00	$ -
Engineering	$ 7,500.00		$ -	$ 7,500.00
Planning / Project Delivery	$ 5,000.00		$ -	$ 5,000.00
	$ 100,000.00			$ 100,000.00

Requested Action
ORCA recommends approval of a transfer in funding categories to move $20,000 from the debris line item and $15,000 from the shelter line item and move the total $35,000 into the street improvements line item.

<u>City of Groveton DRS060030</u>

Summary of Request
The City of Groveton is requesting approval of a transfer in funding categories to move $24,871 from the water facilities line item in to the sewer facilities line item.

On August 30, 2006 the TDHCA Governing Board approved a $28,314 award for repairs to ruptured water lines and damage to a city lift station. As the City has progressed with its projects FEMA match is no longer required for match on the ruptured water lines. The City is requesting to move the funds originally allocated for these purposes to acquire an emergency generator for the City's existing lift station located at the Kickapoo Sewer Treatment Plant. There will be no change in the number of beneficiaries.

Activity	Current Budget	Change (+/-)	Revised Budget

Water Facilities	$ 24,871.00	-	$ 24,871.00	$ -
Sewer Facilities	$ 869.00	+	$ 24,871.00	$ 25,740.00
Planning / Project Delivery	$ 2,574.00		$ -	$ 2,574.00
	$ 28,314.00			$ 28,314.00

Requested Action
ORCA recommends approval of a transfer in funding categories to move $24,871 from the water line item in to the sewer line item.

City of Pinehurst DRS060068

Summary of Request
The City of Pinehurst is requesting approval of a transfer in funding categories to move $7,170 from the street line item and $24,000 from the debris line item to move $29,170 into the water facilities line item and $2,000 in to the sewer facilities line item.

On August 30, 2006 the TDHCA Governing Board approved a $200,000 award for 2 generators at the City water wells, a generator at a lift station, debris removal, street repair, and repairs to 2 fire trucks. Approving the requested amendment will allow the City to acquire one larger generator to power both of the City water wells that are located on the same site and buy a generator for the lift station. Match for the drainage activity is no longer necessary and the City's Public Works Department has completed the debris removal. There will be no change in the number of beneficiaries.

Activity	Current Budget	Change (+/-)	Revised Budget

Water Facilities	$ 94,330.00	+	$ 29,170.00	$ 123,500.00
Sewer Facilities	$ 33,000.00	+	$ 2,000.00	$ 35,000.00
Street Improvements	$ 24,250.00	-	$ 7,170.00	$ 17,080.00
Flood and Drainage Debris Removal	$ 24,000.00	-	$ 24,000.00	$ -
Fire Protection	$ 8,000.00		$ -	$ 8,000.00
Engineering	$ 6,420.00		$ -	$ 6,420.00
Planning / Project Delivery	$ 10,000.00		$ -	$ 10,000.00
	$ 200,000.00			$ 200,000.00

Requested Action

ORCA recommends approval of a transfer in funding categories to move $7,170 from the street line item and $24,000 from the debris line item to move $29,170 into the water facilities line item and $2,000 in to the sewer facilities line item.

<u>City of Sour Lake DRS060083</u>

Summary of Request

The City of Sour Lake is requesting approval of a transfer in funding categories to move $81,032 from the debris line item to move $19,750 in to the water facilities line item, $38,371 in to the sewer facilities line item, $16,436 in to the drainage line item, and $6,475 in the engineering line item.

On August 30, 2006 the TDHCA Governing Board approved a $210,000 award for generators at a sewer treatment plant and a lift station, debris, and drainage activities. As the City has progressed with its projects FEMA match is no longer required for the debris activities. During Hurricane Rita the City Hall that housed the entire water and sewer operational offices for the City was damaged beyond repair and has had to be completely demolished and reconstructed. The City has begun the reconstruction of the facility from City funds but does not have all the funds necessary to complete the reconstruction of the ADA compliant parking in conjunction with this project. The City is requesting to move the funds originally allocated for debris be moved to pay for a pro rata portion (65%) of the parking associated with this reconstruction. There will be no change in the number of beneficiaries.

Activity	Current Budget	Change (+/-)		Revised Budget
Water Facilities	$ -	+	$ 19,750.00	$ 19,750.00
Sewer Facilities	$ 85,259.00	+	$ 38,371.00	$ 123,630.00
Flood and Drainage	$ 25,184.00	+	$ 16,436.00	$ 41,620.00
Debris	$ 81,032.00	-	$ 81,032.00	$ -
Engineering	$ 8,525.00	+	$ 6,475.00	$ 15,000.00
Planning / Project Delivery	$ 10,000.00		$ -	$ 10,000.00
	$ 210,000.00			$ 210,000.00

Requested Action
ORCA recommends approval of a transfer in funding categories to move $81,032 from the debris line item to move $19,750 in to the water line item, $38,371 in to the sewer line item, $16,436 in to the drainage line item, and $6,475 in the engineering line item

<u>City of Port Arthur DRS060072</u>

Summary of Request
The City of Port Arthur is requesting approval of a transfer in funding categories to move $102,846 from the water facilities line item, $29,069.53 from the street improvements line item, $33,155 from the fire protection line item, $114,942 from the specially authorized public facilities line item, and $100,000 from the interim assistance line item to move a total of $380,012.53 in to the debris line item.

On August 30, 2006 the TDHCA Governing Board approved a $1,500,000 award for street improvements, water facilities, fire protection, debris, specially authorized public facilities, and interim assistance. As the City has progressed with its projects, FEMA match is no longer required for water facilities, fire protection, and specially authorized public facilities. The City has completed all street repairs and has excess funds in this line item. The City is requesting to move the funds originally allocated for these purposes to the debris line item to increase the funding available for activities that were approved in the original award to the city. The city is proposing to use the reallocated funds for the reimbursement of debris removal and associated landfill disposal costs related to Hurricane Rita. The amount of debris from Hurricane Rita reduced the life expectancy of the city's landfill. There will be no change in the number of beneficiaries.

Activity	Current Budget	Change (+/-)		Revised Budget
Water Facilities	$ 102,846.00	-	$102,846.00	$ -
Street Improvements	$ 113,550.00	-	$ 29,069.53	$ 84,480.47
Flood and Drainage Debris Removal	$ 1,035,507.00	+	$380,012.53	$ 1,415,519.53
Fire Protection	$ 33,155.00	-	$ 33,155.00	$ -
Specially Authorized Public Facilities	$ 114,942.00	-	$114,942.00	$ -
Interim Assistance	$ 100,000.00	-	$100,000.00	$ -
	$ 1,500,000.00			$ 1,500,000.00

Requested Action

ORCA recommends approval of a transfer in funding categories to move $102,846 from the water facilities line item, $29,069.53 from the street improvements line item, $33,155 from the fire protection line item, $114,942 from the specially authorized public facilities line item, and $100,000 from the interim assistance line item to move a total of $380,012.53 in to the debris line item.

TEXAS HOMEOWNERSHIP DIVISION

BOARD ACTION REQUEST
SEPTEMBER 13, 2007

Action Items

Presentation, Discussion and Possible Approval of $100,000 in Housing Trust Fund (HTF) funds for a foreclosure prevention plan on delinquent mortgage loans from the Single Family Mortgage Revenue Bond portfolio.

Required Action

Approve or deny a foreclosure prevention plan option on delinquent mortgage loans from the Single Family Mortgage Revenue Bond portfolio utilizing $100,000 in HTF funds.

Background

Summary
At the May 2007 Board meeting, the Board directed staff to develop a foreclosure prevention plan utilizing $100,000 of HTF funds for mortgage loans from the TDHCA Single Family MRB portfolio. Since then, staff has met with the program's Master Servicer "Countrywide Home Loans, Inc." (Countrywide) to identify several options that would allow intervention to assist families. Regardless of the option selected, staff recommends the Board adopt specific distress criteria that would include: two years of successful loan history, change of life event such as medical or temporary financial hardship due to loss of job and high possibility for future success of payback.

Option 1 – Direct Assistance
Initially, the intent was to create a plan that would identify borrowers within the TDHCA loan portfolio that were in financial distress and apply the direct assistance in the form of payments to the borrower's mortgage loan account so their home would not continue towards foreclosure. In this scenario, the assistance would be provided to help those borrowers that are 90/120 days past due. Assistance would be limited to borrowers with prior favorable credit histories, those suffering temporary medical or financial hardship with a reasonable prospect of resuming full mortgage payments.

If TDHCA determines that the direct assistance funds should be secured by a lien on the property, it should be noted that the note given in exchange for the direct assistance funds may not be secured by the homestead since the direct assistance funds are not the type of funds that can support a lien under Texas homestead laws. Instead TDHCA could take back an unsecured note which would be due on sale or payoff of the first mortgage.

Additionally, as part of the direct assistance option, staff explored the possibility of utilizing Countrywide's early intervention strategies to help target borrowers that might be potential candidates for assistance. Their early intervention strategies use rather sophisticated models and vary based on loan type and other payment pattern variables. In general, they typically contact borrowers once they reach the late charge date (15th of month). Countrywide also inserts collection verbiage into the borrower's monthly statements the first month the borrower is late. If they are unable to reach the borrower via phone (due to a disconnected phone line, etc), they send a "no contact" letter to the borrower within the first month. By the end of the middle of the second month, the borrower also receives a breach letter and ultimately a loss mitigation letter. Countrywide recognizes that contact and open communication with borrowers is the most critical step in helping to prevent default. This approach is generally consistent with the intervention steps taken by the Department for its HOME funded loans. Although Countrywide uses early intervention strategies capable of identifying a broad range of borrowers in distress, it would be difficult to identify borrowers that meet TDHCA's specific distress criteria.

Portfolio Characteristics
As of July 31, 2007, the existing portfolio of 10,474 loans serviced by Countrywide includes the following number of borrowers delinquent on their mortgage payments:

30 Days Late:	875 borrowers
60 Days Late:	353 borrowers
90 Days Late:	133 borrowers
120 Days Late:	247 borrowers
Total	1,608 borrowers

Although the percentage of delinquent borrowers in the TDHCA portfolio (approximately 15%) has increased slightly from June to July, the delinquency rate is comparable to the FHA delinquency ratio.

For hypothetical reasons, if 20% of the 90/120 day delinquent borrowers meet specific distress criteria; based on a $1,000 average monthly mortgage payment, it would take approximately $280,000 in order to bring these borrowers current on their outstanding loan. If only one payment at $1,000 were used to assist the same borrowers, the $100,000 would help approximately 100 borrowers or a 6.2% save rate.

To summarize, Option 1 would allow for direct financial assistance to families that communicate and respond to early intervention strategies offered by the lender.

Option 2 – Third Party Counseling Service
A second option for consideration is the use of a HUD-approved third party consumer counseling service. By joining forces with this type of service provider, it could potentially create the opportunity for TDHCA to leverage the HTF with matching funds from other sources. Countrywide recommends that TDHCA consider leveraging its funds with those of other organizations committed to addressing foreclosure prevention. There is currently a national campaign, sponsored by Neighborworks, its lender partners, and the National Ad Council (888-995-HOPE) should a national counseling provider be desired. It was established to address the large foreclosure issues facing many borrowers across the country. In making this commitment, TDHCA would not only ensure counseling priority for its borrowers, but the partnership could potentially help borrowers all across the state of Texas.

The national ad campaign, launched recently, utilizes radio, television, print and electronic media to draw attention to the plight of borrowers experiencing foreclosure. Both state and national organizations are dedicated to helping consumers with their debt to avoid financial problems in the state of Texas. Should this option be adopted, TDHCA will follow all applicable State of Texas procurement requirements to secure a state or national counseling provider.

Based on Countrywide's experience, if early intervention occurs, a borrower's behavior can be more easily adjusted. For example, if borrowers who are 60-90 days late on their mortgage payments are counseled on how to get debt relief, there is an increased likelihood of them correcting their situation and staying on course long term. As borrowers get closer to 120 days late on their mortgage payments, they are further on the delinquency path and it's more likely these borrowers will face foreclosure.

Under Option 2, borrowers who are 60-90 days late will be sent a letter urging them to contact a toll-free hot line. Loss mitigation brochures listing alternative solutions to foreclosure will also be included with the letters. Where appropriate, outbound calling will be conducted to encourage borrowers to participate in the program. For tracking purposes, it is recommended a dedicated loan preservation hot-line be established exclusively for TDHCA borrowers regardless if a state or national service provider is used. This would also help to simplify outreach. Once contact is made, the counselor would prepare a Statement of Hardship and share it with Countrywide along with the borrower's bank statements and any necessary documents to help prepare a viable work-out structure for the borrower. The work-out options may include a forbearance, term changes, etc.

Estimated Counseling Save Rate
Based on Countrywide's experience, consumer credit counseling is ideal for those borrowers in the 60-90 day late range, primarily because many of the 30 day late borrowers cure on their own. As of July 31, 2007, there were 486 borrowers in the 60-90 day late range. Of these borrowers, about 20% can be estimated to respond to the letter (or 97 borrowers). Again, this estimation is based on Countrywide's historical experience. Of the 97 borrowers, it can be estimated that about 50% may enter into a counseling arrangement (or 48 borrowers). Of the remaining 48 borrowers, it can be estimated that about 50% (or 24 borrowers) will actually be brought back into payment compliance. This represents a 5% save rate which means 5% fewer borrowers' loans will go to foreclosure.

Approximately half of all borrowers who lose their home to foreclosure fail to contact their lender during the process. Many borrowers are reluctant to contact their lender because they fear that disclosing their circumstances may accelerate the foreclosure process. Others avoid their lender because they don't believe the lender can help. By offering the opportunity to talk to a HUD approved, not-for-profit housing counselor, borrowers are able to identify solutions to resolve their situation.

Counseling Cost
The typical cost for third party counseling is approximately $100 per borrower provided to the counseling organization. In the example above, if 48 borrowers entered into counseling, the cost to save the 50% (or 24 borrowers) would be $4,800. If the assistance was given directly to the borrower, based on an estimated monthly mortgage payment of $1,000, it would cost approximately $48,000 assuming the borrowers were two payments behind. Not only is the counseling a fraction of the cost to save the same number of borrowers, but more importantly, the borrowers will be more educated to achieve sustainable homeownership.

Cost
The overall cost to TDHCA is an estimated $100 per counseling session as well as $1.00 per mailing that is sent to each of the delinquent borrowers as well as any rescue funds recommended to salvage the borrower's loan. The $1.00 fee would cover the delivery cost as well as the print cost for the brochure. As the Servicer, Countrywide will incur any additional costs associated with the administration of the foreclosure prevention plan.

Tracking
Ideally, after several months from when the assistance is provided, Countrywide will monitor the payment status of TDHCA's borrowers to see if they stay on track. The third party counseling organization will work with Countrywide to provide reports that show a summary of the borrowers they were able to assist. Before the counseling agency is paid, they will provide Countrywide with a "Report of Counseling" that shows the loss mitigation financials, including the borrower's expenses, income, reasons for hardship, etc. Countrywide will provide TDHCA with a quarterly report that shows the updated status for each of the borrowers in the portfolio that were solicited for counseling. This report will show how many borrowers contacted the toll-free hot-line, how many were kept in their home (cure rate), the type of work out plan if necessary; and other statistics surrounding their current delinquency status. A periodic report will be presented to the TDHCA Board to chronicle the success of the program.

Since many borrowers avoid communication and contact with their mortgage lender, it would be more beneficial to utilize a third-party counseling service to better identify the types of borrowers the TDHCA Board desires to assist. By using a third-party counseling service, TDHCA will be able to help a larger number of its borrowers facing financial hardship and through education get them on the right track to achieving sustainable homeownership.

Option 3 – Third Party Counseling Service with Rescue Funds
Option 3 would be identical to Option 2 but would also offer financial assistance or rescue funds. Borrowers would not only be provided the same services as listed above but would be offered financial assistance or rescue funds in addition to the counseling services. Distress criteria as approved by the Board will be used by TDHCA staff and Countrywide but in general will be for those who have consistently had timely payments up until the time of their medical or financial hardship and those with a reasonable prospect of resuming full mortgage payments. Any rescue funds provided to the borrower would be provided as an unsecured note due on sale or payoff of the first lien mortgage loan. By combining third party counseling with rescue funds, it would ensure that borrowers meeting distress criteria identified by TDHCA's Board would receive assistance and would result in a more efficient use of the agency's limited funding source.

Recommendation
Based on the Master Servicer's proposed early intervention techniques, the ability of a third party provider to successfully identify borrowers meeting the TDHCA Board's distress criteria, counseling save rates, cost and tracking ability and the potential to leverage funds, staff recommends approval of foreclosure prevention Option 3. This option would allow Third Party Counseling Services with Rescue Funds for delinquent mortgage loans under the Single Family Mortgage Revenue Bond portfolio utilizing $100,000 in HTF funds through an unsecured note which would be due on sale or payoff of the first mortgage.

Internal Audit Division

BOARD ACTION REQUEST

September 13, 2007

Action Items

Presentation and Discussion of Audit Results of HUD's Consolidated Review of Section 8 Program.

Required Action

None. Informational only.

Background and Audit Results

HUD's Review of the Section 8 Program covered the Rental Integrity Monitoring (RIM), Upfront Income Verification (UIV) and Section 8 Management Assessment Program (SEMAP).

- **Finding:** For the Housing Choice Voucher Program, HUD found that TDHCA does not have an adequate process to determine income and deductions. As a result, TDHCA can not document that they are requesting information required to calculate income and rent. Of 30 files tested, 7 (23%) contained errors. **Recommendation:** TDHCA should develop application and reexamination materials that capture all of the required information.
- **Finding:** Information from HUD's EIV (income verification system) and the Texas State Wage database is not used to determine all sources of income. The information is printed and placed in the file after families' annual reexamination and is not being compared with the information provided by the tenant. **Recommendation**: TDHCA should revise their procedures for providing the income information prior to the families' annual reexamination.
- The SEMAP review is an assessment of whether the Housing Choice Voucher Programs operate to help eligible families afford decent rental property units at the correctly subsidy cost. TDHCA received a score of 63 percent, which resulted in a designation of "standard performer." There were four of 13 applicable areas in which TDHCA did not receive the maximum points:
    1. Lack of an adequate application and reexamination packet (related to the first bullet above).
    2. Should adopt a policy encouraging participation by owners outside of poverty and minority concentration areas.
    3. Does not correctly calculate family rent to owner in the rental voucher program (related to the second bullet above).
    4. Percentage of units leased was less than 95%.
- Management provided responses to the HUD audit report and provided additional information as requested. HUD has not yet replied regarding management's responses.

- HUD noted some exceptional practices, including the plan to increase the number of vouchers leased by keeping the waiting lsit current, issuing large numbers of vouchers to local operators, sending staff to provide assistance in issuing vouchers and tracking the success of vouchers offered. In addition, HUD noted that staff go beyond what is required for Upfront Income Verification by using the Office of the Attorney General's Website for child support income verification and getting State wage information from the Texas Workforce Commission.

Recommendation

No action is required.

Texas Department of Housing and Community Affairs

HUD's Consolidated Review of the Section 8 Program,
Released March 27, 2007

Report # 146

Office of Public Housing
801 Cherry Street
PO Box 2905
Fort Worth, TX 76113-2905

RD
EF
WFH

March 27, 2007

RECEIVED
MAR 30 2007
DEPUTY ED.

Michael Gerber, Executive Director
Texas Department of Housing and Community Affairs
PO Box 13941
Austin, Texas 78711

Dear Mr. Gerber:

In accordance with Federal law and regulations, the Office of Public Housing (OPH) selected your agency to participate in a Consolidated Review. A Consolidated Review consists of reviewing the following components: Rental Integrity Monitoring (RIM); Upfront Income Verification (UIV); and Section Eight Management Assessment Program (SEMAP). Becky Kruse, Nicki Ybarra, Louis Bell, and Garrett Sauve conducted the review March 5-9, 2007.

The enclosed report is divided into three sections as follows:

Section I., Results of RIM review

Section II, Results of the UIV review

Section III, Results of SEMAP review

We request that you respond, in writing, within 30 days of the date of this letter to our office stating actions taken or planned in regard to the findings and required corrective actions contained in this report. Findings are violations of the Housing Act of 1937, Code of Federal Regulations (CFR), Annual Contribution Contract (ACC), handbook requirements, Quality Housing and Work Responsibility Act (QHWRA) of 1998, and/or Changes to Admission and Occupancy Requirements of 1999, which must be corrected. Conversely, concerns are not compulsory items but are suggestions that are specifically focused on improving the authority's operation.

In addition to conducting the review, our staff spent time providing technical assistance in areas such as PIC, rent calculations, and the use of EIV data. We also addressed the issue of your current under utilization of funds and the need to increase the number of vouchers currently under lease. TDHCA's plan to increase the number of vouchers leased includes; keeping the waiting list current, issuing large numbers of vouchers to local operators who have the capacity and housing stock, sending staff to the local operators to assist in the voucher issuance, and tracking the success rate of vouchers offered. Our office will continue to monitor your progress in this area and provide further technical assistance if needed.

We would also like to take this opportunity to point out some of the exceptional practices your staff is doing. It was obvious that your staff cares about their mission and assisting the families in need. The neatness of the tenant files made our review of the files much easier, faster and more accurate. Your staff has gone beyond what is required by HUD for Upfront Income Verification by using the Office of Attorney General's website for child support income verification and getting the State Wage information from Texas Work Force Commission. We wish to express our sincere appreciation to you and the PHA staff for the courtesy and cooperation provided during the review.

Please contact Becky Kruse, your assigned Public Housing Revitalization Specialist at (817) 978-5586 if you have any questions regarding this review or any aspect of the Housing Choice Voucher program.

Sincerely,

Justin R. Ormsby
Director
Office of Public Housing

Enclosures

DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

Fort Worth Office of Public Housing

Consolidated Review Reports

Section 1

Rental Integrity Monitoring (RIM) Review Report

The purpose of a RIM review is to assess whether and to what extent a public housing agency (PHA) is accurately, thoroughly and clearly determining family income and rent in the Public Housing and /or Section 8 Housing Choice Voucher (HCV) programs in compliance with statutory, regulatory and HUD administrative requirements.

RIM reviews are one strategy in a larger, HUD-wide initiative designed to reduce income and rent errors in the administration of federally assisted housing programs – known as the Rental Housing Integrity Improvement Project (RHIIP). RHIIP supports the Presidential mandate that requires federal agencies to reduce costly program errors. The purpose of a RIM review is to assess whether and to what extent a public housing agency (PHA) is accurately, thoroughly and clearly determining family income and rent in the Public Housing and /or Section 8 Housing Choice Voucher (HCV) programs in compliance with statutory, regulatory and HUD administrative requirements. In addition to identifying and correcting existing errors in income and rent determinations, RIM reviews afford HUD the opportunity to provide guidance and technical assistance to PHAs on strengthening income and rent policies/procedures and reducing future errors.

This report outlines the results of a Rental Integrity Monitoring (RIM) review conducted during the period of March 5-9, 2007, for the Housing Choice Voucher Program administered by the Texas Department of Housing and Community Affairs.

The results of the RIM review are provided in the following format:

Part I – A list of findings, observations/recommendations, and required corrective actions identified in the review of the tenant file sample;
Part II – A chart detailing the results of the RIM review for each tenant file reviewed.

Part I, Tenant File Sample Review Results

A file sample consisting of 30 files were reviewed. This sample was provided by a random selection of program participants. A data collection form (RIM Appendix A) was prepared for each file reviewed; comparing the PHA reported data on the most recent 50058 transaction, against the documentation found in the file by the HUD reviewer. Of the 30 files reviewed, 7 were found to contain one or more errors, resulting in an error rate of 23 %. These errors are described in the enclosed chart. The Findings and Observations are described below:

Issue #432

Findings: *(Findings are a violation of a statute, regulation, handbook or adopted policy.)*

Required Actions to be taken by the PHA: Listed are any necessary corrective actions that must be taken by the PHA in reference to the new findings.

Finding 1- **Inadequate application and reexamination package.**

Condition: The Housing Authority does not have an adequate application/re-exam package to determine income and deductions. The Housing Authority cannot document that they are requesting information that is required to accurately calculate income and rent.

Criteria: Provisions of 24 CFR 5.609 and 5.611 require Housing Authorities to determine a family's income and adjusted income.

Cause: The forms developed and used by the Housing Authority do not obtain information regarding childcare expenses, medical expenses, full time student status, and all forms of assets to make correct income and rent determinations.

Consequence: HUD programs rely greatly on voluntary disclosure by families of the factors that affect the determination of income and rent. Without adequate application and reexamination materials, the Housing Authority and HUD cannot determine if income and rents are being calculated properly.

Corrective Action: The Housing Authority must develop adequate application and reexamination materials to capture all information regarding income and rent. It is strongly recommended that applicants and tenants be required to sign the questionnaire. This shows proof that the tenant was aware of all income requirements and allowable deductions. Please provide our office a copy of the revised application and reexamination packages.

Issue #433

Systemic Administrative Errors:

Condition: The Upfront Income Verification sources are not being used to determine annual income.

Criteria: As stated in 24 CFR §982.516, the PHA must obtain and document in the family file Third Party Verification of reported family income, value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income and income-based rent. Only when third party verification is not available, are other forms of verification acceptable.

Cause: The information obtained from HUD's EIV system and the Texas State Wage database is not being used to determine all sources of income. The information is printed and placed in the file after the families annual reexamination appointment at the local operator and is not being compared with the information provided by the tenant.

Effect: Failure to properly document all aspects of income and rent causes the Housing Authority to lose funds by under charging families for rent and also causes families to pay more their adjusted income than they should be paying.

Corrective Action: The procedure for utilizing the UIV information needs to be revised. The UIV information should be provided to the local operator prior to the families appointment for the annual reexamination in order to compare with the family's declaration of income, assets, and deductions.

Part II, Tenant File Error Chart

A detailed chart is attached to this report, which provides specific information for each of the 30 RIM files and 5 EIV files that were reviewed. The necessary corrective action is listed for each file and the documents required to close the tenant file errors.

Tenant File Errors

Tenant	Error	Corrective Action	Documents to Clear	Date Cleared
Anthony, Annetta	No errors			
Bove, Michael (EIV)	Tenant claimed he did not work at all the employers reported in EIV however, the PHA has not attempted third party verification.	The PHA must contact all the employers listed on the EIV for third party verification of employment and recalculate rent accordingly. If the income and rent change as a result of the third party verification, PHA must calculate any back rent owed and notify tenant.	Provide copies of the third party verification received from all the employers and copies of corrected 50058 and notification to tenant if required.	
Calvert, John	No errors			
Childs, Amanda	(1) PHA miscalculated child support income for Darienne by using the tenant provided information instead of the third party verification. This resulted in a change of income from $8,280 to $5,700. (2) PHA miscalculated utility allowance by giving the family the $10 flat fee for gas instead of the $5.34 flat fee for electric. (3) The 214 Declaration for Darienne does not have the status marked.	The PHA must correct the amounts for the income and utility allowance and notify the tenant of the change in utility reimbursement from $53 to $117. The PHA must also have the family declare the citizenship status for Darienne.	Provide a copy of the corrected 50058, notification to tenant of change in rent, and the completed 214 Declaration for Darienne.	
Cotton, Patrick	No errors			
Cotton, Rhonda	No errors			
Dimas, Graceila	No errors			

Giddings, Barbara (EIV)	No errors. EIV discrepancy resulted due to tenant's termination of employment. No action required.			
Goodman, Robbie	No errors			
Hamilton, Judee	No errors			
Henderson, Charlene	PHA miscalculated child support income. PHA used $205 per month for Fentyria. Verification in file shows average of $97.29 bi-monthly. This changed the annual income from $4380 to $4255 and utility reimbursement from $28 to $31.	PHA must notify the tenant of the change in rent and must submit a corrected 50058.	Copy of letter to tenant and corrected 50058.	
Holmes, Kimberly	(1) No RFTA in file. Utility allowance was determined using the lease. (2) Reexamination for 12/2/05 shows tenant at zero HAP. Tenant should have removed from the program after 6 months. NOTE ONLY: PHA needs to monitor tenant income. She is currently on sick leave but is scheduled to return back to work. Her current income is based on the amount she will receive while on sick leave. Her income will return to approximately $37,812 at which time she might be zero HAP.	The owner needs to provide the utility information for the current contract. Since the tenant was not terminated after 6 months of zero HAP due to PHA error, no action can be taken.	No further action required.	

Huston, Roberta	No errors			
Jackson, Kimberly (EIV)	(1) The PHA did not count the income from JP Morgan although the EIV and third party showed the income. (2) The child support income was calculated using 24 pay periods but should have been 26 pay periods. Theses errors resulted in an income change from $2,437 to $27,524 and rent change from $0 to $479.	The PHA must correct the annual income and submit a corrected 50058. The tenant cannot be charged for back rent since this was PHA error.	Provide a copy of the corrected 50058.	
Jackson, Simia (EIV)	Tenant didn't report income from 2nd source of employment. The income for the second job was reflected on the EIV and the printout from the State Wage source.	PHA must correct the annual income and determine the amount of back rent owed by the tenant.	Provide a copy of the determination of rent owed and notification to tenant.	
James, Shandle (EIV)	(1) PHA did not verify income of Teshawna James and James Williams and the family did not disclose the wage information at the time of reexamination. (2) PHA used the wrong payment standard. It should have been $990 instead of $1,060.	The PHA must obtain third party verification of wages for Teshawna and James and determine back rent owed. A new 50058 must be completed to show current income and correct rent calculation. The payment standard must be corrected.	Provide a copy of the corrected 50058 and a copy of the letter to the family notifying them of the amount of back rent owed.	
Johnson, Katherine	Request for Tenancy Approval was not complete. The column on who provides the utilities was not complete.	The PHA contacted the owner and determined the tenant does provide the range and refrigerator.	No further action required.	
Lewis, Monique	No errors			
Lockett, Jaqueline	No errors			
Mathews, Joy	No errors			
Miller, Bessie	No errors			

Phillips, Sally	No errors			
Praylor, Magogany	No errors			
Ramber, Angela	No errors			
Ray, Mattie	(1) PHA miscalculated wage income by using multiple years of pay stubs instead of the 6 pay stubs as required by procedures. This resulted in an income change from \$8,408 to \$10,344 and rent change from \$15 to \$52. (2) Utility allowance is incorrect. PHA did not give tenant the allowance for the range. This resulted in a utility allowance of \$202 instead of \$195.	PHA must correct the annual income and utility allowance and provide notice to tenant of rent change.	Provide copy of 50058 that shows corrected income and utility allowance. Also provide a copy of the letter to tenant notifying them of the change in rent.	
Redic, Linda	No errors			
Reese, Ykita	No errors			
Sanchez, Estefana	Tenant did not complete the asset portion of the reexamination questionnaire.	The PHA needs to have the tenant complete the asset portion of the declaration.	Provide a copy of the completed declration.	
Suiters, Latrisha	No errors			
Tillman, Ruth	No errors			
Walker, Dynisha	No errors			
Watkins, Brenda	Tenant did not respond to the asset questions on the personal declaration.	The PHA must have the tenant complete the asset portion of the personal declaration.	Provide a copy of completed personal declaration.	

Upfront Income Verification (UIV) Monitoring Report

Purpose: The purpose of HUD's Upfront Income Verification (UIV) onsite/remote review is to ensure that the PHA has (1) implemented the use of HUD-provided UIV systems (EIV and/or TASS); (2) implemented and documented practices, controls and safeguards to adequately protect the confidentiality of participant income data; and (3) taken the appropriate corrective action to eliminate subsidy payment errors and tenant errors attributable to income discrepancies as identified by HUD-provided UIV systems.

UIV Review Date: March 7, 2007	**Reviewer Name: Nicki Ybarra**

PHA Code: TX901	**PHA Name: TDHCA**

PHA Contact Person: Willie Fay Hurd	**Telephone Number: 512-475-8942**
PHA Contact Person:	**Telephone Number:**
PHA Contact Person:	**Telephone Number:**

A. PHA'S IMPLEMENTED UIV SYSTEMS

Questions	Yes	No
Does the PHA use HUD-provided UIV tools? If yes, please list that tools the PHA has implemented. • EIV System •	X	
Does the PHA use UIV tools that are not provided by HUD? If yes, please list the tools that the PHA has implemented. • **OAG for Child support income** • **TWC**	X	

B. PHA SECURITY ASSESSMENT

Requirements: Field Office staff should review the PHA's (1) security policies and procedures; (2) TASS and/or EIV user reports; (3) security and system access files; and any other documents that will provide answers to the questions below. Field Office staff may also want to conduct an interview with the Executive Director, Security Officer, and/or other designated staff persons that have knowledge of the PHAs security procedures and policies and are able to respond to the questions below.

Questions	Yes	No
Does the PHA have a designated Security Officer or equivalent?	X	
Does the PHA have a current Security Policies and Procedures document?	X	
Does the PHA enforce security procedures? **Explain**	X	
Does the PHA keep records and monitor security issues?	X	
Does the PHA conduct and document annual Security Awareness Training for UIV system users?	X	
Does the PHA maintain a record of all UIV system users and their assigned roles?	X	
Does the PHA ensure that each user has and uses his/her own user ID and password?	X	
Does the PHA maintain copies of signed and current access authorization and user agreement forms for all UIV system users?	X	
Does the PHA conduct a quarterly review of all User IDs to determine if users still have a valid need to access UIV data?	X	
Does the PHA maintain a key control log to track the inventory of keys available for secure rooms, buildings or file cabinets?	X	
Does the PHA maintain a log of all destroyed UIV documents or have a record retention policy?	X	
Does the PHA have an active HUD Form 9886 or equivalent in the reviewed tenant file?	X	
Does the PHA document all improper disclosures of UIV information in writing?	X	
Does the PHA report any evidence of unauthorized access or known security breaches to the designated PHA staff person(s)?	X	

What steps does the PHA take to ensure that UIV systems' access rights are revoked or modified as appropriate?

Quarterly certification process and monitoring of staff turnover.

What security methods does the PHA use to provide physical security of UIV data? Check all that apply.

(x) Restricted areas
( ) Locked containers
(x) Locked rooms
( ) Reinforced perimeters
(x) Locked buildings with guards
(x) Locked file cabinets
( ) Other (please specify)______________________________________

How does the PHA dispose of UIV information once the data has been used and served its purpose? Check all that apply.

( ) Burn
( ) Shred
( ) Erase
(x) Other (please specify) State follows record retention policy

Certification of PHA Security Compliance

☒ The PHA is in compliance with UIV security procedures. (If all responses are "yes" in Section B and the PHA has implemented specific safeguards to protect UIV data.)

☐ The PHA is **not** in compliance with UIV Security procedures. (If any response is "no" in Section B and/or the PHA has **not** implemented specific safeguards to protect UIV data.)

As a result of non-compliance, HUD will take the following actions:

☐ Suspend PHA access to the Enterprise Income Verification (EIV) system

☐ Suspend PHA access to the Tenant Assessment Subsystem (TASS)

☐ Terminate PHA access to the Enterprise Income Verification (EIV) system

☐ Terminate the following users' access to the Enterprise Income Verification (EIV) system:____

☐ Terminate PHA access to the Tenant Assessment Subsystem (TASS)

☐ Terminate the following users' access to the Tenant Assessment Subsystem (TASS):____

☐ Require the PHA to submit a Corrective Action Plan (CAP) to the local HUD field office within 30 days.

☐ Schedule a follow-up UIV Review within 90 days or sooner.

☐ Other____

C. ELIMINATION OF SUBSIDY PAYMENT AND TENANT RENT ERRORS THROUGH RESOLUTION OF UIV INCOME DISCREPANCIES

Requirements: Field Office staff is responsible for ensuring that the top 150 (worst) income discrepancies as identified in the HUD Headquarters' provided income discrepancy reports have been resolved. The top 150 cases are comprised of 75 Public Housing cases and 75 Section 8 cases.

The Field Office should review tenant cases files or PHA documentation to ensure that the PHA has resolved the worst income discrepancies (determined whether the case is valid or invalid) as identified in the listing of the top 150 worst cases. In the event of a valid case, the Field Office is required to confirm that the PHA has taken the appropriate action to eliminate subsidy payment errors and tenant rent errors attributable to the income discrepancy.

The Field Office is required to complete the attached *Income Discrepancy Resolution Report* to report the disposition of each of the 150 income discrepancy cases. This report must be submitted to HUD Headquarters by **September 30, 2005**, via email to Nicole Lawyer with a copy to Gail L. Templeton.

Questions	Yes	No
Did the PHA resolve all income discrepancy cases? (Specify total number of discrepancy cases __5__). If no, list the number of cases the PHA resolved__1__, the percentage of cases completed __2__% (cases completed/total number of cases) and the anticipated completion date that these cases will be resolved____approximately 45 days.		X
Does the PHA have documented practices/procedures for using UIV tools in the PHA's occupancy process? If no, provide the date the PHA anticipates updating its administrative policies and procedures__________	X	

Reviewer Comments:

Nicki Ybarra
HUD Reviewer's Name

March 7, 2007
Date

PHA Acknowledgment of Receipt: My signature below is to acknowledge receipt of HUD's completed Upfront Income Verification (UIV) Monitoring Report.

signed while on-site by Willie Faye Hurd
PHA Printed Name & Signature

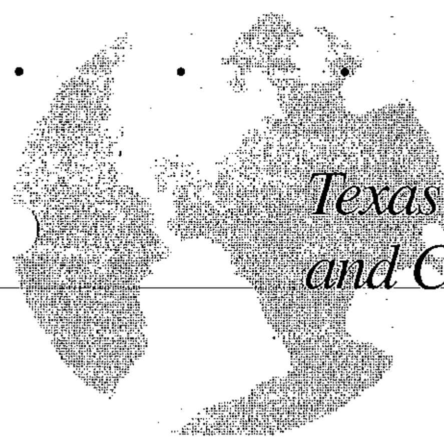
March 7, 2007
Date

Rev. 03/2005

U. S. Department of HUD
801 Cherry Street
Fort Worth, Texas 76113
(817) 978-5700

Fort Worth Office of Public Housing

SEMAP Confirmatory Review



Texas Department of Housing and Community Affairs

Fiscal Year End December 31, 2006

Prepared by: Becky Kruse   Review Date: March 5-9, 2007

SEMAP Confirmatory Review

Texas Department of Housing and Community Affairs

Introduction

The Section 8 Management Assessment Program (SEMAP) is designed to assess whether the Housing Choice Voucher Programs (HCVP) operate to help eligible families afford decent rental property units at the correct subsidy cost. SEMAP also establishes an objective system for HUD to measure Housing Authority performance in key HCVP areas to ensure program integrity and accountability. SEMAP provides procedures for HUD to identify Housing Authority management capabilities and deficiencies in order to target monitoring and program assistance more effectively.

Purpose

HUD conducts a SEMAP confirmatory review to assess the Housing Authority's program management and compliance with program requirements. A SEMAP confirmatory also verifies the Housing Authority's certification and the HUD rating under any indicator.

Methodology

HUD reviews the Housing Authority's quality control sample of files or records reviewed by Housing Authority supervisors to determine if the work documented in the files or records conforms to program requirements. HUD also reviews data submitted to MTCS, as well as the SEMAP certification and profile. The SEMAP Confirmatory review also involves interviews and discussions with Housing Authority management and staff regarding all aspects of the HCVP.

Results

The results on the review are reported herein. The final SEMAP score for fiscal year end December 31, 2006, is 63 percent resulting in a designation of standard performer. All indicators were confirmed during the review and your response to each of the deficiencies listed in the report will be due to our office within 30 days.

Each section of the report covers a specific indicator and reports on the status of that indicator. Any deficiency for that indicator is defined at the end of the section and includes a required corrective action. If the reviewer has concerns or recommendations, those are also reported at the end of each section. If the review discloses that the Housing Authority's SEMAP certification is not accurate, the SEMAP score and overall performance rating will be changed. The modified rating is recorded at the end of the report.

SEMAP Confirmatory Review

Indicator 1, Selection from the Waiting List

Standard for Acceptable Performance

Quality Control Required

The Housing Authority has written waiting list policies and based on a random sample of the Housing Authority's applicants and admissions; families were selected in accordance with the Administrative Plan.

Criteria

To receive the **15 points** for this indicator, the Housing Authority must have written waiting list selection policies and based on a random sample of applicants and admissions, 98 percent of families in the Housing Authority's quality control sample were selected from the waiting list in accordance with the Administrative Plan and met the selection criteria that determined their place on the waiting list and their order of selection.

The Housing Authority will receive **0 points** if the above criteria was not met.

Review Objective

Determine whether the Housing Authority is following its own tenant selection policies in selecting applicants from the waiting list to become tenant. Determine whether the Housing Authority's latest SEMAP certification reflects accurate information concerning selections from the waiting list based on the review results.

Indicator 1 Review Results

1. The Housing Authority has written policies in its Administrative Plan for selecting applicants from the waiting list.

☒ Yes

☐ No

2. Based on the quality control samples, for applicants reaching the top of the waiting list and for admissions, documentation shows that at least 98 percent of families in both samples of applicants and admissions were selected from the waiting list for admission in accordance with these policies and met the selection criteria that determined their places on the waiting list and their order of selection.

☒ Yes

☐ No

15 points are awarded if you checked "Yes" to both of the above questions. If you checked "No" to one or both questions, 0 points are awarded.

Total Points for Indicator 1
15

SEMAP Confirmatory Review

Indicator 2, Rent Reasonableness

Standard for Acceptable Performance

Quality Control Required

The Housing Authority has in its Administrative Plan a reasonable written method to determine and document for each unit leased that the rent to owner is reasonable based upon current rents for comparable unassisted units and the Housing Authority has implemented the method.

Criteria

To receive the **20 points** for this indicator, the Housing Authority must have a written rent reasonableness method it follows to determine reasonable rent and based on the Housing Authority's quality control sample of tenant files, the PHA follows its written method to determine reasonable rent and has documented its determination for **at least 98 percent of units in the sample** at time of initial leasing, if there is any increase in the rent to owner, and if there is a five percent decrease in the published FMR in effect 60 days before the HAP contract anniversary date.

To receive the **15 points** for this indicator, the Housing Authority must have a written rent reasonableness method it follows to determine reasonable rent and based on a random sample of tenant files, the PHA follows its written method to determine reasonable rent and has documented its determination **for 80 to 97 percent of units in the sample** at time of initial leasing, if there is any increase in the rent to owner, and if there is a five percent decrease in the published FMR in effect 60 days before the HAP contract anniversary date.

The Housing Authority will receive **0 points** if the above criteria was not met.

Review Objective

Determine whether the Housing Authority is documenting the determination that the rent is reasonable in accordance with the Administrative Plan at initial leasing and during the term of the contract. Determine the extent to which the Housing Authority follows its method and documents each determination that the rent to owner is reasonable. Determine whether the latest SEMAP certification reflects accurate information concerning determination of reasonable rent based on the review results.

Indicator 2 Review Results

1. The Housing Authority has a written method in its Administrative Plan for a reasonable rent determination

   ☒ Yes

   ☐ No

2. The Housing Authority follows these policies to determine reasonable rent for at least 98 percent of units sampled.

   ☒ Yes

   ☐ No

3. The Housing Authority follows these policies to determine reasonable rent for at 80 to 97 percent of units sampled.

   ☒ Yes

   ☐ No

20 points are awarded if you checked "Yes" to numbers 1 and 2 above. 15 points are awarded if you checked "Yes" to 1 and 3 above. If you checked "No" to 1, 0 points are awarded. If you checked "Yes" to 1 above and "No" to the other two questions, 0 points are awarded.

Total Points for Indicator 2

20

Recommendation:

Although your agency has procedures in place to address the lack of comparables used for rent reasonableness, HUD recommends that you revise your Administrative Plan to include these procedures.

SEMAP Confirmatory Review

Indicator 3, Determination of Adjusted Income

Standard for Acceptable Performance

Quality Control Required

The Housing Authority, at the time of admission and annual reexamination, verifies and correctly determines adjusted annual income for assisted family and, where the family is responsible for utilities under the lease, the Housing Authority uses the appropriate utility allowance for the unit leased in determining the gross rent.

Criteria

To receive the **20 points** for this indicator, the Housing Authority's quality control review of tenant files indicates that for at least **90 percent** of families the following statements are true:

- The Housing Authority obtains third party, written verification from independent sources of all factors affecting the determination of adjusted income, including family income, assets totaling more than $5,000 and expenses related to income and deductions. The Housing Authority uses the verified information to determine adjusted income or documents the tenant files to indicate why independent verification is not possible,
- The Housing Authority attributes and calculates allowances for any medical, child care, and disability assistance expenses, and
- The Housing Authority uses the appropriate utility allowances to determine gross rent for the unit leased.

To receive the **15 points** for this indicator, the Housing Authority's quality control review of tenant files indicates that for **80 to 89 percent** of families the above statements are true.

The Housing Authority will receive **0 points** if the quality control review of tenant files does not support these three statements.

Review Objective

Determine the extent to which the Housing Authority properly verifies and determines adjusted income and uses the appropriate utility allowance in determining gross rent. Determine whether the Housing Authority's latest SEMAP certification reflects accurate information concerning the Housing Authority's determination of adjusted income.

Indicator 3 Review Results

1. Does the Housing Authority obtain third party, written verification from independent sources of all factors affecting the determination of adjusted income, including family income, assets totaling more than $5,000 and expenses related to income and deductions? Does the Housing Authority use the verified information to determine adjusted income or documents the tenant files to indicate why independent verification is not possible for families? Does the Housing Authority properly attribute and calculate allowances for any medical, childcare, and disability assistance expenses for families. Does the Housing Authority use the appropriate utility allowances to determine gross rent for the unit leased for families. If yes to all of the above, indicate the percent of families this is true for.

   ☐ 90 to 100 percent of families

   ☐ 80 to 89 percent of families

   ☒ 79 percent or less of families

20 points are awarded if you checked the statements are true for 90 to 100 percent of families. 15 points are awarded if you checked the statements are true 80 to 89 percent of families. If the statements are not true or only true for less than 79 percent of families, 0 points are awarded.

Total Points for Indicator 3

0

Corrective Action:

The housing agency must begin using an adequate application and reexamination packet in order to capture all information necessary to correctly calculate income and rent. The current forms do not ask the family to report all sources of assets and do not ask the family to report deductions such as childcare and medical expenses. We provided a sample of an adequate application and reexamination form for you to review at the closeout meeting.

During the review of this indicator, HUD staff discovered a flaw in the processing of annual reexaminations. The EIV information is pulled by staff at TDHCA and is placed in the tenant file after the reexamination is completed by the local operator. There is no comparison by TDHCA's staff of the information provided by the family and the information contained in EIV.

The intent of EIV income information is to compare it with the tenant provided information in order to disclose any errors in income at the time of the annual reexamination. Since EIV is being run after the fact, this cannot be done. HUD staff recommends that the EIV information is printed prior to the families reexamination appointment and sent to the local operator. The local operator will be responsible for comparing the EIV information and the tenant provided information to ensure accurate rent determinations.

Please respond to this deficiency by providing a copy of the application and reexamination form the agency will use and the process that will be followed regarding the EIV information.

SEMAP Confirmatory Review

Indicator 4, Utility Allowance Schedule

Standard for Acceptable Performance

The Housing Authority reviewed utility rate data within the last 12 months and adjusted its utility allowance schedule if there has been a change of 10 percent or more in a utility rate since the last time the utility allowance schedule was revised.

Criteria

To receive the **5 points** for this indicator, the Housing Authority must have data to show that it has reviewed utility rate data within the last 12 months and adjusted its utility allowance schedule if there has been a change of 10 percent or more in a utility rate since the last time the utility allowance schedule was revised.

The Housing Authority will receive **0 points** if there is no data to support this statement.

Review Objective

Determine whether the Housing Authority has reviewed utility rate data within the last 12 months and has adjusted its utility allowance schedule if there has been a rate change of 10 percent or more since the last time the utility allowance schedule was revised. Determine whether the Housing Authority's latest SEMAP certification reflects accurate information concerning the Housing Authority's maintenance of an up-to-date utility allowance schedule.

Indicator 4 Review Results

1. The Housing Authority has utility rate data available to show that the utility allowances are reviewed annually

☒ Yes

☐ No

2. The Housing Authority adjusts its utility schedule when there has been a change of 10 percent or more.

☒ Yes

☐ No

5 points are awarded if you checked "Yes" to both of the above questions. If you checked "No" to any of the above, 0 points are awarded.

Total Points for Indicator 4
5

SEMAP Confirmatory Review

Indicator 5, HQS Quality Control Inspections

Standard for Acceptable Performance

Quality Control Required

A Housing Authority supervisor or other qualified person performs quality control HQS reinspections during the Housing Authority's fiscal year for a sample of units. The reinspected sample is drawn from recently completed HQS inspections and is drawn to represent a cross section of neighborhoods and the work of a cross section of inspectors.

Criteria

To receive the **5 points** for this indicator, a review of the Housing Authority's quality control HQS inspections process indicates that for the following statements are true:

- A Housing Authority supervisor of other qualified person reinspected the sample of units under contract during the last fiscal year.
- The Housing Authority's quality control sample meets the minimum sample size requirements specified in 24 CFR 985.2
- The reinspections included in the sample must be no older than three months at the time of the reinspection. The sample must represent a cross section of neighborhoods where program units are located and inspections completed by all HQS inspectors. The sample should also include a cross section of initial and annual inspections.
- The Housing Authority should maintain a quality control tracking system for each SEMAP year that indicates:
  - The address of the unit
  - Date of original inspection and inspector
  - Date of the quality control inspection

- Results of the quality control inspection

- Location of the unit by neighborhood, zip code, census tract.

To receive the **5 points** for this indicator, the Housing Authority must show that quality control reinspections have been conducted for the required sample size in accordance with the above procedures.

The Housing Authority will receive **0 points** if the Housing Authority has not conducted quality control inspections as described above.

Review Objective

Determine whether the Housing Authority documented the required quality control reinspections. In performing the review, the reviewer should also determine if the Housing Authority's latest SEMAP certification reflects accurate information concerning the Housing Authority's HQS quality control inspections.

Indicator 5 Review Results

1. Did a Housing Authority supervisor or other qualified person perform quality control reinspections during the Housing Authority fiscal year numbering at least the minimum samples size required by HUD (985.2)

   ☒ Yes

   ☐ No

2. Was the Housing Authority's reinspected sample drawn from recently completed HQS inspections?

   ☒ Yes

   ☐ No

3. Did the Housing Authority's reinspected sample represent a cross section of neighborhoods?

   ☒ Yes

   ☐ No

4. Did the Housing Authority's sample represent the work of a cross section of its inspectors?
   - [x] Yes
   - [ ] No
   - [ ] N/A (if only one inspector)

5 points are awarded if you checked "Yes" to all of the above. If you checked "No" to any of the above, 0 points are awarded.

Total Points for Indicator 5
5

SEMAP Confirmatory Review

Indicator 6, HQS Enforcement

Standard for Acceptable Performance

Quality Control Required

The Housing Authority ensures that following each HQS inspection of a unit under contract where the unit fails to meet HQS, any cited life-threatening HQS deficiencies are corrected within 24 hours from the inspection and all other cited HQS deficiencies are corrected within no more than 30 calendar days from the inspection or within any Housing Authority-approved extension. In addition, if HQS deficiencies are not corrected in a timely manner, whether the Housing Authority abates housing assistance payments beginning no later than the first of the month following the specified correction period, or terminates the HAP contract or, for family-caused defects, takes prompt and vigorous action to enforce family obligations.

Criteria

To receive the **10 points** for this indicator, the Housing must have data to show that the review of a randomly selected sample of files with failed HQS inspections shows that for **100 percent** of the cases sampled, any cited life-threatening HQS deficiencies were corrected within 24 hours from the inspection and for at least **98 percent** of cases sampled, all other cited HQS deficiencies were corrected within no more than 30 calendar days from the inspection or within any Housing Authority-approved extension. If any life-threatening HQS deficiencies were not corrected within 24 hours and all other HQS deficiencies were not corrected within 30 calendar days or any approved extension, the Housing Authority abates housing assistance payments beginning no later than the first of the month following the correction period, or terminated the HAP contract, or family-caused defects, took prompt and vigorous action to enforce the family obligations.

The Housing Authority will receive **0 points** if there is not data to support this statement.

Review Objective

Determine that the Housing Authority has a system to record results of SEMAP quality control reviews of inspections. At a minimum, the system should provide:

- The address of the unit
- Date of original failed inspection
- Responsibility for the deficiency (tenant or owner)
- Date of reinspection
- Date owner notified of abatement
- Any extensions to that date
- Initiation and status of termination of tenancy.
- Type of deficiency (24-hour life threatening or 30-day non life-threatening)

Determine whether the Housing Authority documented enforcement of HQS. In performing the review, the reviewer should also determine if the Housing Authority's latest SEMAP certification reflects accurate information concerning the Housing Authority's HQS enforcement.

Indicator 6 Review Results.

Does the Housing Authority have a system to record results of SEMAP quality control reviews of inspections that provides the required information?

☒ Yes

☐ No

a. Identify the number of case with HQS inspections in the reviewer's sample.

b. Identify the number of files reviewed which document timely correction of HQS deficiencies or Housing Authority action to stop HAP or to enforce family obligations.

c. Calculate the percent of the sample with documentation of proper HQS enforcement (b/a).

(a) Total number of files with HQS inspections in sample	(b) Number of files with timely correction or abatement or enforcement	(b) Divided by (a) Equals Percentage of units with proper HQS enforcement
5	5	%100

Table. Percentage of units with proper HQS enforcement.

10 points are awarded if the score equals 98 percent or greater. 0 points are awarded if the score is 97 percent of less.

Total Points for Indicator 6
10

Required Corrective Action:

The quality control log for this indicator did not have all the necessary information however, HUD staff was able to confirm the data using the information in the tenant file. Your agency must develop a more thorough system to record results of SEMAP quality control reviews of inspections and provide our office a copy in order to close the deficiency. At a minimum, the system should provide:

- **The address of the unit**
- **Date of original failed inspection**
- **Responsibility for the deficiency (tenant or owner)**
- **Date of reinspection**
- **Date owner notified of abatement**
- **Any extensions to that date**
- **Initiation and status of termination of tenancy.**
- **Type of deficiency (24-hour life threatening or 30-day non life-threatening)**

SEMAP Confirmatory Review

Indicator 7, Expanding Housing Opportunities

Standard for Acceptable Performance

This indicator applies only to Housing Authorities with jurisdiction in Metropolitan FMR areas. *The Housing Authority has adopted and implemented a written policy to encourage participation by owners of units located outside areas of poverty or minority concentration; informs rental voucher holders of the full range of areas where they may lease units both inside and outside the Housing Authority's jurisdiction; and supplies a list of landlords or other parties willing to lease units or help families find units, including units outside areas of poverty or minority concentration.*

Criteria

To receive the **5 points** for this indicator, the following six statements must be true:

1. The Housing Authority has a written policy in its Administrative Plan that includes actions it will take to encourage participation by owners of units outside areas of poverty or minority concentration and identifies areas in its jurisdiction that it considers poverty or minority concentration areas;

2. The Housing Authority documentation shows that it has taken actions indicated in its written policy to encourage participation by owners of units located outside areas of poverty or minority concentration;

3. The Housing Authority has prepared maps that show locations of housing opportunities outside areas of poverty or minority concentration both within its jurisdiction and neighboring its jurisdiction;

4. The Housing Authority's information packet for Housing Choice Voucher Holders contains either a list of owners who are willing to lease (or properties available for lease) under the Housing Choice Voucher Program or a current list of other organizations that will help families find units. The

Housing Authority must demonstrate that the list includes properties and/or organizations that operate outside areas of poverty or minority concentration;

5. The Housing Authority's information packet includes an explanation of how portability works and a list of portability contact persons for neighboring Housing Authorities, with the name, address, and telephone number of each, for use by families who move under portability; and

6. The Housing Authority documentation shows that the Housing Authority has analyzed whether Housing Choice Voucher holders have experienced difficulties in finding housing outside areas of poverty and minority concentration. If such difficulties have been found, Housing Authority documentation show that the Housing Authority analyzed whether it is appropriate to increase its payment standard within the basic range of 90 to 110 percent of the FMR or to seek HUD approval of area exception payment standards in any part of its jurisdiction. The Housing Authority must also demonstrate that it has sought HUD approval of exception payment standards when necessary.

The Housing Authority will receive **0 points** if there is not data to support all of the six statements.

Review Objective

Determine if the Housing Authority is offering its tenants the information necessary to expand their housing choices and opportunities. Determine whether the Housing Authority's documentation reflects accurate information concerning the Housing Authority's actions to expand housing opportunities.

Review Methodology

In performing the review, the review should determine that the Housing Authority has data on file that supports each of the numbers reported to HUD on the latest SEMAP addendum.

1. Review the Housing Authority's Administrative Plan. Does it include a policy that states actions the Housing Authority will take to encourage participation by owners of units outside areas of poverty or minority concentration and identifies areas in its jurisdiction that it considers poverty or minority concentration areas?

   ☐ Yes

   ☒ No

2. Review the Housing Authority file on expanding housing opportunities. Does it include information to show that it has taken actions indicated in its written policy to encourage participation by owners of units located outside areas of poverty or minority concentration?

☐ Yes

☒ No

3. Does the Housing Authority provide maps that show locations of housing opportunities outside areas of poverty or minority concentration both within its jurisdiction and neighboring its jurisdiction?

☒ Yes

☐ No

4. Review the Housing Authority's information packet for Housing Choice Voucher holders. Does it contain either a list of owners who are willing to lease (or properties available for lease) under the Housing Choice Voucher Program or a current list of other organizations that will help families find units? Can the Housing Authority demonstrate that the list includes properties and/or organizations that operate outside areas of poverty or minority concentration?

☒ Yes

☐ No

5. In the Housing Authority's information packet, is there an explanation of how portability works and a list of portability contact persons for neighboring Housing Authorities, with the name, address, and telephone number of each, for use by families who move under portability?

☒ Yes

☐ No

6. Does the Housing Authority have documentation that shows that it has analyzed whether Housing Choice Voucher holders have experienced difficulties in finding housing outside areas of poverty and minority concentration. If such difficulties have been found, does Housing Authority documentation show that the Housing Authority analyzed whether it is appropriate to increase its payment standard within the basic range of 90 to

110 percent of the FMR or to seek HUD approval of area exception payment standards in any part of its jurisdiction. The Housing Authority must also demonstrate that it has sought HUD approval of exception payment standards when necessary.

☐ Yes

☒ No

Indicator 7 Review Results

10 points are awarded if you checked "Yes" to all six of the questions. If you checked "No" to any of the above, 0 points are awarded.

Total Points for Indicator 7

0

Required Corrective Action:

Your agency must adopt a policy on encouraging participation by owners outside of poverty and minority concentration areas. The policy must clearly delineate the areas in each of your jurisdictions that are considered areas of poverty and minority concentration and what actions you will take to encourage owner participation. In addition to the policy requirement, you must document the actions taken as directed by your policy.

You must also analyze whether voucher holders are experiencing difficulties in finding housing outside the areas of poverty or minority concentration and where such difficulties were found. Based on this analysis, you must determine if it is appropriate to seek approval of exception payment standard amounts in any part of the jurisdiction and that you seek HUD approval when necessary.

Please provide our office with a copy of the policy and procedures adopted for this indicator in order to close the deficiency.

SEMAP Confirmatory Review

Indicator 8, Payment Standards

Standard for Acceptable Performance

The Housing Authority's payment schedule contains payment standards that do not exceed 110 percent of the current applicable published FMRs and that are not less than 90 percent of the current applicable published FMR (unless a higher or lower payment standard was approved by HUD).

Criteria

To receive the **5 points** for this indicator, The Housing Authority's voucher payment standard schedule contains payment standards that do not exceed 110 percent of the current applicable published FMRs and that are not less than 90 percent of the current applicable published FMRs (unless a higher or lower payment standard amount is approved by HUD).

The Housing Authority will receive **0 points** if the payment standard schedule contains payment standards that exceed 110 percent of the current applicable published FMRs or that are less than 90 percent of the current applicable FMRs (unless a higher or lower payment standard amount is approved by HUD).

Review Objective

Determine if the Housing Authority is in compliance in setting its payment standards within the basic range or other amount approved by HUD.

Indicator 8 Review Results

Total Points for Indicator 8
5

SEMAP Confirmatory Review

Indicator 9, Annual Reexaminations

Standard for Acceptable Performance

The Housing Authority completes reexaminations for each participating family at least every 12 months.

Criteria

MTCS report shows percent of reexaminations that are over 2 months old. The 2-month allowance is provided only to accommodate a possible lag in the Housing Authority's electronic reporting of the annual reexamination on Form HUD-50058 and to allow the processing of data into MTCS.

To receive the **10 points** for this indicator, fewer than 5 percent of the Housing Authority's reexaminations are more than 2 months overdue.

The Housing Authority will receive **5 points** if 5 to 10 percent of all reexaminations are more than 2 months overdue.

The Housing Authority will receive **0 points** if more than 10 percent of all reexaminations are more than 2 months overdue.

Review Objective

Determine if the Housing Authority is in compliance with conducting reexaminations at least every 12 months.

Indicator 9 Review Results

10 points are awarded if fewer than 5 percent of reexaminations overdue. 5 points are awarded if 5 to 10 percent of the reexaminations are overdue. O points are awarded if more than 10 percent of reexaminations are overdue.

Total Points for Indicator 9
10

The PHA received a zero score for this indicator based on the extract from MTCS. However, this indicator wad adjusted to 10 points based on review of the PHA's software and files during the on-site confirmatory review. The PHA had a computer conversion during this rating cycle which caused errors in the data between their software and PIC.

SEMAP Confirmatory Review

Indicator 10, Correct Rent Calculation

Standard for Acceptable Performance
The Housing Authority correctly calculates family rent to owner in the rental voucher program.

Criteria

MTCS report, Tenant Rent Calculation Discrepancy Report, shows percent of family's share of the rent to owner calculations that are incorrect based on data sent to HUD by the Housing Authority on form HUD-50058.

To receive the **5 points** for this indicator, 2 percent or fewer of family's share of the rent to owner calculations are incorrect.

The Housing Authority will receive **0 points** if more than 2 percent of family's share of the rent to owner calculations are incorrect.

Review Objective

Determine if the Housing Authority is in compliance with calculating family share of rent to owner.

- ❑ Based on the Appendix A's of the RIM review format completed onsite, how often was family's share of the rent to owner calculated incorrectly?

(a) Total number of files in RIM review sample	(b) Number of files with incorrect family's share or the rent to owner calculations	(b) Divided by (a) Equals Percentage of with incorrect family's share or the rent to owner calculations
35	6	17%

☐ 2 percent or fewer family's share of the rent to owner calculations are incorrect.

☒ More than 2 percent of family's share of the rent to owner calculations are incorrect.

Indicator 10 Review Results

5 points are awarded if 2 percent or fewer family's share of the rent to owner calculations are incorrect. 0 points are awarded if more than 2 percent of the calculations are incorrect.

Total Points for Indicator 10
0

Corrective Action Required:

The PHA must correct the calculation errors identified in the RIM review and respond to HUD on how the agency plans to ensure rents are calculated properly in order to close the deficiency.

SEMAP Confirmatory Review

Indicator 11, Pre-Contract Inspections

Standard for Acceptable Performance

The Housing Authority ensures all newly leased units pass HQS on or before the beginning date of the assisted lease and HAP contract.

Criteria

MTCS report, HQS-Newly Leased Units, shows percent of newly leased units where the beginning of the assistance contract is before the date the unit passed HQS inspection.

To receive the **5 points** for this indicator, 98 percent to 99 percent of newly leased units passed HQS inspection before the beginning date of the assisted lease and HAP contract.

The Housing Authority will receive **0 points** if fewer than 98 percent of newly leased units passed HQS inspection before the beginning date of the assisted lease and HAP contract.

Review Objective

Determine if the Housing Authority is conducting initial inspection to determine that a unit passes HQS requirements on or before the effective date of the assisted lease and HAP contract.

Indicator 11 Review Results

5 points are awarded if 98 to 99 percent of the units passed HQS prior to the effective date of the lease and HAP contract. 0 points are awarded if fewer than 98 percent of units passed HQS before beginning date of the assisted lease and HAP contract.

Total Points for Indicator 11
5

SEMAP Confirmatory Review

Indicator 12, Annual HQS Inspections

Standard for Acceptable Performance

The Housing Authority inspects each unit under contract at least annually.

Criteria

MTCS report, Late HQS Inspection Report, shows percent of HQS inspections that are more than 2 months overdue. The 2-month allowance is provided only accommodate a possible lag in the HA's inspection on form HUD-50058. The 2-month allowance does not mean that any delay in completing annual HQS inspections is permitted.

To receive the **10 points** for this indicator, fewer than 5 percent of annual HQS ~~inspections of units under contract are more than 2 months overdue.~~

The Housing Authority will receive **5 points** if 5 to 10 percent of annual HQS inspections of units under contract are more than 2 months overdue.

The Housing Authority will receive **0 points** if more than 10 percent of annual HQS inspections of units under contract are more than 2 months overdue.

Review Objective

Determine if the Housing Authority is conducting an HQS inspection annually for all units under contract.

Indicator 12 Review Results

10 points are awarded if fewer than 5 percent of annual HQS inspections of units under contract are more than 2 months overdue. 5 points are awarded if 5 to 10 percent of annual HQS inspections of units under contract are more than 2 months overdue. 0 points are awarded if more and 10 percent of all inspections of units under contract are more than 2 months overdue.

Total Points for Indicator 12
10

The PHA received a zero score for this indicator based on the extract from MTCS. However, this indicator wad adjusted to 10 points based on review of the PHA's software and files during the on-site confirmatory review. The PHA had a computer conversion during this rating cycle which caused errors in the data between their software and PIC.

SEMAP Confirmatory Review

Indicator 13, Lease Up

Standard for Acceptable Performance

The Housing Authority enters HAP contracts for the number of units under budget for at least one year.

Criteria

The Housing Authority's latest approved year-end operating statement shows the number of units leased during the last completed HA fiscal year. This is determined by taking unit months under HAP contract divided by 12 and dividing by the number of units budgeted as shown on the HA's approved budget for the same HA fiscal year.

To receive the **20 points** for this indicator, the percent of units leased during the last fiscal year was 98 percent or more.

The Housing Authority will receive **15 points** if the percent of units leased during the last fiscal year was 95 to 97 percent.

The Housing Authority will receive **0 points** if the number of units under lease during the last fiscal year was less than 95 percent.

Review Objective

Determine the number of units leased during the last completed fiscal year.

Indicator 13 Review Results

20 points are awarded if 98 percent or more units were under lease. 15 points are awarded if 95 to 97 percent of units are under lease. 0 points are awarded if less than 95 percent of units were under lease.

Total Points for Indicator 13
0

Required Corrective Action:

The agency must begin monitoring program turnover and success rate of vouchers issued. This will allow the agency to anticipate what will happen and react accordingly. Please provide our office with a copy of the log you will use to track this information. HUD staff will closely monitor your progress to ensure an increase in voucher utilization occurs.

During the review, your staff informed the reviewers of the steps already implemented to increase utilization and your future plans. Those steps are:

1. **Targeting local operators who can handle a large number of vouchers and who have the housing stock available.**
2. **The agency has already purged the waiting list to ensure an available pool of applicants.**
3. **Sending staff to the local operators to assist in issuance of vouchers.**

SEMAP Confirmatory Review

Indicator 14, FSS Enrollment and Escrow Accounts

Standard for Acceptable Performance

(This indicator applies only to Housing Authorities with mandatory FSS programs.) The Housing Authority has enrolled families in the FSS program as required, and the Housing Authority supports FSS by ensuring that families increase income and establish escrow accounts balances.

Criteria

MTCS report shows number of families currently enrolled in FSS. This number is divided by the number of mandatory FSS slots based on funding reserved for the Housing Authority through the second to last completed Federal fiscal year, or based on a reduced number of mandatory slots under a HUD-approved exception. An MTCS report also shows the percent of FSS families with FSS progress reports who have who have escrow account balances.

Your agency does not have any mandatory FSS slots, therefore, you are not scored on this indicator.

Total Points for Indicator 14

N/A

SEMAP Confirmatory Review

Deconcentration Bonus Indicator

Standard for Acceptable Performance

(This indicator is optional and only for Housing Authorities in metropolitan FMR areas.) The Housing Authority has provided data that shows the percent of Housing Choice Voucher Program families with children who live in, and who have moved during the fiscal year to low-poverty census tracts in the Housing Authority's area.

Criteria

- Eligible Housing Authorities that wish to claim the five available bonus points must submit data to support their claim.
- Your agency did not claim the bonus points therefore, you were not scored on this indicator.

Bonus Indicator Review Results

Total Points for Bonus Indicator
N/A

Texas Department of Housing and Community Affairs SEMAP Score FYE 12/31/2006		
Indicator	**HA Certification Score**	**Confirmatory Score**
1. Selection from waiting list (15 possible points)	15	15
2. Rent Reasonableness (20 possible points)	20	20
3. Determination of Adjusted Income (20 possible points)	20	0
4. Utility Allowance Schedule (5 possible points)	5	5
5. HQS Quality Control Inspections (5 possible points)	5	5
6. HQS Enforcement (10 possible points)	10	10
7. Expanding Housing Opportunities (5 possible points)	0	0
8. Payment Standards (5 possible points)	5	5

Indicator	HA Certification Score	Confirmatory Score
9. Annual Reexaminations (10 possible points)	0	10
10. Correct Tenant Rent Calculations (5 possible Points)	5	0
11. Pre-Contract Inspections (5 possible points)	5	5
12. Annual HQS Inspections (10 possible points)	0	10
13. Lease-Up (20 possible points)	0	0
14. FSS Enrollment & Escrow Accounts (10 possible points)	N/A	N/A
15. Bonus Indicator (5 possible points)	N/A	N/A
16. Total Points	90	85

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

May 11, 2007

Mr. Justin Ormsby
Director
U. S. Department of Housing
and Urban Development
Fort Worth Regional Office, Region VI
Office of Public Housing
P. O. Box 2905
Fort Worth, TX 76113-2905

Dear Mr. Ormsby:

The Texas Department of Housing and Community Affairs (the Department) would like to thank Becky Kruse, Nicki Ybarra, Louis Bell, and Garrett Sauve for the valuable technical assistance and courtesy extended during the Consolidated Review conducted on March 5-9, 2007.

The Consolidated Review consisted of the following components: Rental Integrity Monitoring (RIM); Upfront Income Verification (UIV); and Section Eight Management Assessment Program (SEMAP). Attached are management's responses to the findings and required corrective actions contained in the report.

Thank you for your continued cooperation. If you have any questions or need additional information, please contact Willie Faye Hurd, Section 8 Program Manager, at (512) 475-3892 or Eddie Fariss, Community Affairs Division Director at (512) 475-3897.

Sincerely,

Michael Gerber
Executive Director

MG:wfh

Enclosures

cc: Brooke Boston, Deputy Executive Director
E. E. Fariss, Director, Community Affairs Division
Willie Faye Hurd, Section 8 Program Manager

Part I, Tenant File Sample Review Results

Finding 1 – Inadequate application and reexamination package.

Condition:

The Housing Authority does not have an adequate Application/re-exam package to determine income and deductions. The Housing Authority cannot document that they are requesting information that is required to accurately calculate income and rent.

Corrective Action:

The Department has revised the Personal Declaration to obtain information regarding childcare expenses, medical expenses, full time student status, and all forms of assets to make correct income and rent determinations. The Personal Declaration is completed and signed by the tenant in their own handwriting. A copy of the revised form is enclosed.

Systemic Administrative Errors:

Condition:

The Upfront Income Verification sources are not being used to determine annual income.

Corrective Action:

The Department has revised Standard Operating Procedure 2303.02, Security Procedure Guidelines For Enterprise Income Verification (EIV) System. The procedure for providing the local operator UIV information prior to the family's appointment for annual reexamination is stated in section 5.6. which is listed below:

5.6 Staff Use of EIV Documentation

5.6.1. HCVP staff will utilize documentation from the EIV system to process new admissions, annual reexaminations, and interim changes.

5.6.2. HCVP staff will review EIV documentation for 1) potential use as income verification, and 2) detection of income fraud.

5.6.3. New admissions/ Portability Move In.: The Financial Services Facilitator will print EIV screen verifying tenant is new to the program.

5.6.4. Annual reexaminations: Forty five (45) days prior to annual reexamination the PIC Administrator/Regional Coordinator will print a master copy of the

EIV report for the renewal month. The report will be forwarded to Regional Coordinators to be sorted by local operator area.

5.6.5. The Regional Coordinator will review the report to ensure each family has a printout consistent with the HAPPY annual reexamination report. Verified EIV reports will be faxed/mailed to the Local Operators prior to the family's appointment for the annual reexamination to compare with the family's declaration of income, assets, and deductions.

5.6.6. If an EIV report is missing, the Regional Coordinator will review the current 50058 in PIC system to determine corrective action. A corrected 50058 will be resubmitted on the program submission day to generate the missing report.

5.6.7. The Regional Coordinator will check the EIV system three (3) days from the program submission day to ensure successful transmission. The Regional Coordinator will forward, by fax or mail, the missing EIV report to the Local Operator prior to the family's appointment for the annual reexamination.

PERSONAL DECLARATION
STATEWIDE HOUSING ASSISTANCE PAYMENTS PROGRAM

THIS FORM MUST BE COMPLETED IN YOUR OWN HANDWRITING. YOU MUST USE THE CORRECT LEGAL NAME FOR EACH MEMBER OF YOUR HOUSEHOLD. ALL ADULT MEMBERS OF THE HOUSEHOLD MUST SIGN BELOW CERTIFYING THE INFORMATION PERTAINING TO THEM. PLEASE PRINT.

I. HOUSEHOLD COMPOSITION: **List all persons who will be living in your home, listing head of household first.**

ADULTS (LEGAL NAME)	DATE OF BIRTH	Social Security #	RELATIONSHIP TO HEAD OF HOUSEHOLD	DISABLED?	FULL TIME STUDENT?	SCHOOL NAME
1.				☐ YES ☐ NO	☐ YES ☐ NO	
2.				☐ YES ☐ NO	☐ YES ☐ NO	
3.				☐ YES ☐ NO	☐ YES ☐ NO	
4.				☐ YES ☐ NO	☐ YES ☐ NO	
CHILDREN (Name as it appears on social security card)						
1.				☐ YES ☐ NO	☐ YES ☐ NO	
2.				☐ YES ☐ NO	☐ YES ☐ NO	
3.				☐ YES ☐ NO	☐ YES ☐ NO	
4.				☐ YES ☐ NO	☐ YES ☐ NO	
				☐ YES ☐ NO	☐ YES ☐ NO	
6.				☐ YES ☐ NO	☐ YES ☐ NO	

Do you or anyone in your household pay for child care? ☐ YES ☐ NO
If yes, for which child/children?__________________ How much per month?______________

Does anyone else pay child care for you? ☐ YES ☐ NO
If yes, who helps pay this for you? ______________________________

Does anyone in your household pay for medical bills? ? ☐ YES ☐ NO
If yes, who?__________________________ How much per month?______________________

II. TOTAL HOUSEHOLD INCOME: **List all money earned or received by everyone living in your household. This includes money from wages, self-employment, child support, contributions, Social Security, disability payments (SSI), Workman's Compensation, retirement benefits, TANF, Veterans benefits, rental property income, stock dividends, income from bank accounts, alimony, and all other sources.**

LIST AMOUNTS RECEIVED BELOW

HOUSEHOLD MEMBER	EMPLOYER	TOTAL WEEKLY WAGES	TANF	CHILD SUPPORT MONTHLY	SOCIAL SECURITY BENEFITS	UNEMPLOYEMENT BENEFITS	ALL OTHER INCOME
1.							
2.							
3.							

ARE YOU OR ANYONE IN YOUR HOUSEHOLD SELF EMPLOYED?
☐ YES ☐ NO

II. TOTAL HOUSEHOLD ASSETS:

Do you or any household member own or have an interest in any real estate, boat, and/or mobile home?
☐ YES ☐ NO If yes, explain

Have you sold any real estate in the last two years?
☐ YES ☐ NO If yes, explain

Do you own any stocks, bonds, savings certificates, money market funds or other investment accounts?
☐ YES ☐ NO If yes, please list.

Do you own an IRA, Keogh or any other similar retirement savings accounts?
☐ YES ☐ NO If yes, please list.

Do you have any savings or checking accounts?
☐ YES ☐ NO If yes, please list bank name, address and amount.

Do you own any personal property held as an investment such as gems, jewelry, coin collections, antique cars?
☐ YES ☐ NO If yes, please list.

1. Does anyone outside of your household pay for any of your bills or give you money?
☐ YES ☐ NO If yes, explain

2. Have you or any other adult members ever used any name(s) or Social Security number(s) other than the one you are currently using? ☐ YES ☐ NO If yes, explain.

3. Have you or any member lived in any assisted housing? ☐ YES ☐ NO
If yes, list where and when

4. Have you or anyone in your household ever been convicted of any crime other than traffic violations? ☐ YES ☐ NO If yes, explain

5. Have you ever committed any fraud in a Federally assisted housing program or been requested to repay money for knowingly misrepresenting information for such housing programs?
☐ YES ☐ NO If yes, explain

I, do hereby swear and attest that all of the information above about me is true and correct. I also understand that <u>all changes</u> in the income of any member of the household as well as <u>any changes</u> in household members must be reported to the Local Operator in <u>WRITING IMMEDIATELY.</u>

Signature of Head of Household	Date	Signature of Spouse	Date
Phone Number			
Signature of Other Adult	Date	Signature of Other Adult	Date

WARNING: TITLE 18, SECTION 1001 OF THE UNITED SATES CODE, STATES THAT A PERSON IS GUILTY OF A FELONY FOR KNOWINGLY AND WILLINGLY MAKING FALSE OR FRAUDULENT STATEMENTS TO ANY DEPARTMENT OR AGENCY OF THE UNITED STATES.

Part II, Tenant File Error Chart

Attached is documentation for the corrective action taken for the following files:

Michael Bove (EIV)
Amanda Childs
Charlene Henderson
Kimberly Jackson (EIV)
Simia Jackson (EIV)
Shandle James (EIV)
Mattie Ray
Estefana Sanchez
Brenda Watkins

Michael Bove (EIV)

Error

Tenant claimed he did not work at all the employers reported in EIV however, the PHA has not attempted third party verification.

Corrective Action

PHA must contact all employers listed on the EIV for third party verification of employment and recalculate rent accordingly. If the income and rent change as a result of the third party verification, PHA must calculate any back rent owed and notify tenant.

Documents to Clear

Provide copies of the third party verification received from all employers and copies of corrected 50058 and notification to tenant if required:

Program Response

Program staff conducted third party verification with all employers, except one whose telephone number was disconnected, for which Michael Bove's social security number was used. A copy of the documentation is attached.

Staff determined that Michael Bove's original application information was correct, that other parties were using his social security number, and that currently, his only income is TANF. A corrected 50058 and notification to the tenant is not required.

AMANDA CHILDS

Error(s)

(1)PHA miscalculated child support income for Darienne by using the tenant provided information instead of third party verification. This resulted in a change of income from $8,280 to $5,700

(2) PHA miscalculated utility allowance by giving the family the $10 flat fee for gas instead of the $5.34 flat fee for electric.

(3) The 214 Declaration for Darienne does not have the status marked.

Corrective Action

The PHA must correct the amounts for the income and utility allowance and notify the tenant of the change in utility reimbursement from $53 to $117. The PHA must also have the family declare the citizenship status for Darienne.

Documents to Clear:

Provide a copy of the corrected 50058, notification to tenant of change in rent, and the completed 214 Declaration for Darienne.

Program Response

Program staff disagree with error number one (1) based on the following determination and documentation:

Printouts from Child Support Interactive, third party verification, on Darienne & Zachary Childs, CIN#30640276, documented the same amounts. The information from the 11/16/06 printout showed the last payment of child support was for 1/26/06. This verification was too old to apply to tenant's current annual reexamination of 12/1/06. The tenant's certification of $365 per month ($4,380.00) was the most current verification of income.

In addition, the printout from Child Support Interactive on Dalton White, CIN#10794026, revealed no amounts. Again, there was no third party information available. The tenant's certification of $325 per month (3900.00) was used as current verification of income.

Total verified income is $8,280.00

Error (2)

The utility allowance was changed from $388.00 to $383.00. The HAP and utility reimbursement did not change. The calculation worksheet is enclosed.

Error (3)

The completed 214 Declaration for Darienne is enclosed.

CHARLENE HENDERSON

Error

PHA miscalculated child support income. PHA used $205 per month for Fentyria. Verification in file shows average of $97.29 bi-monthly. This changed the annual income from $4,380 to $4,255 and utility reimbursement from $28 to $31.

Corrective Action

PHA must notify the tenant of the change in rent and must submit a corrected 50058.

Documents to Clear:

Copy of letter to tenant and corrected 50058.

Program Response

PHA agrees. A copy of the notification of utility adjustment sent to the tenant and the corrected 50058 is attached.

KIMBERLY JACKSON (EIV)

Error(s)

(1) The PHA did not count the income from JP Morgan although the EIV and third party showed the income.

(2) The child support income was calculated using 24 pay periods but should have been 26 pay periods.

Corrective Action

The PHA must correct the annual income and submit a corrected 50058. The tenant cannot be charged for back rent since this was PHA error.

Documents to Clear

Provide a copy of the corrected 50058.

Program Response:

PHA agrees. PHA reverified and recalculated income. A copy of the calculation sheet and corrected 50058 is attached.

SIMIA JACKSON (EIV)

Error

Tenant didn't report income from 2nd source of employment. The income for the second job was reflected on the EIV and the printout from the State Wage source.

Corrective Action

PHA must correct the annual income and determine the amount of back rent owed by the tenant.

Documents to Clear

Provide a copy of the determination of rent owed and notification to tenant.

Program Response

PHA agrees. PHA recalculated annual income and provided notification to tenant. A copy of the calculation sheet and notification to tenant is attached.

SHANDLE JAMES

Error(2)

(1) PHA did not verify income of Teshawna James and James Williams and the family did not disclose the wage information at the time of reexamination.

(2) PHA used the wrong payment standard. It should have been $990 instead of $1,060.

Corrective Action

The PHA must obtain third party verification of wages for Teshawna and James and determine back rent owed. A new 50058 must be completed to show current income and correct rent calculation. The payment standard must be corrected.

Documents to Clear

Provide a copy of the corrected 50058 and a copy of the letter to the family notifying them of the amount of back rent owed.

Program Response

PHA agrees. PHA recalculated income and provided notification to the tenant. A copy of the corrected 50058 and letter notifying tenant of overpayment is attached.

MATTIE RAY

Error(s)

(1) PHA miscalculated wage income by using multiple years of pay stubs instead of the 6 pay stubs as required by procedures. This resulted in an income change from $8,408 to $10,344 and rent change from $15 to $52.

(2) Utility allowance is incorrect. PHA did not give tenant the allowance for the range. This resulted in a utility allowance of $202 instead of $195.

Corrective Action

PHA must correct the annual income and utility allowance and provide notice to tenant of rent change.

Documents to Clear

Provide copy of 50058 that shows corrected income and utility allowance. Also provide a copy of the letter to tenant notifying them of the change in rent.

Program Response

PHA agrees. PHA recalculated income and changed utility allowance. A copy of the 50058 for the interim adjustment and notification to the tenant is attached.

ESTEFANA SANCHEZ

Error

Tenant did not complete the asset portion of the reexamination questionnaire.

Corrective Action

The PHA needs to have the tenant complete the asset portion of the declaration.

Document to Clear

Provide a copy of the completed declaration.

Program Response

A copy of the completed declaration is attached.

BRENDA WATKINS

Error

Tenant did not respond to the asset questions on the personal declaration.

Corrective Action

The PHA must have the tenant complete the asset portion of the personal declaration.

Document to Clear
Provide a copy of completed personal declaration.

Program Response

A copy of the completed declaration is attached.

Internal Audit Division

BOARD ACTION REQUEST

September 13, 2007

Action Items

Presentation and Discussion of Audit Results of State Auditor's Office Classification Audit of TDHCA

Required Action

None, informational only.

Background and Audit Results

The purpose of the SAO's Classification Audit is to determine whether the Department conforms to the State's Classification Plan in ensuring proper classification of positions. The audit reviewed 250 positions and found that 8 (3%) were misclassified. The SAO recommended that:

- 5 positions be reclassified to other job classification series
- 2 positions be reclassified within the same series but at a higher salary group (at a cost to the department of $10,500); and
- 1 position's job duties be restructured.

In addition, the SAO recommended that the Department revise its classification policies to require supervisors to review each employee's job duties and job descriptions during their annual performance evaluations. The SAO also plans to review the department's Program Specialist positions (69 or 27% of all positions) in fiscal year 2008 to determine if a new classification series should be added to the State's Classification Plan to address real estate positions such as loan officers or underwriters.

Recommendation

No action is required.

Texas Department of Housing and Community Affairs

SAO Classification Audit of TDHCA
Released June 12, 2007

State Auditor's Office

John Keel, CPA
State Auditor

A Classification Compliance Review Report on the

Department of Housing and Community Affairs

June 12, 2007

Members of the Legislative Audit Committee:

Ninety-seven percent of the employee positions reviewed at the Department of Housing and Community Affairs (Department) were appropriately classified within the State's Classification Plan. The Department has taken appropriate actions to address the employee positions that were misclassified.

The Department has policies and procedures to review and monitor its classification of positions. These policies and procedures include a formal job classification policy, a process to review and revise internal job descriptions, and a process to review job classifications prior to the posting of job vacancy notices. This helps to ensure compliance with the State's Classification Plan. The State Auditor's Office's State Classification Team noted, however, that the Department should update its classification policy and revise its process of reviewing internal job descriptions.

Of the 250 employee positions reviewed, 242 (97 Percent) were classified appropriately.

The 250 employee positions reviewed covered 13 occupational categories and 33 job classification series. To address the eight employee positions that were misclassified, the Department chose to:

- Reclassify five employee positions to other job classification series (see table 2 in the attachment to this letter for additional details).
- Reclassify two employee positions within their same classification series but at job classifications with a higher salary group (see table 3 in the attachment to this letter for additional details).
- Restructure job duties for one employee position (see table 4 in the attachment to this letter for additional details).

Background Information

The Department has three core business functions:

- Provide housing and community services assistance.
- Regulate the manufactured housing industry.
- Act as an informational resource.

The Department has participated in two recent statewide classification compliance reviews:

- *A Classification Compliance Review Report on the State's Attorney, Assistant Attorney General, and General Counsel Positions*, State Auditor's Office Report No. 07-709, March 2007.
- *A Classification Compliance Review Report on the State's Inspector and Investigator Positions*, State Auditor's Office Report No. 06-702, January 2006.

Employees within the scope of the reviews listed above where not included in this review.

Definitions

Job Classification - An individual job within a job classification series. Each job classification has a corresponding salary group assignment appropriate for the type and level of work being performed.

Job Classification Series - A hierarchical structure of jobs arranged into job classification titles involving work of the same nature but requiring different levels of responsibility.

Occupational Category - A broad series of job families also known as job classification series characterized by the nature of the work performed.

Salary Group - A specified level within a salary schedule made up of a salary range with a minimum and maximum salary rate. Assignment of salary groups is based on the type and level of work being performed.

Reclassification - The act of changing a position from one job classification to another job classification that better reflects the level or type of work being performed.

SAO Report No. 07-710

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As a result of the reclassifications, two employees received salary increases. This will cost the Department $10,500 annually. No employees received salary decreases as a result of this review.

Many Program Specialists at the Department perform duties related to real estate.

The most common job classification series at the Department is Program Specialist: 69 positions (27 percent of all positions) are classified in this series. Because many of the Department's Program Specialists perform duties related to real estate, the Department, along with the State Auditor's Office's State Classification Team, will review these positions during fiscal year 2008 to determine whether it would be appropriate to add new job classification series such as Loan Officer or Underwriter to the State's Classification Plan. Adding new job classification series could enable the Department to classify positions more accurately.

The Department should review positions annually.

The Department should update its classification policy to ensure that it reviews positions annually in a manner that is consistent with Texas Government Code, Section 654.0155. This may include asking supervisors to review employees' job duties, as well as employees' functional job descriptions, during employees' annual performance evaluations. Reviewing positions annually would help to ensure that positions are classified accurately and, therefore, that employee salaries align with their actual responsibilities.

Importance of Proper Classification of Employee Positions

Appropriate job classifications are important in determining salary rates that are competitive for the nature of the work performed. Misclassified positions may result in an agency underpaying or overpaying employees for the nature of work being performed.

We appreciate the Department's cooperation during this review, and its responses are included in the attachment to this letter. If you have any questions, please contact Nicole Guerrero, Audit Manager, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

Attachment

cc: Members of the Department of Housing and Community Affairs Governing Board
Ms. Elizabeth "Beth" Anderson
Mr. Shadrick Bogany
Mr. C. Kent Conine
Mr. Dionicio Vidal "Sonny" Flores
Ms. Gloria L. Ray
Mr. Norberto Salinas
Mr. Michael Gerber, Executive Director, Department of Housing and Community Affairs

Attachment

Part 1
Positions Reviewed

Table 1 presents the occupational categories and job classification series reviewed at the Department of Housing and Community Affairs (Department), as well as the number of positions that were misclassified.

Table 1

Summary of Employee Positions Reviewed		
Occupational Category/ Job Classification Series	Number of Employee Positions Reviewed	Number of Employee Positions Misclassified
Accounting, Auditing, and Finance		
Accountant	19	0
Accounts Examiner	1	0
Accounting Technician	3	0
Budget Analyst	1	0
Financial Analyst	2	0
Auditor	36	0
Total Accounting, Auditing, and Finance	**62**	**0**
Administrative Support		
Administrative Assistant	24	2
Executive Assistant	9	0
Customer Service Representative	4	1
Total Administrative Support	**37**	**3**
Human Resources		
Human Resources Specialist	3	0
Training Specialist	1	0
Total Human Resources	**4**	**0**
Information Technology		
Business Continuity Coordinator	1	0
Data Base Administrator	4	0
Programmer	7	1
Systems Analyst	8	0
Total Information Technology	**20**	**1**

Summary of Employee Positions Reviewed		
Occupational Category/ Job Classification Series	Number of Employee Positions Reviewed	Number of Employee Positions Misclassified
Inspectors and Investigators		
Investigator	2	0
Total Inspectors and Investigators [a]	**2**	**0**
Legal		
General Counsel	1	0
Legal Assistant	1	0
Total Legal [a]	**2**	**0**
Library and Archives		
Archivist	1	0
Total Library and Archives	**1**	**0**
Office Services		
Printing Services Technician	1	1
Total Office Services	**1**	**1**
Planning, Research, and Statistics		
Planner	5	0
Research Specialist	2	0
Statistician	1	1
Total Planning, Research, and Statistics	**8**	**1**
Procedures and Information		
Information Specialist	1	0
Government Relations Specialist	2	0
Total Procedures and Information	**3**	**0**
Program Management		
Manager	14	2
Director	16	0
Program Specialist	69	0
Staff Services Officer	2	0
Total Program Management	**101**	**2**

Summary of Employee Positions Reviewed		
Occupational Category/ Job Classification Series	Number of Employee Positions Reviewed	Number of Employee Positions Misclassified
Property Management and Purchasing		
Contract Specialist	4	0
Property Manager	1	0
Purchaser	3	0
Total Property Management/Purchasing	**8**	**0**
Safety		
Risk Management Specialist	1	0
Total Safety	**1**	**0**
Totals for all positions reviewed	**250**	**8**

[a] Includes only employees who were not included in previous Inspector and Investigator and Legal classification compliance audits (see *A Classification Compliance Review Report on the State's Attorney, Assistant Attorney General, and General Counsel Positions*, State Auditor's Office Report No. 07-709, March 2007 and *A Classification Compliance Review Report on the State's Inspector and Investigator Positions*, State Auditor's Office Report No. 06-702, January 2006).

Analysis of Misclassified Positions

Tables 2, 3, and 4 identify the employee positions that were misclassified and how the Department addressed the misclassifications. To protect the confidentiality of the employees whose positions were misclassified, each employee was assigned a position number.

Table 2 lists the five employee positions reclassified into a different job classification series.

Table 2

Positions Reclassified into Different Job Classification Series		
Position Number	Current Job Classification Title	Job Classification Title After Reclassification
1	Statistician III	Management Analyst II
2	Customer Service Representative III	Administrative Assistant III
3	Printing Services Technician IV	Administrative Assistant III
4	Programmer VI	Systems Analyst V
5	Administrative Assistant III	Customer Service Representative III

Table 3 lists the two employee positions the Department reclassified within the same job classification series but at job classifications with higher salary groups.

Table 3

Positions Reclassified Within Their Same Job Classification Series		
Position Number	Current Job Classification Title	Job Classification Title After Reclassification
6	Manager III	Manager IV
7	Manager III	Manager IV

Table 4 lists the employee position the Department restructured so that the incumbent could remain within their current job classification series.

Table 4

Position Restructured to Remain in Current Job Classification Series	
Position Number	**Current Job Classification Title**
8	Administrative Assistant IV

Appendix

Objective, Scope, and Methodology

Objective

The objective of this classification compliance review was to determine whether the Department of Housing and Community Affairs (Department) conforms to the State's Classification Plan in ensuring proper classification of positions.

Scope

The scope of this review included all classified employees employed by the Department.

Methodology

In determining whether positions were appropriately classified, the following were reviewed:

- State job descriptions.
- Surveys completed by employees and verified by their supervisors.
- Internal salary relationships.

The State Auditor's Office's State Classification Team (Classification Team) evaluates jobs on a "whole job" basis to determine proper job classifications. These determinations are primarily based on the comparison of duties and responsibilities of the majority of work being performed against the state job description.

When determining proper classification, the Classification Team does not focus on specific differences between one level and the next level in a job classification series (for example, Maintenance Technician I versus Maintenance Technician II). Instead, the Classification Team considers whether an employee is appropriately classified within broad responsibility levels, such as Staff Maintenance Technician versus Senior Maintenance Technician.

The Classification Team has an automated job evaluation process. The Classification Team populated a database with information regarding the employees whose positions were reviewed. Staff in the Department's human resources department verified the information in the database to ensure that all positions were included. Employees were then asked to complete online surveys describing the work they perform and the percentage of time they spend performing their duties. Supervisors were asked to review and verify employees' survey responses.

Completed survey results were entered into the automated job evaluation system, which made an initial determination of whether the positions were appropriately classified. The Department then had the opportunity to review and address potential misclassifications.

The Classification Team made follow-up calls to determine and validate proper classification of positions and to gather additional information to resolve discrepancies.

This project was a review; therefore, the information in this report was not subjected to all the tests and confirmations that would be performed in an audit. However, the information in this report was subject to certain quality control procedures to ensure accuracy and compliance with the generally accepted compensation practices.

Project Information

This review was conducted under the requirements of Texas Government Code, Section 654.036 (3).

The following employees of the State Auditor's Office staff prepared this report:

- Sharon Schneider, PHR (Project Manager)
- Christine Bailey, CCP
- Charles P. Dunlap, Jr., CPA (Quality Control Reviewer)
- Nicole M.Guerrero, MBA, CGAP (Audit Manager)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

June 1, 2007

Ms. Sharon Schneider
Project Manager
State Auditor's Office
P. O. Box 12067
Austin, TX 78711-2067

Dear Ms. Schneider:

We have reviewed the draft report for the Classification Compliance Audit that was conducted for TDHCA and concur with the noted recommendations.

We agree with the recommendation of adding a new job classification series such as Loan Officer or Underwriter to the State's Class Plan during fiscal year 2008 when a review of positions is conducted. We plan to update our classification policy immediately to insure consistency with Government code, section 654.0155, which will include asking supervisors to review employees' job duties, as well as their functional job descriptions, at the time annual performance evaluations are conducted.

We appreciate your assistance and guidance during the review of position classifications for our agency.

Sincerely,

Michael G. Gerber
Executive Director

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Internal Audit Division

BOARD ACTION REQUEST

September 13, 2007

Action Items

Presentation of the Status of Prior Audit Issues

Required Action

Review the Status of Prior Audit Issues

Background

The Status of Prior Audit Issues provides an overview of the status of prior audit issues reported by TDHCA's Internal Audit Division (IAD), external auditors, State oversight agencies, and funding source monitors. Prior audit issues are considered closed and are removed from future reports once management reports that the audit issues are implemented or otherwise resolved or when IAD or other external auditors/monitors independently determine that an issue has been resolved.

Issues reported by management as implemented or otherwise resolved remain as open issues on IAD's tracking system until the issues are determined to be resolved by IAD or another independent auditor.

- Of fifty-seven closed audit issues, thirty-one have been reported as implemented or partially implemented but have not yet been verified by the IAD. An additional twenty-six closed issues have been independently verified. (The closed audit issues are not reflected in the attached report.)

- Seventeen of thirty-one prior audit issues are still pending. The remaining fourteen issues are being reported by management as implemented but have not been verified. Progress on addressing the remaining audit issues is generally considered satisfactory. All thirty-one issues are reflected in the attached report. Seven of the thirty-one issues relate to Manufactured Housing and have been reported to the Manufactured Housing Board.

Recommendation

No action is required.

Texas Department of Housing and Community Affairs

Status of Prior Audit Issues

Texas Department of Housing and Community Affairs - Summary Report of Prior Audit Issues

(except those prior audit issues previously reported as implemented or otherwise resolved)

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
403	06/02/06	OCI Draw processing and Subrecipient Monitoring Function for CFD	Px	06/02/06	08/31/06
	IA	Consideration of the OCI Contract for Deed programs' draw processing and subrecipient Monitoring functions from January 1, 2005 to June 2, 2006	Px	09/14/06	09/30/06
			Px	11/28/06	12/31/06
			Px	01/09/07	03/31/07
			Px	03/02/07	04/30/07
			Px	04/23/07	06/30/07
			Px	05/17/07	06/30/07
			Px	06/25/07	07/31/07
			Px	07/26/07	08/31/07
			Px	08/24/07	09/28/07

Division: Office of Colonia Initiatives

Issue: During the course of our review the following compliance exceptions were noted:

- Office of Colonia Initiatives (OCI) is not meeting the 400 CFD conversions per biennium required by General Appropriations Act riders.
- OCI is not implementing the guaranteed Contract for Deed Conversion Program required by Tex. Gov. Code Ann. § 2306.255.
- The CACST contract # 530021 has been servicing all the contract for deeds that had been converted to first lien notes and warranty deeds rather than sending payments to the Department for servicing. Additionally, mortgage liens are in the name of CACST rather than the Department. While contract terms reserves the Department's right to permit the Administrator to retain interest or return on investment of HOME funds for additional eligible activities by the Administrator, there was not adequate documentation in the files to support the Department granting this right to the Administrator. Section 21.3 of the contract states an Administrator agrees that all repayments (of loans), including all interest and any other return on the investment of HOME funds will be made to the Department.

We recommend the Department develop strategies to address each of these compliance issues.

Status: 08/24/07 - The transfer documents were mailed via overnight mail to CACST on August 22, 2007 for signature and recording. Letters were mailed on 8/20/2007 to all borrowers informing them that all payments need to be remitted to TDHCA. A meeting has been scheduled for 9/4/2007 with PM to discuss the transfer of the file.

07/26/07 - All of the documentation necessary to transfer the first lien position from CACST to TDHCA on all of the loans has been submitted to the Legal Division for preparation. OCI has scheduled a meeting with PMC on 7/31/07 to discuss entry of loans into IDIS system and other issues of management transfer of this contract.

06/25/07 - The OCI conducted a technical assistance visit to the Community Action Council of South Texas (CACST) on 6/13/07. All information necessary to transfer the first lien position from CACST to TDHCA on all of the loans was collected at that time. This documentation will be prepared and routed to the TDHCA legal division to process the documents. The completion of this task will end the direct involvement of OCI with this contract.

The Contract for Deed Conversion Program has been transferred out of OCI to PMC and the HOME Divisions. PMC will be responsible for determining the amount of program income that will need to be refunded to TDHCA as well as the amount of eligible expenses that can be reimbursed to CACST.

05/17/07 - Letter sent to Community Action Council of South Texas (CACST) requesting additional information in order to prepare the transfer lien documentation.

04/23/07 - The OCI has withheld payments on this contract until all matters regarding this file have been addressed, such as program income and other contractual requirements. The OCI met with Portfolio Management and Compliance (PMC) and HOME divisions in April to discuss concerns regarding the adequacy of documentation supporting draws paid in 2003 and 2004. The OCI will send another letter on 4/30/2007 requesting additional information and will conduct an on-site visit in May in an attempt to resolve this issue.

03/02/07 -CACST has sent some of the original loan documenation the Department requested. OCI is currently reviewing the documentation to determine the remaining documents the Department needs. Once all required documentation is received, TDHCA legal department will begin preparing the necessary legal documents to transfer the loans to TDHCA.

01/09/07 - OCI has requested from CACST all of the original loan documentation necessary to transfer the liens from CACST to the Department. This information was requested on 12/6/2006 and has not yet been received; the OCI expects all of the information to be received by 1/31/2007. Once the information is received, a request for a transfer of the liens will be made to the Legal Division; the SOPs of the Legal Division indicate that it will take up to 30 days to transfer the liens. OCI anticipates that this issue will be resolved by 3/5/2007. OCI expects to be able to close CFDC Contract No. 530021 with CACST by 3/31/2007.

11/28/06 - CACST has been informed by OCI that the permission they received was not valid and that they would have to transfer the liens to the Department. CACST agreed to do so after an arrangement was reached for the legal duties concerning the transfers to be carried out by the Department’s Legal Division.

09/14/06 - In September 2006 OCI received a response to the monitoring issues letter sent to Community Action Council of South Texas in June 2006. OCI is in the process of evaluating the response. No drawdowns will be approved until the CA resolves the outstanding issues.

06/02/06 - The OCI cannot meet the 400 required contracts for deed conversions due to the amount and source of funding dedicated to this program. The HOME Investment Partnership Program requires the home to meet a certain standard which requires additional funds. Utilizing $4,000,000 of HOME funds will only provide approximately 80 contracts for deed conversions considering the required costs of rehabilitation necessary to bring the properties up to minimum standards. The Department will need to set-aside approximately $20,000,000 of HOME funds to meet this mandate which represents approximately half (1/2) of the total HOME allocation to the Department.

The OCI implemented the Contract for Deed Conversion Loan Guarantee Program in 2003. The Department entered into a partnership with Lone Star National Bank (the “Bank”) to implement this initiative. The Bank converted the contracts for deed and carried the lien with the Department entering into a Guaranty Agreement with the Bank. The Legislation governing this program identified the HOME funds as the funding source. The HOME Program rules allow loan guarantees to stand for 2 years only. The OCI struggled with the Bank to originate these loans. The housing conditions and the amount of the loans discouraged the Bank from participating in this program. Many other lenders voiced the same concerns.

The OCI assumed the Community Action Council of South Texas (CACST) contract #530021 in January 2005. The OCI does not plan to process the last draw under this contract until all issues such as transferring the notes and deeds of trust to the Department and program income have

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
413	08/31/06	OCI Draw processing and Subrecipient Monitoring Function for SHC	Px	08/31/06	01/31/07
	IA	Consideration of the OCI Self-Help Center program's subrecipient monitoring and draw processing functions from January 2005 to June 2006	Px	11/22/06	01/31/07
			Px	01/08/07	01/31/07
			Px	02/22/07	03/31/07
			Px	04/19/07	04/27/07
			Px	06/25/07	08/15/07
			Px	07/26/07	09/28/07
			Px	08/24/07	09/28/07

Division: Office of Colonia Initiatives

Issue: Assess On-site Monitoring Options - OCI relies upon Office of Rural Community Affairs (ORCA) to conduct on-site monitoring visits. However, the Department has not contracted with ORCA to conduct on-site monitoring visits and the timing, nature and extent of ORCA's on-site monitoring visits may not be sufficient to reduce the risk of subrecipients' non-compliance or non-performance to a level acceptable to the Department.

The Department should assess its options relating to on-site monitoring visits to fulfill its subrecipient monitoring responsibilities, including developing an on-site monitoring function internally, utilizing the Department's Portfolio Management and Compliance Division's existing monitoring function, or contracting with ORCA or other third party to conduct on-site monitoring on behalf of the Department. Regardless of the option pursued, the Department should clearly define the monitoring goals and objectives to be achieved and ensure that controls are in place and operating effectively to provide reasonable assurance that they are achieved and that subrecipients comply with laws, regulations and the provisions of contracts or grant agreements and that performance goals are achieved.

Status: 08/24/07- The ORCA Executive Committee approved ORCA's version of the MOU at their 7/26/07 meeting . OCI's version will be taken to the TDHCA Governing Board's meeting on 9/13/07. The MOU will reflect that the monitoring will be done by TDHCA and not by ORCA. The Portfolio Management and Compliance Division will monitor these contracts and will incorporate within their existing monitoring processes.

07/26/07 - On 7/25/07 OCI met with ORCA to negotiate the MOU. The ORCA Executive Committee will approve ORCA's version of the MOU at their 7/26/07 meeting. OCI's version will be taken to the TDHCA Governing Board's meeting on 9/13/07. A final version will then be negotiated and fully executed by the Executive Directors of the respective agencies.

06/25/07 - Executive made the determination that ORCA should continue to monitor the Colonia SHC contracts. This decision is contingent upon implementing changes to the existing MOU with ORCA that will satisfy the monitoring needs and obligations of both TDHCA and ORCA for Community Development Block Grant funding. A draft of the revisions is anticipated to be routed internally through the legal and executive divisions by the first week of July in order to negotiate the final terms of the 2007-08 MOU with ORCA. The plan is to have the new MOU in place prior to the expiration of the current MOU on August 31, 2007.

04/19/07 - A meeting has been scheduled with Executive for late April to make a decision regarding who will monitor the Self-Help Center contracts: ORCA, PMC or an outside 3rd party. OCI has developed Standard Operating Procedures (SOP) to expand upon the on-site monitoring functions of an entity separate from OCI. Oversight procedures including on-site visits and safeguards such as checklists have been created for OCI staff to ensure that SHC goals and objectives are achieved and that subrecipients comply with all applicable regulations.

02/22/07- OCI is scheduled to meet with Executive to discuss issues relating to PMC assuming the responsibility of conducting the on-site monitoring for the SHC's and if on-site monitoring for the SHC's should continue to be conducted by ORCA.

01/08/07 - Preliminary discussions were held with PMC and Executive to discuss combining monitoring of all CDBG funds being performed by PMC.

11/22/06 - In August 2006, the Department proposed and its Governing Board approved a Memorandum of Understanding between TDHCA and ORCA regarding management of CDBG funds for the Colonia Self-Help Center Program. While TDHCA has not contracted with ORCA for the sole purpose of on-site monitoring visits, OCI intends to amend the MOU to formalize the roles and responsibilities of the oversight and monitoring between TDHCA and ORCA if it is the Department's intent to continue to allow ORCA to provide the monitoring services. In October 2006, OCI staff participated in working sessions with management to develop a list of SOPS's that will be specific to the OCI framework. Finalization of the SOPs for monitoring and oversight is planned in January 2007. In December 2006 OCI intends to Initiate a meeting with Legal staff and other appropriate staff to define the oversight role that will work best for the Department and, if necessary, amend the existing MOU in January 2007 to reflect oversight role(s) between ORCA/OCI staff.

08/31/06 - The Department recognizes the need to formalize the services with an executed contract if ORCA continues to provide the services. The Department will assess its options and develop either an on-site monitoring function for the self-help center program internally, utilize the Department's Portfolio Management and Compliance Divisions existing monitoring function or contract with ORCA or other party to conduct on-site monitoring on behalf of the Department.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
417	12/19/06 Deloitte & Touche	Report to Management for the Year Ended August 31, 2006 Annual independent audit of the Department's general purpose financial statements	Px	12/19/06	12/31/07

Division: Financial Administration - Accounting Operations

Issue: Recently Issued Government Accounting Standards Board ("GASB") Statements
Begin reviewing the new GASB Statements No. 45, 47, 48 and 49 and their implications to determine the potential impact on the TDHCA's financial statements.

Status: 12/19/06 - Management will proactively review GASB Statements No. 45, 47, 48 and 49 for their potential implications for TDHCA's financial statements.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
421	12/19/06 Deloitte & Touche	Report to Management for the Year Ended August 31, 2006 Annual independent audit of the Department's general purpose financial statements	Px Ix	12/19/06 06/25/07	05/31/07

Division: Information Systems

Issue: Change Management – Peoplesoft and Segregation of Duties

It was noted that for the two application changes made to PeopleSoft, documentation was provided to evidence communication between the PeopleSoft administrator and the end users involved with the change. However, TDHCA was unable to provide documentation to evidence management approval and successful testing within a testing environment prior to movement to production.

In addition, it was noted that TDHCA has one PeopleSoft administrator with access to both the development and production environments.

Management should develop formal policies and procedures that detail the testing procedures required to be performed for changes made to the PeopleSoft application. Additionally, management should indicate what types of supporting documentation should be maintained, and how long it should be maintained. Management should consider implementing formal internal auditing processes to verify that the testing policies and procedures are being complied with. Required approval procedures by a supervisor should be established to ensure that all changes moved into production are authorized and adequately tested.

Further, management should ensure that access to information resources is restricted based upon job responsibilities to help enforce proper segregation of duties and reduce the risk of unauthorized systems access.

Status: 06/25/07 - TDHCA has implemented the PeopleSoft Object Change Report which is reviewed by Management on a monthly basis.

12/19/06 - Management has discussed these two exceptions and the need to follow established software change management procedure with appropriate ISD employees and will continue to monitor compliance. Because of the size of the Department’s ISD and the number of systems supported, the two PeopleSoft Financials system administrators also perform development functions. The Department currently uses a third-party process to monitor the movement of changes to system code to production environments for all agency development platforms, including PeopleSoft Financials.

In addition to the existing control described above, in May 2007 management will implement a PeopleSoft object change report to be reviewed by the Director of Information Systems on a monthly basis. The report will list all instances where PeopleSoft code is changed in the production environment. The Director of Information Systems will reconcile the report to completed Software Change Acceptance forms to ensure that all changes are authorized.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
422	12/20/06	Energy Assistance Weatherization Assistance Program Subrecipient Monitoring	Px	12/20/06	04/30/07
	IA	Consideration of EA Weatherization Assistance program's subrecipient monitoring functions from April 2005 to March 2006	Px	03/02/07	04/30/07
			Px	04/23/07	05/11/07
			Px	06/26/07	07/16/07
			Ix	08/02/07	

Division: Community Affairs - WAP

Issue: Section 1
Formalize Desk Review Procedures

The quality and effectiveness of desk reviews performed could not be determined due to a general lack of documentation supporting what monitors should consider and perform during a review and what they actually consider and perform, and the results and conclusions of the reviews are not documented.

The following deficiencies were noted.
• The goals and objectives of the reviews have not been formalized or supported by desk review policies and procedures.
• Criteria for acceptable performance and expenditure rates have not been develop to assess actual performance.
• Documentation standards have not been established.
• The results and conclusions of the reviews conducted by EA staff could not be determined nor whether technical assistance was provided or corrective action was required of subrecipients in response to unsatisfactory performance.

We recommend management develop the goals and objectives of desk reviews supported by formalized policies and procedures for conducting the reviews.

Status: 08/02/07 - The Energy Assistance Section has completed a Desk Monitoring SOP.

06/26/07 - The Energy Assistance Section has completed a Standard Operating Procedure (SOP) for Desk Reviews. This SOP includes the documentation process of desk reviews and technical assistance correspondence. The SOP also describes the decision making process when subrecipients fail to resolve non-compliance issues in a timely manner.

04/23/07 - Status comment same as 3/02/07.

03/02/07 - The Energy Assistance Section is documenting the process for desks reviews and has begun the drafting of the SOP.

12/20/06 - The EA Section will develop a Standard Operating Procedure (SOP) for desk reviews by April 2007. With the implementation of the new contract management system, the Section will establish a formal policy that includes documentation standards relating to results and conclusions of the desk and field reviews. Documentation for all required actions will be scanned and kept in the Department's electronic filling system.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
425	12/20/06	Energy Assistance Weatherization Assistance Program Subrecipient Monitoring	Px	12/20/06	04/01/07
	IA	Consideration of EA Weatherization Assistance program's subrecipient monitoring functions from April 2005 to March 2006	Px	03/02/07	04/15/07
			Px	04/23/07	05/11/07
			Px	06/26/07	07/16/07
			Ix	08/02/07	

Division: Community Affairs - WAP

Issue: Section 4
Ensure Monitoring Results are Adequately Communicated to Subrecipients

Controls are not in place to provide reasonable assurance that results of monitoring activities are adequately communicated to appropriate subrecipient personnel. Tests of files disclosed various exceptions that were not carried to the monitoring report and it could not be determined from the supporting documentation in the files if these exceptions were discussed with appropriate subrecipient personnel, subsequently cleared or otherwise disposed of. Monitoring reports were not distributed in a timely manner and follow-up on monitoring results was not timely or timeliness could not be determined.

Controls should be established and put in place to provide reasonable assurance that results of monitoring activities are adequately communicated to appropriate subrecipient personnel. Standard operating policies and procedures (SOPs) should be established which clearly describe the criteria, conditions or exceptions that warrant formal reporting to subrecipients. The SOPs should also require the monitor to document the reasons an unfavorable condition noted during a monitoring review does not warrant formal reporting.

Status: 06/26/07 - The Energy Assistance Section has completed a Monitoring Standard Operating Procedure that includes a peer review process that will enhance the consistency of the decision-making during the formulation and/or resolution of the findings identified during the monitoring visit.

04/23/07 - Status comment same as 3/02/07.

03/02/07 - The Energy Assistance Section has initiated internal discussions to formulate the criteria, conditions, or exceptions that warrant formal reporting and resolutions of issues prior to formal drafting of the report. Additionally, the peer review process will enhance the consistency of the decision-making during the formulation and/or resolution of the findings identified in the field notes and subsequent inclusion in the monitoring report.

12/20/06 - Changes to the Monitoring Instrument and ongoing training of Program Officers will help insure documentation of unfavorable conditions noted during in a monitoring review, proper reporting of unfavorable conditions, and explanations of circumstances where such conditions are not included in the monitoring report. The EA Section will develop an SOP to detail the criteria, conditions or exceptions that warrant formal reporting to subrecipients and the exceptions that may be resolved with the receipt of additional information prior to the release of the monitoring report.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
426	12/20/06	Energy Assistance Weatherization Assistance Program Subrecipient Monitoring	Px	12/20/06	05/20/07
	IA	Consideration of EA Weatherization Assistance program's subrecipient monitoring functions from April 2005 to March 2006	Px	03/02/07	05/20/07
			Px	04/23/07	05/20/07
			Px	06/26/07	07/16/07
			Ix	08/02/07	

Division: Community Affairs - WAP

Issue: Section 5
Ensure Monitoring Results and Follow-up Letters are Communicated to Subrecipients in a Timely Manner

Monitoring reports were not distributed in a timely manner. The monitoring report was not distributed within 30 days of the last date of the monitoring visit for the eight subrecipient monitoring files tested. Distribution of the reports to the subrecipient's governing board or other oversight entity were not made within 60 days from the date of the monitoring report for five of six subrecipient monitoring files tested. In response to a prior audit recommendation by the Texas State Auditor's Office that copies of monitoring reports be provided to subgrantees' board chairs to help ensure that subgrantees address issues identified (Prior Audit Issue, see Appendix 1, IA Ref. No. 309), the Department reported that copies of monitoring reports are being provided to board chairs 60 days after the monitoring report is sent to the subrecipient.

Follow-up on monitoring results was not timely or timeliness could not be determined. Of the eight subrecipient monitoring files tested, the follow-up or close-out letter was not distributed within 15 days from the date the subrecipient's response was received for two of five subrecipients that should have received a follow-up or close-out letter during the audit period. Additionally, in review of the Monitoring Tracking System, there were numerous instances noted where data fields such as monitoring report response dates, follow-up letter dates, and close-out letter dates were not posted. The SOP does not establish timeframes for the issuance of the follow-up or close-out letters or for posting related actual dates to the Tracking System.

Monitors should inform management when they become aware that established due dates for the release of monitoring reports will not be met, discuss obstacles in meeting the due dates and strategies to achieve them, and assess and document in the monitoring files reasons monitoring reports are not released to subgrantees and board chairs within timeframes established by the Department.

We also recommend EA enhance its subrecipient monitoring SOP to include standards for timeliness in issuing follow-up and close-out letters and for posting related data to the Monitoring Tracking System.

Status: 06/26/07 - The Energy Assistance Section has designed a Standard Operating Procedure (SOP) that will accommodate realistic timeframes for timely communication of follow-up, closeout, and subsequent updating of the tracking system.

04/23/07 - Status comment same as 3/02/07.

03/02/07 - The Energy Assistance Section has an existing SOP that will be reviewed and updated in order to accommodate realistic timeframes for timely communication of follow-up, closeout, and subsequent updating of the tracking system.

12/20/06 - The Section will develop an SOP which will serve as a basis to help ensure monitoring results and follow-up letters are communicated to subrecipients in a timely manner. The SOP will include standards for timeliness for issuing follow-up and close-out letters and for posting related data to the Monitoring Tracking System. Management will emphasize to the monitoring staff the importance of timeliness in issuing the monitoring reports and the related follow-up and close-out letters.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
427	12/20/06	Energy Assistance Weatherization Assistance Program Subrecipient Monitoring	Px	12/20/06	05/30/07
	IA	Consideration of EA Weatherization Assistance program's subrecipient monitoring functions from April 2005 to March 2006	Px	03/02/07	05/30/07
			Px	04/23/07	05/30/07
			Px	06/26/07	07/30/07
			Dx	08/02/07	11/01/07

Division: Community Affairs - WAP

Issue: Section 6
Assess and Satisfy Information Needs

The management information system is adequate to track most of the significant milestones . However, data fields have not been created to capture significant milestones relating to the delivery of the monitoring letter to the subrecipient's governing board chair and the subrecipient's response to the monitoring follow-up letter.

A text/memo field called Notes in the Monitoring Tracking System is used to capture the results of monitoring activities such as findings or conditions noted, required corrective actions, concerns and comments; however, the information recorded in the Notes field is unclear, not consistently posted, and, in instances, incomplete.

Management should assess its information needs to ensure they are being adequately satisfied and strategies, including computer and non-computer solutions, should be developed for capturing necessary data to operate effectively.

Status: 08/02/07 - The Energy Assistance Section and the Information Systems staff have a tracking system on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA staff will analyze this system for possible improvements that includes reports and increased narrative field size.

06/26/07 - Status comment same as 03/02/07.

04/23/07 - Status comment same as 03/02/07.

03/02/07 - The Energy Assistance Section and the Information Systems staff have implemented a tracking system on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA staff will analyze this system for possible improvements.

12/20/06 - During the planning of the Contract System being developed by the IS Division, the EA Section identified the daily operational needs of the Section. The Contract System will help the Section gather information needed to comprehensively monitor the subrecipients and make effective management decisions. The updated monitoring tracking system will assist management by providing information, documenting results, and summarizing desk and field monitoring reviews.

The EA Section will coordinate with IS to update the Intranet monitoring tracking system to incorporate text fields to capture findings and the events that occur up to, and including resolution of, the findings. Upon coordination with IS staff, the updated system will be implemented after completion of the 2006 monitoring visits. In the interim, EA is using an Excel monitoring tracking system to track this information.

*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation;
D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
435	02/20/07	Federal Portion of the Statewide Single Audit Report for FYE Aug 31, 2006	Px	02/20/07	04/30/07
	KPMG	Compliance with Requirements & IC over Compliance - A-133	Px	06/27/07	07/13/07
			Ix	08/24/07	

Division: Community Affairs - Community Services

Issue: Reference No. 07-22
Subrecipient Monitoring

According to OMB Circular A-133 the Texas Department of Housing and Community Affairs (Housing) must assure that subrecipients expending federal funds in excess of $500,000 have an OMB Circular A-133 audit performed and provide a copy to Housing within the required timeframes. The Portfolio Management and Compliance division (PMC) of Housing collects A-133 audits from subrecipients, however, there is no process in place to follow up on delinquent submissions for Community Services Block Grant (CSBG) subrecipients. Of a sample of 30 subrecipients' files, 8 subrecipients had not timely submitted their A-133 audits or Audit Certifications for fiscal year 2006.
In addition contractors receiving individual awards for $25,000 or more and all subrecipients must be verified that the organization and its principles are not suspended or debarred. Verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity. Housing does not require its subrecipients to certify, include a clause in the contracts, or perform a check of EPLS. For all 30 subrecipients selected for test work, 0 were found to be suspended or debarred per review of the EPLS.

Housing should incorporate into its subrecipient monitoring process a control to ensure delinquent A-133 reports are monitored and appropriate communications and actions are taken with the respective subrecipients. In addition, Housing should comply with the requirement to verify suspension and debarment by implementing one of the three methods noted above.

Status: 08/24/07 - Developed SOPs for Subrecipient submission of the Audit Submission Form.

06/27/07 - Community Affairs is in the process of completing an SOP that will strengthen procedures to ensure appropriate procedures are in place when A-133 audits are delinquent. Community Services has incorporated into its subrecipient monitoring process a control to ensure delinquent A-133 reports are monitored and appropriate communications and actions with the respective subrecipients are taken in a timely manner. For the FFY 2008 CSBG contracts, the CSBG Boiler Plate will be amend by adding a section requiring each eligible entity to certify that neither the CSBG eligible entity nor its principle parties are included on the Excluded Parties List system Maintained by GSA.

02/20/07 - The Community Affairs Division (CAD) will work with the PMC to strengthen procedures to identify and follow up on delinquent A-133 reports. The CAD will also develop procedures to ensure appropriate actions are taken when A-133 reports are delinquent. For FFY 2007 CSBG contracts, the CAD will develop and collect from each CSBG eligible entity a Certification Form requiring each eligible entity to certify that neither the entity nor its principle parties are included on the Excluded Parties List System maintained by GSA. For FFY 2008 CSBG contracts, the Department will amend the Program Year 2008 CSBG contract boiler plate by adding a section requiring each eligible entity to certify that neither the CSBG eligible entity nor its principle parties are included on the Excluded Parties List System maintained by GSA.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
430	03/05/07 IA	CDBG Disaster Hurricane Recovery Program – Project/Program Plan Department's planned approach for delivering the $74,523,000 HUD CDBG Disaster Recovery award to the State of Texas to address the consequences of Hurricane Rita.	Px Px Ix	03/05/07 04/23/07 06/25/07	03/16/07 05/01/07

Division: CDBG

Issue: Section 3
Maintain, Report and Monitor the Status of the Plan

The Program plan is not being updated to reflect the status of completion on a regular and current basis. While the plan does have a data field to report status, instances were noted where the status field is not being updated on a regular basis. We also noted instances where target dates for completion have lapsed and revised target dates have not been established. Comments or explanations for the lapsed target dates are not provided.

We recommend staff assigned to tasks update the status of the tasks and plan, in coordination with the Program Coordinator, on a regular basis. We recommend the progress on completion of a task be reported in terms of the percentage completed and Program Team members immediately inform the Program Coordinator in instances where target dates for completion are not going to be met and provide explanations for the delays. Revised target dates should be established when necessary.

The Program Coordinator and Program Team should monitor the status of the plan and evaluate progress against the plan on an ongoing basis to ensure the related goals are being achieved in a timely manner and so corrective actions can be taken when necessary.

We also recommend regular status meetings be scheduled with the Program Team to discuss the status of the Program and, in instances where planned tasks are not being achieved, take corrective actions. The meetings should be used to discuss issues or risks being identified that are interfering or might interfere with achieving the Program Plan's goals, and strategies to address or mitigate the issues and risks identified.

Status: 06/25/07 - Disaster Recovery Division members have access to the Software used to document the Program Plan and the Plan is being updated regularly.

04/23/07 - The Program Coordinator regularly monitors and updates the Project Plan. The Project Plan was updated during April to reflect the expansion of the Disaster Recovery Division to include two new staff members. Staff members have been meeting regularly to discuss the status of the program and have included discussions on issues and risks identified in relation to achieving the program's goals and strategies and tasks to be achieved. Staff members in the division are in the process of obtaining licenses needed to utilize the software program used to document the Project Plan. Once the licenses are obtained, it will be the responsibility of each staff member to regularly update the Project Plan.

Regular meetings have not been set with the Department's Program Team. A recurring meeting date with team members will be established by 5/1/2007.

03/05/07 - After Oversight Team approval of the Project Charter and approval of the Project Plan, a regular recurring Program Team meeting will be set and the Project Plan will be regularly updated and monitored.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
432	03/27/07 HUD	HUD Consolidated Review- Section 8 Review consist of reviewing the following components: Rental Integrity Monitoring(RIM), Upfront Income Verification(UIV), and Section Eight Management Assessment Program(SEMAP).	Px Px	06/28/07 08/03/07	08/31/07 09/30/07

Division: Community Affairs - Section 8

Issue: Inadequate Application and reexamination package.

The Housing Authority does not have an adequate application/re-exam package to determine income and deductions. Without adequate application and reexamination material, the Housing Authority and HUD cannot determine if income and rents are being calculated properly. The forms developed and used by the Housing Authority do not obtain information regarding childcare expenses, medical expenses, full time student status and all forms of assets to make correct income and rent determination.

The Housing Authority must develop adequate application and reexamination materials to capture all information regarding income and rent. It is strongly recommended that applicants and tenants be required to sign the questionnaire.

Status: 08/03/07 - The Department submitted responses to HUD on 5/11/07.

06/28/07 - The Department has revised the Personal Declaration to obtain information regarding childcare expenses, medical expenses, full time student status and all forms of assets to make correct income and rent determination.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
433	03/27/07 HUD	HUD Consolidated Review- Section 8 Review consist of reviewing the following components: Rental Integrity Monitoring(RIM), Upfront Income Verification(UIV), and Section Eight Management Assessment Program(SEMAP).	Px Ix	06/28/07 08/03/07	08/31/07

Division: Community Affairs - Section 8

Issue: Systemic Administrative Error

The information obtained from HUD's EIV system and the Texas State Wage database is not being used to determine all sources of income. The information is printed and placed in the file after the families annual reexamination appointment at the local operator and is not being compared with the information provided by the Tenant.

The procedure for utilizing the UIV information needs to be revised. The UIV information should be provided to the local operator prior to the family's appointment for the annual reexamination in order to compare with family's declaration of income, assets, and deductions.

Status: 06/28/07 - The Department has revised Standard Operating Procedures 2303.02 Security Procedures Guidelines for Enterprise Income Verification (EIV) system.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
434	03/27/07 HUD	HUD Consolidated Review- Section 8 Review consist of reviewing the following components: Rental Integrity Monitoring(RIM), Upfront Income Verification(UIV), and Section Eight Management Assessment Program(SEMAP).	Px Px	06/28/07 08/03/07	08/31/07 09/30/07

Division: Community Affairs - Section 8

Issue: Tenant File Error Chart

Nine errors were discovered during the review of 30 RIM files and 5 EIV files. Necessary corrective Action is listed for each filed and the documents required to close the tenant file errors on the attached listing

Status: 08/03/07 - The Department submitted responses to HUD on 5/11/07.

06/28/07 - Management has reported they agreed with 8 of the nine issues and has provided the correct documents to resolve the issue. The last issue Community Affairs has reported they disagrees with the 1st error of miscalculated child support income, but agree with the 2nd and 3rd error and have provided documents to clear those findings.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
436	05/01/07	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	Px	05/01/07	07/15/07
	IA	Consideration of the control framework related to eligiblity, project set-up and draw processing functions from December 2006 to March 2007.	Px	06/25/07	08/01/07
			Px	08/28/07	10/01/07

Division: CDBG

Issue: Section 1-A
Prevent Eligibility Fraud

Two areas considered particularly high in risk relating to eligibility are households not reporting (1) their total household income and (2) other financial assistance obtained to assist in the recovery of their household damaged by Hurricane Rita. While applicants to the program certify on the Intake Application that all information is true and correct, including data related to these risks, other strategies to provide reasonable assurance of the completeness and accuracy of household income and other financial assistance data have not been fully implemented.

We recommend the Department continue working to implement the strategies developed with FEMA and HUD-OIG to identify households in which previous assistance intended for the recovery of the household has been obtained.

We also recommend the Department explore opportunities to compare reported income to other external databases that may identify instances of unreported income. Two such databases to consider include income information reported by Texas businesses to the Texas Workforce Commission for Unemployment Insurance purposes, and income information used by the Health and Human Services Commission (HHSC) to assess income eligibility for applicants to participate in programs HHSC administers.

Status: 08/28/07 - The Department has finalized the process for information sharing with SBA, HUD-OIG, and FEMA. The Department is finalizing an agreement with TWC to obtain access to TWC's on-line Unemployment Income Wage Records. Department staff also requested that the COGs administering the CDBG Program obtain access to TWC's on-line system.

06/25/07 - The Department has finalized the process for information sharing with SBA and HUD-OIG. The Department submitted an official request to access FEMA information on 6/12/2007; however that agreement is still being finalized. Department staff also contacted TWC and requested on-line access to Unemployment Income Wage Records; however the Department has not received access.

05/01/07 - The Department has been working with FEMA to finalize an agreement through which the Department can verify the amount an applicant reports as received from FEMA. Once the agreement is finalized, the Department will formalize a process of information sharing. The Department has finalized an agreement with HUD-OIG for information sharing related to private insurance claims. The Department is in the process of formalizing the process through which the information will be obtained. Department staff will contact TWC and HHSC to discuss opportunities to utilize alternate sources of verifying applicant information.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
437	05/01/07	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	Px	05/01/07	05/01/07
	IA	Consideration of the control framework related to eligiblity, project set-up and draw processing functions from December 2006 to March 2007.	Px	06/25/07	08/01/07
			Px	08/28/07	10/01/07

Division: CDBG

Issue: Section 2-A
Clarify Timing of Required Set-up Procedures

The Department published a checklist that mistakenly informed the COGs the set-up form and related documentation are due with the first draw request for funds. The primary purpose of the set-up process is to ensure projects are properly identified and initial program requirements are satisfied prior to the inception of recovery work or the release of funds for each project for which a COG wants to commit and expend funds.

We recommend the Department clarify to the COGs the timing required for the set-up forms and supporting documentation to be submitted to the Department to ensure Project Set-up occurs prior to work beginning and funds being expended.

Status: 08/28/07 - The Department provided technical assistance during an on-site technical assistance visit with the COGs and COG subrecipients on May 1, 2007 and clarified the timing of the project set-up process and the required support documentation. The Implementation Manual will be updated to reflect this process.

06/25/07 - The Department provided technical assistance during an on-site technical assistance visit with the COGs and COG subrecipients on May 1, 2007 and clarified the timing of the project set-up process and the required support documentation. The Implementation Manual will be updated to reflect this process.

05/01/07 - The Department will provide technical assistance during an on-site technical assistance visit with the COGs and COG subrecipients on May 1, 2007 and will clarify the timing of the project set-up process and the required support documentation during the visit.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
438	05/01/07 IA	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions Consideration of the control framework related to eligiblity, project set-up and draw processing functions from December 2006 to March 2007.	Px Ix	05/01/07 06/25/07	05/01/07

Division: CDBG

Issue: Section 2-B
Enhance the Project Set-up Checklist

The following requirements are not addressed in the current checklist:
• Assurance the COG has received proper documentation that the applicant owned the home as of September 24, 2005, the date Hurricane Rita made landfall
• Assurance the COG had received proper documentation the home was damaged by Hurricane Rita
• Assurance the applicant has not received prior assistance for the repair of hurricane damage to their home, and if they have, the amount of assistance received
• Assurance a three year deferred loan is in place for four days prior to work beginning on the home
• Assurance that the calculation of assistance to be provided, or the Project Set-up amount and budget, have been properly calculated

In addition, several forms are not submitted with the Project Set-up Checklist to support budgeted cost of the project. These items include:
• The completed, signed, and dated Initial Inspection
• The final Work Write-Up/Cost Estimate
• A copy of the Construction Contract signed by builder and homeowner
• “Before” photos of the interior and exterior of the home

We recommend the Project Set-up Checklist be enhanced to provide assurance initial program requirements have been satisfied prior to work being initiated. We also recommend the COGs submit the forms mentioned above with the checklist to support the budgeted amount for the project, and the checklist include assurances the additional documentation listed above is received.

Status: 06/25/07 - The Department updated the checklist to provide the assurances cited in the Internal Audit report, provided the updated checklist to the COGs, and trained the COGs on its use and supporting documentation requirements on May 1, 2007.

05/01/07 - The Department has updated the checklist to include assurances that all initial program requirements have been satisfied prior to work being initiated. The checklist was also updated to require the forms and support documentation identified in the recommendation. Department staff will provide the COGs with detailed instruction and examples of the documentation required for submitting a set-up during the on-site technical assistance visit on May 1, 2007.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
439	05/01/07	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	Px	05/01/07	06/15/07
	IA	Consideration of the control framework related to eligiblity, project set-up and draw processing functions from December 2006 to March 2007.	Px	06/25/07	08/01/07
			Px	08/28/07	10/01/07

Division: CDBG

Issue: Section 2-C
Formalize Loan Processing Procedures

The Department has not developed procedures to ensure compliance with the State of Texas Action Plan requiring assistance provided in a floodplain be provided in the form of a three-year deferred forgivable loan. The Department has included a statement on the Project Set-up requiring households located in a floodplain to be identified and, if so, the requirement of a loan. However, the Department has not formalized procedures for the COGs or Department staff to use from loan origination through loan closing.

We recommend loan processing procedures be formalized in accordance with the requirements of the Department's standard operating procedure, Standard Operating Procedure System, SOP 1100.01. We also recommend the Department provide the COGs with written procedures to ensure loans are processed as intended by management.

Status: 08/28/07 - The Department provided COG and COG subrecipients with loan processing technical assistance on May 1, 2007. Department staff is in the process of finalizing internal SOPs related to loan processing and is also updating the Implementation Manual to reflect guidance provided to the COGs and COG subrecipients

06/25/07 - The Department provided COG and COG subrecipients with loan processing technical assistance on May 1, 2007. Department staff is in the process of finalizing internal SOPs related to loan processing and is also updating the Implementation Manual to reflect guidance provided to the COGs and COG subrecipients.

05/01/07 - Department staff is in the process of finalizing internal SOPs for processing loans. The Department will provide technical assistance to the COGs on the loan process May 1, 2007 and this guidance will be followed up with written procedures to ensure that loans are processed as intended.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
440	05/01/07	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	Px	05/01/07	05/31/07
	IA	Consideration of the control framework related to eligiblity, project set-up and draw processing functions from December 2006 to March 2007.	Ix	06/25/07	

Division: CDBG

Issue: Section 2-D
Ensure Lead-Based Paint Inspections and Abatement Costs are Included in the Project Budget

It was noted the Work Write-up form (Form 11.17) does not provide budget categories for the test or abatement of lead-based paint. Furthermore, controls have not been established to ensure compliance with Federal regulations that assistance not be provided for homes built after 1978 should it be known they contain lead-based paint.

We recommend the Work Write-up form be amended to include budget categories for the test and abatement of lead-based paint, and controls be established to ensure Federal assistance for lead-based paint removal is not provided on homes built after 1978 if it is known they contain lead-based paint.

Status: 06/25/07 - The Department modified the form to specifically address lead-based paint considerations and addressed this issue with the COGs and COG subrecipients May 1, 2007.

05/01/07 - Department staff will modify the form to specifically address lead-based paint considerations including budget categories for lead-based paint associated costs and will include a statement on the form addressing whether it is known that the project contains lead-based paint. Staff will address this issue with the COGs during the May 1, 2007 technical assistance visit and will follow up with notification of revisions made to the form.

*Status Codes: I - Implemented; T - Partially Implemented (no further action intended); P - In process of implementation; D - Action delayed; N - No action intended; NR - No response to status update request or Not Indicated
x - Management's representation; xx - Independent assessment by audit

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
441	05/01/07	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	Px	05/01/07	06/15/07
	IA	Consideration of the control framework related to eligiblity, project set-up and draw processing functions from December 2006 to March 2007.	Ix	06/25/07	

Division: CDBG

Issue: Section 3-A
Formalize Draw Processing Policies and Procedures

It was noted that the checklists do not require a review to provide the following assurances:
• The signature of the COG's authorized official on the Request for Payment form is in agreement with the authorized official's signature on the Contract Access Form submitted by the COG. (Administrative and Activity Draw Request Checklists).
• Compliance with Office of Management and Budget (OMB) A-87, Cost Principles for State, Local and Indian-Tribal Governments (Administrative and Activity Draw Request Checklists).
• Administrative costs drawdown thresholds which provide assurance administration costs reimbursed are commensurate with the progress of the program and associated administrative duties (Administrative Draw Request Checklist).
• Ten percent of each construction or rehabilitation subcontract is properly considered, calculated and withheld to ensure satisfactory performance and quality of work prior to final payment on a project (Activity Draw Request Checklist).

The TDHCA/ORCA Draw Process or other formal standard operating policies and procedures do not adequately address how Department staff is going to provide reasonable assurance these requirements are satisfied.

We also noted the Administrative Draw Review Checklist requires signature approval by a PMC Specialist, and PMC Management, while the Activity Draw Request Checklist requires signature approval by a PMC Specialist, and the CDBG Program Coordinator or PMC Manager. However, the nature and extent of the reviews are not obvious by review of the checklists or other documentation such as the TDHCA/ORCA Draw Process, or related job descriptions. Additionally, a formal process has not been defined for instances where a COG's Request of Payment fails the review process.

We recommend draw processing procedures be formalized in accordance with the requirements of the Department's standard operating procedure, Standard Operating Procedure System, SOP 1100.01. In connection with formalizing the draw processing procedures, we recommend the Department enhance its draw request checklists to provide reasonable assurance the issues discussed above are adequately considered in connection with the review of subrecipients' requests for reimbursement of program expenditures. We also recommend review responsibilities be clearly defined as well as the process for staff to follow in instances where a COG's request for reimbursement does not pass the review process.

Status: 06/25/07 - The Department updated existing draw SOPs to be specific to the CDBG Disaster Recovery Program.

05/01/07 - Draws submitted for payment in the CDBG program are now being processed in accordance with the procedures established for the Portfolio Management and Compliance Division that have been formalized in an SOP format. This SOP will be reviewed and updated as needed to reflect current process information as well as direction regarding OMB Circular A-87 Compliance review requirements. The SOP will be revised to include specific direction involving consideration of OMB Circular A-87 to ensure draws staff are fully aware of the requirements.

The Department also updated the Administrative and Activity Draw Request Checklists to include assurances the issues noted above are addressed during review of requests for reimbursements. Department staff will provide the COGs with draw training during the on-site technical assistance visit May 1, 2007 that will include the process for submitting project draws, examples of the documentation required, and a discussion on retainage.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
442	05/01/07 IA	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions Consideration of the control framework related to eligiblity, project set-up and draw processing functions from December 2006 to March 2007.	Ix	05/01/07	

Division: CDBG

Issue: Section 3-B
Control Contract Tracking System Access

Access to the CDBG Contract Tracking System is not adequately controlled.
The PMC Manager responsible for project set-up, draw processing, and program monitoring functions, and an employee from ORCA serving as a Program Specialist have "administrator-role" access to the Department's CDBG Contract Tracking System. The CDBG Program Coordinator reports the access was granted and necessary for the Program Specialist to establish budget amounts on the ORCA systems used to process draws, on behalf of the Department, from the U.S. Treasury. The manager's job responsibilities and access rights, as well as the ORCA employee's access rights, to the contract tracking system allows them the opportunity to perpetuate and conceal errors or irregularities (fraud) without detection on a timely basis in the normal course of business.

We recommend management ensure access to the CDBG Contract Tracking System is restricted based upon job responsibilities to help enforce proper segregation of duties and reduce the risk of unauthorized system access.

We recommend the PMC manager's access is restricted to that necessary for her to perform her job duties and rely on staff to access the contract tracking system to fulfill their job responsibilities based on approved policies and procedures. In instances where the manager's access at the administrator-role is necessary, we recommend controls be established to provide an independent review of the manager's activity on the contract tracking system to ensure it is properly authorized and supported.

We recommend the ORCA Program Specialist's access rights be removed.

Status: 05/01/07 - The PMC Manager's administrator-role access was removed and replaced with inquiry role access. In addition, ORCA's Program Specialist's administrator-role rights were removed

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
443	05/01/07 IA	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions Consideration of the control framework related to eligiblity, project set-up and draw processing functions from December 2006 to March 2007.	Px Px Px	05/01/07 06/25/07 08/28/07	06/30/07 11/28/07 11/28/07

Division: CDBG

Issue: Section 3-C
Accumulate Expenditures at Site-specific Project Level

The Department's system does not accumulate expenditure data at the site-specific project level to facilitate comparisons of actual expenditures against contract budgets during the processing of requests for payment. Without site-specific actual expenditure information, the Department does not have a reasonable means to ensure projects stay within budgets.

We recommend the Department identify and develop strategies to capture and accumulate actual financial data at the site-specific project level. We also recommend that this information be used in processing COG requests for payment to ensure expenditures are within budget and expenditure rates are reasonable.

Status: 08/28/07 - Program staff are working with Information System staff to modify the Department's existing Central Database (CDB) to track the activities of the CDBG program. Until the CDB is modified, PMC staff will continue to use the existing Oracle based system and will track site-specific expenditures in an excel spreadsheet.

06/25/07 - Program staff are working with Information System staff to modify the Department's existing Central Database (CDB) to track the activities of the CDBG program. Until the CDBG is modified, PMC staff will continue to use the existing Oracle based system and will track site-specific expenditures in an excel spreadsheet.

05/01/07 - Staff have identified a potential strategy to track site-specific expenditures and are working with the Information Systems Division staff to more fully develop the strategy during the month of May.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
444	05/01/07 IA	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions Consideration of the control framework related to eligiblity, project set-up and draw processing functions from December 2006 to March 2007.	Ix	05/01/07	

Division: CDBG

Issue: Section 3-D
Ensure Accuracy of Contract Budget

The Department entered into a contract with the South East Texas Regional Planning Commission to provide services under the Single Family Rental Rehabilitation and Reconstruction activities as well as other activities. However, the budgets for the Single Family Rental Rehabilitation and Reconstruction activities were summed and posted to the Department's CDBG Contract Tracking System as Rehabilitation-Housing. The error may result in erroneous budget information being reported to HUD and in draw requests for these activities being inappropriately denied since the budget amounts were not accurately established.

We recommend the Department correct the budget amounts posted to the contract tracking system for the Single Family Rental Rehabilitation and Reconstruction activities of South East Texas Regional Planning Commission.

Status: 05/01/07 - The two budget categories were erroneously aggregated and have been corrected in the contract tracking system.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
445	05/01/07	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions	Px	05/01/07	
	IA	Consideration of the control framework related to eligiblity, project set-up and draw processing functions from December 2006 to March 2007.	Px	06/25/07	08/01/07
			Px	08/28/07	10/10/07

Division: CDBG

Issue: Section 4
Update Implementation Manual to Incorporate Guidance Provided

While there have been two significant updates to the Implementation Manual since inception of the program, the Manual has not been updated for recently issued additions or changes in the requirements. Persons needing the information may not be aware of it in the absence of a complete Implementation Manual or other centralized body of requirements, direction and implementation materials. The COGs' staff, Department staff responsible for technical assistance, contract management and/or program monitoring, and others such as audit/monitoring staff of oversight agencies may not be aware of the requirements, changes in requirements, or strategies to address the requirements beyond that provided by the Implementation Manual, especially in instances of employee turnover.

Several areas where requirements, direction or implementation materials have been added or amended, but the Manual has not been updated to represent the changes include, but are not limited to, the following:
- Ensuring all income and additional assistance has been reported
- Documenting homeownership and damage caused by Hurricane Rita
- Establishing and closing deferred forgivable loans
- Enhancing the Project Set-up and Draw processes requiring action by the COGs

We recommend the Implementation Manual be updated for these requirements and in a regular fashion in instances where there are additions or changes to the requirements, directions, or implementation materials previously provided to the COGs. Alternatively, we recommend the Department establish and implement a strategy of a central repository of all requirements, directions, and implementation materials available to all that need the materials to fulfill their job responsibilities and successfully delivery the program.

Status: 08/28/07 - The Department is in the process of updating the Manual and establishing a written process describing the frequency of the updates.

06/25/07 - The Department is in the process of updating the Manual and establishing a written process describing the frequency of the updates.

05/01/07 - Management will ensure that guidance provided will be updated regularly in the implementation manual.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
446	05/31/07 IA	Manufacturing Housing Homeowners' Recovery Trust Fund Consideration of the HORTF program from September 1, 2004 through March 31, 2007.	Px	05/31/07	09/01/07

Division: Manufactured Housing

Issue: Section 2-A
Improve Controls Over Surety Bond Receivables

The HORTF Control Spreadsheet, a component of the HORTF program management information system, captures sufficient information to assess the status of receivables from surety companies for HORTF claim payments, provides reasonable assurance surety reimbursements are properly billed and collected, and is used as a "reimbursement anticipation" tool for surety reimbursements due to HORTF. However, audit exceptions relating to the completeness and accuracy of the spreadsheet were noted. Additionally, the receivable-related financial data captured on the spreadsheet cannot be reconciled with the accounting records to ensure the completeness and accuracy of the spreadsheet and accounting records.

We recommend the CFO work in coordination with the HORTF Administrator on a regular basis, no less than monthly, to ensure transactions affecting the surety receivable balance are properly accounted for in both the HORTF program records and in the accounting records.

Status: 05/31/07 - MHD Management agrees with this recommendation.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
447	05/31/07 IA	Manufacturing Housing Homeowners' Recovery Trust Fund Consideration of the HORTF program from September 1, 2004 through March 31, 2007.	Px	05/31/07	09/01/07

Division: Manufactured Housing

Issue: Section 2-B
Improve Procedures to Ensure That MHD Will Seek
HORTF Claim Reimbursements in a Timely Manner

Letters sent to the surety companies claiming reimbursement and HORTF claims referred to the OAG are either not being consistently processed or are not being processed in a timely manner. Delays in requesting the reimbursement or pursuing advanced collection efforts may result in insufficient funds to process future claims and backlogs of claims to be paid. Delays also reduce the likelihood of ultimate collection.

We recommend formal policies and procedures be established and complied with to ensure bonding companies are promptly billed for HORTF claim reimbursements, collection efforts are pursued timely by referring all unsatisfied claims to the OAG, and uncollectible claims be accounted for and reported correctly.

Status: 05/31/07 - HORTF SOPs are currently in development with a targeted completion date of September 1, 2007.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
448	05/31/07	Manufacturing Housing Homeowners' Recovery Trust Fund	Px	05/31/07	09/01/07
	IA	Consideration of the HORTF program from September 1, 2004 through March 31, 2007.			

Division: Manufactured Housing

Issue: Section 3
Establish Separate Accounting for HORTF Transactions and Balances

A separate accounting of HORTF transactions and balances by appropriation and method of finance is not maintained. Accordingly, the method of finance and balance of available HORTF appropriations are not readily available as HORTF payments are processed. While the MHD may be able to determine that all payments (including, but not limited to, HORTF payments) are within its overall appropriations, it does not have adequate procedures in place to assure that HORTF payments are not taking away from funds that the MHD relies upon to carry out non-HORTF aspects of that strategy.

We recommend the CFO establish a separate accounting of HORTF transactions and balances by appropriation and method of finance to account for HORTF claim payments, the methods of financing the payments, and any balances of HORTF fund appropriations and surety reimbursements available to process HORTF claims. We further recommend that the accounting methodology employed be consistent with the methods employed by the Department's Accounting Section. We recommend the CFO provide a statement of transactions and balances to the MHD HORTF Administrator on a current basis for use in assessing the status of HORTF claims processed and appropriated funds available.

Status: 05/31/07 - MHD Management agrees with this recommendation.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
449	05/31/07	Manufacturing Housing Homeowners' Recovery Trust Fund	Ix	05/31/07	
	IA	Consideration of the HORTF program from September 1, 2004 through March 31, 2007.			

Division: Manufactured Housing

Issue: Section 4
Maintain Documentation Supporting Notifications

The MHD has designed adequate controls to notify properly licensees and bonding companies of consumer claims. While sufficient documentation was maintained to support appropriate notification of bonding companies, documentation to support appropriate notification of licensees was not consistently maintained. In the test of 29 HORTF claim files, eight files did not have documentation supporting the notification of the licensee.

We recommend MHD consistently use and maintain for support the standardized letter to inform both the bonding companies and licensees of a HORTF claim

Status: 05/31/07 - MHD Management implemented this change.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
450	05/31/07 / IA	Manufacturing Housing Homeowners' Recovery Trust Fund / Consideration of the HORTF program from September 1, 2004 through March 31, 2007.	Px	05/31/07	

Division: Manufactured Housing

Issue: Section 5-A
Establish a Quality Control Function and Cross Train a Back-up Administrator

Lack of quality control procedures resulted in numerous posting errors and incomplete data fields to the HORTF program records that preclude an accurate assessment of the status of a HORTF claim against a licensee and may preclude achieving objectives such as:
• Processing HORTF claims in the order in which they are received.
• Properly notifying consumers their claims are being processed.
• Assurance surety companies are billed for HORTF claim reimbursements.
• Prompt collection of surety companies' reimbursements.
• Assurance HORTF claim reimbursements are received.

The posting errors and incomplete data fields is a function of one employee being assigned the responsibility to administer the HORTF, and the inevitability of human error and oversight. Only one employee having a working knowledge of the administration and program system of HORTF also puts the MHD at risk of not being able to continue effective administration in a timely manner in the event of employee turnover in the position or the administrator not being able to perform job duties due to unforeseen circumstances.

We recommend the MHD establish a quality control function to provide reasonable assurance the postings to the program records used to administer HORTF claims are accurate and complete. We recommend the quality control function provide reasonable assurance of achieving the objectives of ensuring transactions affecting the surety receivable balances are properly accounted for (Section 2-A), bonding companies are promptly billed for HORTF claim reimbursements, collection efforts are timely, and uncollectible claims are accounted for (Section 2-B). We also recommend a back-up administrator be trained to provide support for the administrator. The back-up administrator could serve in a quality control capacity by sampling and testing the accuracy and completeness of the administrator's work, and also serve in the absence of the administrator.

Status: 05/31/07 - The Consumer Protection Section will train a staff member to provide back up to the HORTF Administrator. Once trained, this person can take full responsibility and the present HORTF Administrator will become the back-up. This will be completed by the middle of FY 2008 and in the interim, the Manager of Consumer Protection can act in the absence of the HORTF Administrator.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
451	05/31/07 / IA	Manufacturing Housing Homeowners' Recovery Trust Fund / Consideration of the HORTF program from September 1, 2004 through March 31, 2007.	Ix	05/31/07	

Division: Manufactured Housing

Issue: Section 5-B
Restrict Access to HORTF Program Files

The License Holder Spreadsheet and HORTF Control Spreadsheet are maintained in a shared directory on the Department's local area network. All employees in the Consumer Protection Division have access to the spreadsheets. Inappropriate access to the spreadsheets may results in their unauthorized use or sabotage.

We recommend access to the HORTF program spreadsheets is restricted to only those employees that need access to perform their job duties.

Status: 05/31/07 - This item was corrected May 16, 2007.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
452	05/31/07 IA	Manufacturing Housing Homeowners' Recovery Trust Fund Consideration of the HORTF program from September 1, 2004 through March 31, 2007.	Px	05/31/07	09/01/07

Division: Manufactured Housing

Issue: Section 6
Update Standard Operating Procedures

MHD's SOPs for Consumer Protection staff to direct and properly administer the daily operations related to a HORTF claim are currently out of date.

We recommend the MHD update its formal SOPs to align with actual procedures in place, applicable laws, regulations, and rules, and the policies of management and the Board.

Status: 05/31/07 - HORTF SOPs are currently in development.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
453	06/12/07 SAO	Classification Compliance Review of THDCA Includes all classified employees employed by the Department.	Tx	08/24/07	09/30/07

Division: Human Resources

Issue: The State Auditor's Office's (SAO) State Classification Team review 250 employee positions covering 13 occupational categories and 33 job classification series and found eight (8) employee positions that were misclassified.

To address the eight employee positions that were misclassified, the Department should:

•Reclassify five (5) positions to other job classification series,
•Reclassify two (2) positions within the same classification series, but at job classifications with a higher salary group, and
•Restructure job duties for one (1) employee position.

Status: 08/24/07 - The 8 positions that were found to be misclassified during the State Auditor's Office classification audit review has been properly classified according to the recommendation made by the State Auditor's Office with the exception of one position that will be reclassification effective September 1, 2007 due to this new class not being available until this timeframe.

Internal Audit Division

BOARD ACTION REQUEST

September 13, 2007

Action Items

Presentation of the Status of Internal/External Audits

Required Action

Review the Status of Internal/External Audits

Background

The Status of Internal/External Audits provides an overview of the status of internal audits/activities and external audits currently in progress, recently completed, or anticipated in the near future.

The Internal Audit Division has completed two of three audits planned for the first of three phases of an audit of the Department's CDBG Disaster Recovery Program. The anticipated completion date for the third report on the subrecipient monitoring function has been extended from April to November 2007. Phases 2 and 3 are also being delayed to allow the Disaster Recovery Division to finalize their control systems to deliver the program, and for a sufficient number of subrecipient requests for reimbursement to be processed prior to selection for audit testing. Testing plans may be modified pending the testing results from the SAO's review of the Disaster Recovery Program.

The Internal Audit Division is currently in the reporting phase of the first of three phase of an audit of the Low Income Housing Tax Credit Program. The anticipated completion date for the first report is October 2007. Phase II is in the planning phase, and the anticipated completion date for the second report is December 2007.

The Employee Classification Audit by the State Auditor's Office was released June 12, 2007. The SAO is currently auditing the Department's CDBG Disaster Recovery Program to determine whether the Department appropriately awarded and disbursed hurricane recovery funds. The auditors are in the fieldwork stage and fieldwork is expected to end September 14, 2007. The report is expected in late October 2007. Planning and interim work on the Department's annual audits conducted by Deloitte and Touche are in the planning stage and are expected to be completed in November/December.

An auditor position with the Internal Audit Division has been filled. The new senior auditor is Sandra Hoffman and she started work on September 4, 2007. The division is currently fully staffed.

Recommendation

No action is required.

Texas Department of Housing and Community Affairs

Status of Internal/External Audits

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION – STATUS/ISSUES OF INTERNAL/EXTERNAL AUDITS
September 13, 2007

Internal Audits/Activities	Scope/Description	Stage	Comments
CDBG Disaster Recovery Program	Phase 1: Control Systems, Policies and Procedures	Planning	Two of three planned reports have been released for Phase 1. • Report No. 1016-1, *CDBG Disaster Hurricane Recovery Program - Project/Program Plan,* was released March 5, 2007. • Report No. 1016-1, *CDBG Disaster Hurricane Recovery Program – Control Design over Project Set-up and Draw Processing Functions*, was released May 1, 2007. The anticipated completion date for the third report on the subrecipient monitoring function is November 2007.
	Phase 2: Funding/Management of the Program	Pending Inception	Estimated completion – February 2008
	Phase 3: Subrecipient Monitoring	Pending Inception	Estimated completion – An anticipated timeframe and completion date will be identified in developing the 2008 audit plan.
Homeowners' Recovery Trust Fund	To determine whether the Manufactured Housing Division administers the Homeowners' Recovery Trust Fund (HORTF) in accordance with applicable laws and regulations.	Completed	Report released May 31, 2007. Results reported to Manufacturing Housing Board July 20, 2007
Follow-Up on Status of Prior Internal Audit Issues	To independently verify corrective actions taken by management in response to prior internal audit issues. Follow-up projects will be pursued as issues relating to an audit are reported by management as implemented. Follow-up projects anticipated for the year relate to the following internal audits: ➢ Office of Colonia Initiative – Self Help Program Draw Processing and Subrecipient Monitoring Function, Rpt. No. 1010.20, released August 31, 2006. ➢ Energy Assistance – Subrecipient Monitoring, Rpt. No. 1012.00, released December 20, 2006. ➢ Office of Colonia Initiative – Contract for Deed Draw Processing and Subrecipient Monitoring Function, Rpt. No. 1010.10, released June 6, 2006. ➢ CDBG Disaster Recovery Program-Project/Program Plan, No. 1016.1, released March	Planning	Prior Audit Issues will be reported to board once follow-up has been completed. Three of the four issues in the Office of Colonia Initiative-Contract for Deed Program have been verified by Internal Audit as Implemented. Weatherization Assistance Program subrecipients are monitored during the winter months. The estimate start up date for the Energy Assistance – Subrecipient Monitoring, Rpt. No. 1012.00 follow-up audit will be April 2008 after monitoring visits are completed for the year.

Internal Audits/Activities	Scope/Description	Stage	Comments
	5, 2007. ➢ CDBG Disaster Recovery Program- Control Design over Project Set-up and Draw Processing Functions, No.1016.2, released May 1, 2007.		
Tracking Status of Prior Audit Issues	To track the status of prior audit issues for management/board report purposes.	Ongoing	IA tracks and reports the status of prior audit issues to Management and the Department's Governing Board on an ongoing basis. Seventeen unresolved prior audit issues will be reported to the Board in September 2007.
Coordinate External Auditors	To coordinate and assist external auditors.	Periodic	• KPMG, FY 2007 Statewide Federal Single Audit – planning phase. • State Auditor's Office, Audit of CDBG Disaster Recovery Program – June 2007 start date anticipated.
FY 2008 Annual Audit Plan	To propose annual audit plan for FY 2008	Pending	Audit plan to be proposed to the Governing Board in first calendar quarter 2008.
FY 2008 Internal Audit Annual Report	To report TDHCA's Internal Audit activity and the individual audit reports prepared.	Pending	Estimated Completion- Estimate Release to State Auditors Office- November 1, 2007
Internal Audit Staffing	Senior level auditor position posting and hiring in process.	Completed	New Project Manger starts September 4, 2007.
HOME	An audit of the HOME program procedures to assess whether they adequately address the significant risks and compliance requirements associated with the program.	Pending inception	The audit is proposed to be addressed in connection with the FY 2008 Audit Plan. Management's estimated completion date of the HOME standard operating procedures provided to the Internal Audit Division is November 2007. An anticipated timeframe and completion date for this project will be identified in developing the FY 2008 Audit Plan.
LIHTC	To review significant Phases of the 2007 tax application cycle for the purposes of identifying significant risks associated with the awards process and if adequate controls are in place address the risks, and to determine whether the Department has complied with all significant requirements associated with the LIHTC phases subject to audit. ➢ Phase I Pre-Application and Notification Process ➢ Phase II Scoring , Threshold and Awards ➢ Phase III Appeals and Challenges	Planning/ Fieldwork	The anticipated completion date for the report on Phase I is October 2007. The anticipated completion date for the report on Phase II is December 2007. The anticipated completion date for the report on Phase III is March 2008

External Audits	Scope	Stage	Comments
State Auditor's Office	Employee classification audit	Completed	Report released June 12, 2007.
State Auditor's Office	To determine whether the Department appropriately awarded and disbursed hurricane recovery funds. Audit work will include automated systems and process that support the functions being audited.	Fieldwork	Anticipated report release late October 2007
HUD	Consolidated Review of Section 8	Completed	Report released March 27, 2007.
Deloitte and Touche	Annual Opinion Audits: • Consolidated Financial Statements for the FYE August 31, 2007 • Revenue Bond Enterprise Fund for the FYE August 31, 2007 • Opinion Audit on FY 2007 Computation of Unencumbered Fund Balances	Planning	Fieldwork anticipated for October 2007.

LEGAL DIVISION
BOARD ACTION REQUEST
September 13, 2007

Action Item

Presentation, Discussion and Possible Approval to publish the proposed repeal of 10 TAC Chapter 53, HOME Investment Partnership Program, and a draft of proposed new 10 TAC Chapter 53, HOME Program Rule for comment in the *Texas Register*.

Requested Action

Approve, Deny or Approve with Amendments the publication of the proposed repeal of 10 TAC Chapter 53, HOME Investment Partnership Program, and a draft of proposed new 10 TAC Chapter 53, HOME Program Rule for comment in the *Texas Register*.

Background

Attached behind this Board Action Item is the Draft HOME Program Rule which reflects staff's recommendations for revisions for the Board's consideration. This Draft rule ensures compliance with all statutory requirements, including recent 2306 changes, incorporates public input, integrates some of the HOME Task Force options presented to the Board on June 14, 2007, formalizes existing policy and guidelines contained in the HOME Program Procedures Manual and includes recommendations for revisions of necessary policy and administrative changes to further enhance the HOME Program's operation assimilating organizational changes of the HOME Division.

Detailed Summary of Significant Changes by Section

This section outlines some of the most significant recommendations being made by staff. Other more operational or procedural revisions, details of revisions, formatting adjustments, and streamlining are not summarized, but are reflected in the attached Draft HOME Program Rule. Details of the most significant changes are outlined below:

Subchapter A – General

§53.02 Definitions (pages 1-12)
In order to offer consistency with the Department, uniformity with other housing programs, and to implement those changes initiated during the 80th legislative session, defined terms were added or existing definitions were clarified. Numerous defined terms were added to incorporate the multifamily development activity within the Rule.

§53.03 Ex-Parte Communications (page 12)
This new section formalizes parts of the former 2006 HOME Rule by clearly defining the guidelines and processes regarding Ex-Parte Communication during an application cycle.

§53.04 Waivers in Disaster Areas (page 13)
This new section states that it is the policy of the Department to utilize waivers granted by HUD in disaster areas unless otherwise specified in NOFA.

§53.09 Environmental Clearance and Loan Closing Are Required Prior to Construction (page 14)
This new section formalizes policy prohibiting construction prior to environmental clearance or loan closing by the Department.

§53.21 Allocation of Funds (pages 15-16)
Formerly §53.52 of the 2006 HOME rule, this section incorporates the change from the 80th legislative session to Chapter 2306, that requires the Department to expend 5% of the annual allocation of HOME funds for Persons with Disabilities in any area of the state. Additionally, this section ensures the current standards of the 95/5 rule are met, describes the Department's ability to redistribute funds in accordance with the Con Plan and incorporates the Department's rule on Deobligated Funds.

§53.31 Owner-Occupied Housing Assistance Program (OCC) (pages 17-19)
Formerly part of §53.55 Program Activities, this new section directly addresses the Owner-Occupied (OCC) Housing Activity by delineating eligible activities such as Rehabilitation or Reconstruction, identifies eligible forms of homeownership such as a fee simple title, or 99-year leasehold interest on the real property, and eligible property types such as single-family dwellings or condominium units. This section stipulates that standards by which an assisted Manufactured Housing Unit must comply including meeting regulations as prescribed in the HOME Final Rule with permanent installation and connection to utilities. Additionally, this section addresses the eligibility requirements for a household including a unit of principal residence, income eligibility, and current taxes with the relevant taxing authorities.

As a major proposed change, this section addresses the maximum amount of assistance to an eligible household based on Reconstruction or Rehabilitation and the number of household members. In part as per recommendations of the HOME Task Force, this section proposes the form of assistance in loan tiers based on the AMFI of the eligible Household as illustrated in the chart below:

AMFI	Rehabilitation or Reconstruct
<=30% AMFI	0% interest, 5-year deferred, forgivable Loan.
>30% and <=50% AMFI	0% interest, 20-year term Loan. Repayable for first 10 years on 50-year amortization schedule and annual forgiveness of balance from years 11-20.
>50% and <=60% AMFI	0% interest, 20-year term Loan. Repayable for over 20 years on 40-year amortization schedule and forgiveness of balance upon maturity.
>60% and <=80% AMFI	0% interest, 20-year term repayable Loan.

Example of estimated monthly loan payments (without escrows) for a family of 4 in Bee County:

AMFI Range	Maximum AMFI 4 Person Household Bee County	***Reconstruct*** 1-4 Person Household **$60,000* Maximum**	Amount Repaid by Homeowner	*Reconstruct* 5-6 Person Household **$67,500* Maximum**	Amount Repaid by Homeowner	***Reconstruct*** 7+ Person Household **$75,000* Maximum**	Amount Repaid by Homeowner	***Rehabilitation*** **$30,000 Maximum**	Amount Repaid by Homeowner
		Monthly Payment		*Monthly Payment*		*Monthly Payment*		*Monthly Payment*	
30-50%	$21,550	$100	$12,000	$112.50	$13,500	$125	$15,000	$50	$6,000
50-60%	$25,860	$125	$15,000	$140.63	$16,875	$156.25	$18,750	$62.50	$12,000
60-80%	$34,500	$250	$60,000	$281.25	$67,500	$312.50	$75,000	$125	$30,000

* Assumes maximum Loan amount and excludes equity adjustment for initial appraised value.

Finally, in order to balance the Board's concern regarding long-term affordability for housing units assisted with the OCC Program Activity and some of the HOME Task Force's concerns regarding clouded title and liens on properties transferring to heirs, staff has included in the Rule the provision to allow for forgiveness of the loan balance upon the death of the homeowner for households at or below 30% AMFI. If the property is otherwise transferred or sold, the remaining loan balance is due to the Department in accordance with the federal affordability requirements.

§53.32 Homebuyer Assistance Program (HBA) (pages 19-21)
Formerly part of §53.55 Program Activities, this new section directly addresses the Homebuyer Assistance (HBA) Activity by limiting those activities to acquisition or acquisition with Rehabilitation. This section also stipulates that standards by which an assisted Manufactured Housing Unit must comply including meeting regulations as prescribed in the HOME Final Rule with permanent installation and connection to utilities. As with all of the Program Activity sections, this section provides household eligibility requirements such as the Principal Residency requirement, income eligibility requirement and free of tax liens. For acquisition with Rehabilitation for Persons with Disabilities, this section formalizes the limit of $20,000.

As a major proposed change, this section addresses the maximum amount of assistance to an eligible household for contract for deed conversion for acquisition and/or Reconstruction or Rehabilitation. The change for the amount of assistance mirrors the recommendations for the OCC Program Activity and is based on the number of household members. Additionally, the structure of the assistance is similar to the OCC Program Activity with the exception that households assisted at or below 30% AMFI will require the term of the loan to be based on the federal affordability requirements for an acquisition activity.
The policy regarding Manufactured Housing Units being replaced with newly constructed housing on the same site or any housing unit being replaced on an alternate site is formalized to be in accordance with the Final Rule and federal affordability requirements. Additionally, the maximum amount of assistance and loan structures will mirror the OCC changes.

The policy for HBA for downpayment and closing cost assistance and Rehabilition for Persons with Disabilities is incorporating a minor change in that the federal affordability requirements will apply to the total amount of assistance. All assistance under this activity will be in the form of a zero percent deferred, forgivable loan based on the amount of assistance provided.

§53.33 Tenant-Based Rental Assistance Program (TBRA) (page 21)
Formerly part of §53.55 Program Activities, this new section addresses the Tenant-Based Rental Assistance Program. It is important to note that the period of time for assistance will remain 24 months for this activity. This section prescribes those standards by which a Household is able to participate in the activity, such as the Household must maintain Principal Residency in the unit for which rental assistance is provided, must be an Income Eligible Household, and must reside in a unit that is located within the Administrator's Service Area. Finally, this section states the assistance is limited to rental assistance for 24 months, the security deposit (which cannot exceed two months rent for the unit, the rental standard must not exceed HUD's "Fair Market Rent for the Housing Choice Voucher Program, and that rental units must be inspected prior to occupancy and must comply with Housing Quality Standards (HQS) established by HUD.

§53.34 Rental Housing Development Program (RHD) (page 21)
This new section formalizes HOME eligible activities for rental housing development such as acquisition, new construction, rehabilitation, or reconstruction of multifamily housing. In addition, this section stipulates that owners for rental units assisted with HOME funds must comply with income and rent restrictions. Finally, this section states that all housing must meet all applicable local codes, rehabilitation standards and zoning ordinances in accordance with the Final Rule.

§53.35 Single Family Housing Development Program (page 21)
This new section formalizes HOME eligible activities such as acquisition and New Construction, but also stipulates that housing assisted with HOME funds must meet all applicable codes, local codes, standards, and zoning ordinances, as applicable. Finally, this section states that if eligible, an Application that applies for Single Family Housing Development may also apply for Homebuyer Assistance and qualifies this Program Activity as a CHDO-eligible activity.

§53.36 CHDO Pre-Development Loan Program (page 22)
This new section defines requirements for predevelopment loans and states that predevelopment loan funds may only be used for activities such as project-specific technical assistance, site control loans, and project-specific seed money. Additionally, this section requires that loans must be repaid from construction loan proceeds or other project income.

§53.37 Prohibited Activities (pages 22-23)
This new section formalizes existing Department policy and also clarifies per the Final Rule those activities for which Department awards may not be used including but not limited to providing project reserve amounts or operating subsidies, provide tenant-based rental assistance for special purposes of the existing Section 8 program, providing non-federal matching contributions required under any other Federal program, pay delinquent taxes, fees, or charges on Properties assisted with HOME funds, assist Persons who owe payments identified by the Comptroller of Texas, assist households whose Property has current tax liens and/or judgments

against it, and providing Rehabilitation or Reconstruction on a housing unit without prior written consent of all Persons who have a valid lien or ownership interest in the property.

§53.40 Competitive and Open Cycles (page 24)
This new section, a part of the former 2006 HOME Rule, stipulates that all Notices of Funding Availability (NOFAs) will affirm whether the funding cycle will be Competitive or Open cycle.

§53.41 Eligible Applicants (page 24)
Formerly §53.53(a) of the 2006 rule, this new section defines those eligible applicants who can apply for funding including nonprofit organizations, Community Housing Development Organizations, Units of General Local Government, for-profit entities and sole proprietors, and public housing agencies.

§53.42 Ineligible Applicants and Applications (pages 24-25)
This new section stipulates those conditions that may deem an Applicant and any applications ineligible.

§53.44 General Applicant Eligibility Requirements (page 26)
This new section provides those general Applicant requirements, deferring to the NOFA when applicable. All NOFAs will be presented to the Board.

§53.45 Rental Housing Development (Multifamily) Application Requirements (page 26)
This new section provides those requirements for Rental Housing Development (Multifamily) Application requirements. In addition to those restrictions referred in the Final Rule, developments involving New Construction will be limited to 252 Units. As per changes during the 80th Legislative Session, Developments in Rural Areas will be limited to no more than 80 Units. The minimum number of units shall be 4 under this provision. Finally, for funds being used in RHD, the Development Owner must establish a reserve account consistent with Chapter 2306.186.

§53.47 Application and Award Limitations (pages 27-28)
Formerly §53.54 of the 2006 HOME rule, this new section incorporates sections of the previous rule, but also formalizes Department processes and proposes some new policy changes. Initially, this rule stipulates that the Department reserves the right to reduce the amount of award requested in an Application based on the Program Activity, Project feasibility, underwriting analysis, or availability of funds. Award amounts are limited based on the activity including \$375,000 for OCC (equates to approximately 5 units); \$300,000 for HBA (equates to approximately 30 units) or \$500,000 for HBA for multi-county applicants (equates to approximately 50 units) Applicants serving multiple counties; \$300,000 for TBRA (equates to approximately 15 units); \$500,000 for contract for deed conversions (equates to approximately 7 units); \$500,000 per state or federally declared disaster (equates to approximately 7 units); and \$50,000 CHDO Predevelopment Loans. All of these award limits may change as otherwise allowed by the Board or NOFA. Additionally, the Contract Award for RHD or Single Family Development activities shall not exceed \$3 million. While the previous rule awarded 5% of the CHDO award for operating expenses. Staff would like to recommend a policy change that allocates operating expenses based on the *lesser* of 50% of the CHDO's total annual operating

expenses or the 5% allowance as previously described *or* a sum total of $50,000, whichever is greater. Finally, an applicant shall not receive more than one award of CHDO operating funds during the same fiscal year and the Board may waive the amounts in this section by stating the increase in the applicable NOFA.

§53.49 Selection Criteria for Program Activities (page 30)
Formerly §53.60, this new section states that the selection criteria for any Program Activity will be described in the NOFA and ASPM. Applicants must also self-score and may not adjust the self-score without a request from the Department as a result of an Administrative Deficiency.

§53.60 Application Procedures for Certification of CHDO (pages 31-36)
This new section formalizes current processes and details the application procedures for certification of Community Housing Development Organizations and changes the requirement to re-certify every two years (instead of annually) to coincide with a typical development period of 24 months.

§53.70 Process for Awards (pages 37-38)
Formerly §53.59, this section proposes a policy change by establishing a process for awards that now incorporates funding priorities established in the Consolidated Plan to meet the income and program targets for each Program Activity established by the Con Plan and also incorporates the Regional Allocation Formula requirements.

§53.71 Contract Required after Award (page 38)
This new section states that any Program Activity funded under this program will be governed by a written Contract that identifies the terms and conditions related to the awarded funds. Additionally, per the recommendation of the HOME Task Force, this contract will not be effective until executed by all parties to the Contract. Finally, any amendments to this contract must be in writing and subject to the requirements of this Chapter.

§53.72 Contract Terms (pages 38-39)
This new section states the Contract Terms for each activity and provides the benchmarks that must be achieved throughout the contract period for each HOME Program Activity. In consideration of options provided by the HOME Task Force and with the establishment of new benchmarks, including the requirement to have 100% of the funds committed at 12 months, and the provision of technical assistance and performance review, the proposed Contract Term for OCC is 22 months, an increase from 18 months. The proposed Contract Term for TBRA is 36 months, an increase from 30 months.

§53.73 Contract Amendments (pages 39-40)
Formerly §53.62 of the 2006 HOME Rule, this section is modified to propose allowing one contract extension by the Department's Executive Director without Board Approval.

§53.80 Documents Supporting Mortgage Loans (pages 41-42)
This new section formalizes policy on procedures for loan processes for the OCC and HBA Activities and lists those documents necessary to support mortgage loans by the Department. This section also incorporates the 2306 requirement that the Department may not designate a

specific title company to provide the mortgage policy or require the borrower to provide the policy from a specific title insurance company.

§53.81 General Contract Administration (pages 42-43)
This new section formalizes policy regarding contract administration, provides key chronological program requirements related to the administration of a contract after Board approval.

§53.83 Procurement (page 44)
This new section formalizes current Department policy by defining the roles of State Recipients and Subrecipients as it relates to procurement referencing Federal and State rules.

§53.84 Project Setups and Disbursement Requests (pages 44-45)
This new section requires all HOME Administrators to comply with the Department's electronic project set-up and disbursement process, including providing the required support documentation and adhering to contractual benchmarks and the TDHCA HOME Program Manual and Contract Systems Users Guide.

§53.85 Soft Cost Limitations (pages 45-50)
This new section, establishes cost guidelines and limitations related to the OCC and HBA Program Activities in an effort to establish reasonableness of soft costs and is an attempt to obtain more project costs per housing unit assisted to result in an increased living space of the final product or more assistance provided directly to the homebuyer. The overall cap on soft costs as a percentage of hard or project costs is also adjusted and based on the type of the activity and the maximum amount of assistance.

§53.86 Performance Reviews and Sanctions (pages 50-51)
This new section is a result of the reconstitution and additional organizational changes of the HOME Division and at the request of the Board. The section demonstrates some of the new responsibilities the HOME Division will be performing. This includes the technical assistance and review of contract performance benchmarks and details those corrective and remedial actions for performance deficiencies such as the preparing and following a schedule of corrective action, repayment of HOME funds that were expended on ineligible activities, and sanctioning of the Administrator or Development Owner from receiving funds for two years from the date of the monitoring report.

Recommendation

Staff recommends Board approval of the repeal of 10 TAC Chapter 53, HOME Investment Partnership Program, and draft 10 TAC Chapter 53, HOME Program Rule for publication in the *Texas Register* to receive public comment.

Texas Department of Housing and Community Affairs
HOME PROGRAM RULE
10 TAC, PART 1, CHAPTER 53

Subchapter A -General

§53.01. Purpose.

This Chapter clarifies the use and administration of all funds provided to the Texas Department of Housing and Community Affairs (Department) by the United States Department of Housing and Urban Development (HUD) pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990 (42 USC §§12701-12839) and HUD regulations at 24 CFR, Part 92. The State's HOME Program is designed to:

(1) focus on the areas with the greatest housing need described in the State Consolidated Plan;

(2) provide funds for home ownership and rental housing through acquisition, new construction, rehabilitation, tenant-based rental assistance, and pre-development loans;

(3) promote partnerships among all levels of government and the private sector, including non-profit and for-profit organizations; and

(4) provide low, very low, and extremely low income families with affordable, decent, safe and sanitary housing.

§53.02. Definitions.

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

(1) Act--HOME Investment Partnership Act at Title II of the Cranston-Gonzalez National Affordable Housing Act as amended, at 42 USC §§12701, et seq.

(2) Activity--A single housing unit with a unique physical address. An activity may also refer to an individual Project or site.

(3) Administrative Deficiencies--The absence of information or a document from the application as required in this Chapter or applicable NOFA.

(4) Administrator--The Person responsible for performing under a Contract with the Department.

(5) 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, Controls, is 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 an ownership interest.

(6) Affiliated Party--A person in a relationship with the Administrator on a Contract with the Department.

(7) Annual Income--As defined in 24 CFR §92.203.

(8) Applicant--A Person who has submitted to the Department an Application for Department funds or other assistance.
(9) Application--A request for funds submitted to the Department in a form prescribed by the Department, including any exhibits or other supporting material.
(10) Application Acceptance Period--The period of time that Applications may be submitted to the Department as more fully described in the applicable NOFA.
(11) Application Submission Procedures Manual (ASPM)--The manual that sets forth the procedures, forms, and instructions for the completion and submission of an Application to the Department.
(12) Area Median Family Income (AMFI)--The income estimated and determined by HUD as the median family income with adjustments for family size and geographic locations.
(13) Articles of Incorporation--The document that sets forth the basic terms for a corporation's existence and is the official recognition of the corporation's existence.
(14) Board--The governing board of the Texas Department of Housing and Community Affairs.
(15) Business Plan--The written document that for the purposes of CHDO certification outlines the CHDO's plan for developing eligible housing activities, its internal operations, and citizen participation process.
(16) 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 of Incorporation 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.
(17) CFR--Code of Federal Regulations.
(18) Chapter 2306--The enabling statute for the Department found in Texas Government Code, Chapter 2306.
(19) CHDO Service Area--A Community in which a CHDO owns, developed and/or sponsored CHDO eligible housing activities for the low income residents of the city/place or county they serve.
(20) Colonia--A geographic area that is located in a county some part of which is within 150 miles of the international border of this state that consists of 11 or more dwellings that are located in close proximity to each other in an area that may be described as a community or neighborhood, 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, Texas Water Code; or
> (B) Has the physical and economic characteristics of a Colonia, as determined by the department.

(21) Colonia Housing Standards--The Department's HUD approved housing standards that allow Colonia residents the opportunity to rehabilitate their homes when located in a designated Colonia.

(22) Community--Urban areas means one or several Neighborhoods, a city, a county, or a metropolitan area and for Rural Areas means one or several Neighborhoods, a town, a village, a county or multi-county area, but not the whole state. For purposes of this Chapter, the Applicant should clearly define the area. For example, the city of Dallas would not include all of Dallas and Collin counties but Dallas and Collin counties would include the city of Dallas.

(23) Community Housing Development Organization (CHDO)--A private nonprofit, community-based service organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves in accordance with 24 CFR §92.2 and which is certified as such by the Department. To be certified as a CHDO by the Department, the organization must act in the capacity of Developer, Owner or Sponsor as defined in this Chapter.

(24) Community Housing Development Organization (CHDO) Developer--The CHDO:

(A) Either owns a Property and develops a Project, or has a contractual obligation to a property owner to develop a Project; and

(B) Performs all the functions typically expected of for-profit Developers, and assumes all the risks and rewards associated with being the Project Developer.

(i) For RHD, the CHDO must obtain financing, and Rehabilitate, Reconstruct or construct the Project. If it owns the Property, the CHDO may maintain ownership and manage the Project over the long term. If it does not own the Property, the CHDO must enter into a contractual obligation with the property owner. This contractual obligation is independent of the PJ.

(ii) For HBA, the CHDO must obtain Project financing, Rehabilitate, Reconstruct or construct the dwelling(s), and have title of the property and the HOME loan/grant obligations transferred to a HOME-qualified homebuyer within a specified timeframe. If it does not own the Property, the CHDO must enter into a contractual obligation with the property owner. This contractual obligation is independent of the PJ.

(25) Community Housing Development Organization (CHDO) Owner--The CHDO holds valid legal title to or has a long-term (99-year minimum) leasehold interest in a rental Property. The CHDO may be a Development Owner with one or more Persons. If it owns the Project in partnership, it or its wholly-owned nonprofit or for-profit subsidiary must be the managing General Partner with effective control (i.e., decision-making authority) of the Project. The CHDO may be both Development Owner and Developer, or may have another entity as the Developer.

(26) Community Housing Development Organization (CHDO) Sponsor--The CHDO:

(A) For RHD, the CHDO may develop a Project that it solely or partially owns and agrees to convey ownership to a second non-profit organization at a predetermined time prior to or during Development or upon completion of the Development of the Project. The HOME funds are invested in the Project owned by the CHDO. The CHDO Sponsor selects prior to commitment of HOME funds the non-profit organization that will obtain ownership of the Property. The non-profit assumes from the CHDO the HOME obligation (including any repayment of loans) for the Project at a specified time. If the Property is not transferred to the non-profit organization, the CHDO Sponsor remains liable for the HOME loan/grant obligation. The non-profit organization must be financially and legally separate from the CHDO Sponsor. The CHDO Sponsor must provide sufficient resources to the non-profit organization to ensure the Development and long-term operation of the Project.

(B) For HBA, the CHDO owns a Property, then shifts responsibility for the Project to another nonprofit at some specified time in the Development process. The second nonprofit, in turn, transfers title along with the HOME loan/grant obligations and recapture requirements to an Income Eligible Household within a specified timeframe. The HOME funds are invested in the Property owned by the CHDO. The other nonprofit being sponsored by the CHDO acquires the completed units, or brings to completion the Rehabilitation or construction of the Property. At completion of the Rehabilitation or construction, the second nonprofit is required to sell the Property along with the HOME loan/grant obligations to an Income Eligible Household.

(C) For either type of sponsorship, the CHDO must own the Property prior to the development phase of the project.

(27) 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.

(28) Competitive Application Cycle--A defined period of time that Applications may be submitted according to a published Notice of Funding Availability (NOFA) that will include a submission deadline and selection or scoring criteria. Applications will be reviewed in accordance with the rules for application review published in the NOFA and the ASPM.

(29) Conflict of Interest--A conflict between the private interests and the official responsibilities of a Person in a position of trust, as specified in 24 CFR §92.356.

(30) 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.

(31) Contract--The executed written agreement between the Department and an Administrator or Development Owner performing an activity related to a program that outlines performance requirements and responsibilities assigned by the document.

(32) Control--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 or 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 of a limited liability company.

(33) Deobligated Funds--The funds released by an Administrator or Development Owner or recovered by the Department canceling a Contract or award involving some or all of a contractual financial obligation between the Department and an Administrator or Development Owner.

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

(35) 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 and any other Person receiving any portion of such fee, whether by subcontract or otherwise.

(36) Development--A Project that has a construction component, either in the form of New Construction or Rehabilitation of multi-unit or single family residential housing.

(37) Development funding--

(A) A loan or grant; or

(B) An in-kind contribution, including a donation of real Property, a fee waiver for a building permit or for water or sewer service, or a similar contribution that:

(i) provides an economic benefit; and

(ii) results in a quantifiable cost reduction for the applicable Development.

(38) Development Owner--Any Person, General Partner, or Affiliate of a Person who owns or proposes a Development or expects to acquire Control of a Development under a purchase contract approved by the Department and is the Person responsible for performing under the Contract with the Department.

(39) Development Site--The area, or if scattered site, areas, for which the Development is proposed to be located and is to be under the Development Owner's Control.

(40) Executive Award and Review Advisory Committee (EARAC)--The Department committee that will develop funding priorities and make funding and allocation 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.

(41) Expenditure--An approved expense evidenced by documentation submitted by the Administrator or Development Owner 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.

(42) 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; or

(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.

(43) Feasibility Analysis--The process of performing a budgetary justification for Reconstruction which compares the cost of Rehabilitation to the replacement costs of a housing unit for the purposes of OCC.

(44) FHA 203(b) Mortgage Limits (“203(b) Limits”)--The mortgage limits established under §203(b) of the National Housing Act (12 USC 1709(b) which may be obtained from the HUD Field Office.

(45) Final Rule--The current final rule as published by HUD as 24 CFR, Part 92 with amendments.

(46) General Contractor--A Person who contracts for the construction or Rehabilitation of an entire 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 subcontractors.

(47) General Partner--A Person or Persons who is 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 the contrary, if the Development Owner 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.

(48) Grant--Financial assistance that is awarded in the form of money to a housing sponsor for a specific purpose and that is not required to be repaid. For purposes of this Chapter, a grant includes a forgivable loan.

(49) Homebuyer Assistance Program (HBA)--A Program Activity for the purpose of providing HOME funds for acquisition, acquisition with Rehabilitation, down payment, closing costs, and gap financing assistance provided to Income Eligible Households. Rehabilitation may be combined with HBA to provide contract for deed conversions and assist Person with Disabilities.

(50) HOME--The HOME Investment Partnerships Program at 42 USC §§12701-12839 and the regulations promulgated thereafter at 24 CFR, Part 92.

(51) Household--One or more persons occupying a housing unit (24 CFR §92.2).

(52) HUD--The United States Department of Housing and Urban Development, or its successor.

(53) HUD’s Maximum Per-unit Subsidy Amount (“221(d)(3) limits”)--The per-unit dollar limitations established under §221(d)(3)(ii) of the National Housing Act for elevator-type projects that apply to the area in which the housing is located.

(54) IDIS--The electronic grants management information system named the Integrated Disbursement and Information System established by HUD to be used tracking and reporting HOME funding progress.

(55) Income Eligible Households--The federal definition which is:

(A) Low-Income Households--Households whose Annual Incomes do not exceed 80% of the AMFI.

(B) Very Low-Income Households--Households whose Annual Incomes do not exceed 50% of the AMFI.

(C) Extremely Low Income Households--Households whose Annual Incomes do not exceed 30% of the AMFI.

(56) Intergenerational Housing--Housing that includes specific units that are restricted to the age requirements of a Qualified Elderly Development and specific units that are not age restricted in the same Development that:

(A) Have separate and specific buildings exclusively for the age restricted units;

(B) Have separate and specific leasing offices and leasing personnel exclusively for the age restricted units;

(C) Have separate and specific entrances, and other appropriate security measures for the age restricted units;

(D) Provide shared social service programs that encourage intergenerational activities but also provide separate amenities for each age group;

(E) Share the same Development site;

(F) Are developed and financed under a common plan and owned by the same Person for federal tax purposes; and

(G) Meet the requirements of the federal Fair Housing Act.

(57) Land Use Restriction Agreement (LURA)--An agreement between the Department and a Person related to a specific Property or Properties which is binding upon a Person's successors in interest, filed with the responsible recording authority, and encumbers the Property with respect to requirements in this Chapter, Chapter 2306 of the Texas Government Code and the Final Rule.

(58) Loan--Financial assistance that is awarded in the form of money and an executed written agreement between the Department and Person for a specific purpose and that is required to be repaid.

(59) Manufactured Housing Unit (MHU)--As defined by HUD is a structure transportable in one or more sections which, in traveling mode, is 8 body-feet or more in width or 40 body-feet or more in length, or when erected on site, is 320 square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required facilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein.

(60) Match--Eligible forms of non-federal contributions to a Program Activity or Project in the forms specified in 24 CFR §92.220, CPD Notice 97-03 and the Department's Match Guide.

(61) Material Noncompliance--as is defined in TAC, Chapter 60, Subchapter A of this title.

(62) Modular Housing--As defined by HUD is a home built in sections in a factory to meet state, local, or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site.

(63) Mortgagor--The Person who borrows money and uses his or her real property as collateral and security for the payment of the debt.

(64) Neighborhood--As defined by HUD, 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 (24 CFR §92.2).
(65) New Construction--Any Development not meeting the definition of Rehabilitation.
(66) NOFA--Notice of Funding Availability, published in the *Texas Register*.
(67) 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;

(C) Has a current tax exemption ruling from the Internal Revenue Service (IRS) under §501(c)(3), a charitable, nonprofit corporation, or §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 throughout the length of any contract agreements; or 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

(D) A private nonprofit organization's pending application to the IRS for exemption status under §§501(c) (3) or (c)(4) status cannot be used to comply with the tax status requirement.

(68) Open Application Cycle--A defined period of time during which Applications may be submitted according to a published NOFA and which will be reviewed on a first-come, first-served basis until all funds available are committed, or until the NOFA is closed.
(69) Owner-Occupied Housing Assistance (OCC)--A Program Activity for the purpose of providing HOME funds for the Rehabilitation of existing owner-occupied housing for Income Eligible Households. Housing assistance for disaster relief is provided under this Program Activity.
(70) 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.
(71) Person--Any individual, partnership, corporation, association, unit of government, community action agency, or public or private organization of any character.
(72) Persons with Disabilities--A Household composed of one or more Persons, at least one of whom is an adult, who has a disability that is a physical, mental, or emotional impairment that is expected to be of long-continued and indefinite duration, substantially impedes his or her ability to live independently, and is of such a nature that such ability could be improved by more suitable housing

conditions. A Person will also be considered to have a disability if he or she has a developmental disability, which is a severe, chronic disability and as further defined at 24 CFR §92.2.

(73) Persons with Special Needs--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 and may include any households composed of one or more persons with alcohol and/or drug addictions, Colonia residents, Persons with Disabilities, victims of domestic violence, persons with HIV/AIDS, homeless populations and migrant farm workers.

(74) Predevelopment Costs--Costs related to a specific eligible 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.

(75) Principal--A Person, or Persons, that will exercise Control over a partnership, corporation, limited liability company, trust, or any other private entity. In the case of:

(A) Partnerships, Principals include all General Partners, special limited partners and Principals with ownership 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, and each stock holder having a ten percent or more interest in the corporation; and

(C) Limited liability companies, Principals include all 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.

(76) Principal Residence--The primary housing unit a Person or Household inhabits.

(77) Program Activity--The specific purposes for which HOME funds are used and required in the Contract with the Administrator.

(78) Program Income--The gross income received by the Department, Development Owners or Administrators directly generated from the use of HOME funds or matching contributions as further described in 24 CFR §92.2.

(79) 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.

(80) 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.

(81) 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.

(82) Qualified Market Analyst--A real estate appraiser certified or licensed by the Texas Appraiser Licensing and Certification Board, 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. Competency will be determined by the Department, in its sole discretion. The Qualified Market Analyst must be a Third Party.

(83) Received Date--The date and time that an Application is physically received by the Department.

(84) Rehabilitation--The improvement or modification of an existing residential development through an alteration, addition, or enhancement. The term includes the demolition of an existing residential development and the Reconstruction of any development units, but does not include the improvement or modification of an existing residential development for the purpose of an adaptive reuse of the development. In accordance with the federal definition of Reconstruction at 24 CFR §92.2, the term also means the demolition and rebuilding, on the same lot, of housing standing on the site at the time of commitment of HOME funds. The number of units on the lot may not be decreased or increased as part of the rehabilitation, but the number of rooms per unit may be increased or decreased. Rehabilitation also includes replacing an existing substandard MHU with a new MHU.

(85) Rental Housing Development (RHD)--A Program Activity and Project for the purpose of providing HOME funds for the acquisition, New Construction or Rehabilitation of multi-family or single family rental housing, or conversion of commercial property to rental housing for Income Eligible Households.

(86) 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 25,000 or less and does not share a boundary with an urban area; or

(C) In an area that is eligible for funding by the Texas Rural Development Office of the United States Department of Agriculture, other than an area that is located in a municipality with a population of more than 50,000.

(87) Rural Development--A Development or proposed Development that is located in a Rural Area, other than rural New Construction Developments with more than 80 units.

(88) Service Area--The city, county and/or place identified in the Contract that the Administrator will serve.

(89) Set-Aside--A statutory or federally mandated reservation of a portion of available funds or units for specific types of housing priorities, Program Activities or geographic locations.

(90) Single Family Housing Development--A Program Activity and Project for the purpose of providing HOME funds for the acquisition, and/or New Construction or Rehabilitation of affordable single family housing units Income Eligible Households to acquire homeownership.

(91) State Recipient--A Unit of General Local Government designated by the Department to receive HOME funds.

(92) 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.

(93) TAC--Texas Administrative Code.

(94) Tenant-Based Rental Assistance (TBRA)--A Program Activity for the purpose of providing HOME funds for rental subsidy and security and utility deposit assistance to Income Eligible Households.

(95) Texas Minimum Construction Standard (TMCS)--The program standard used to determine the minimum acceptable housing condition for the purposes of Rehabilitation and acquisition.

(96) Third Party--A Person who is not:

(A) An Applicant, Administrator, Borrower, General Partner, Developer, Development Owner, or General Contractor, or

(B) An Affiliate, Affiliated Party to the Applicant, Administrator, Borrower, General Partner, Developer, Development Owner or General Contractor, or

(C) A Person receiving any portion of the administration, contractor fee or developer fee.

(97) 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.

(98) Urban Area--The area that is located within the boundaries of a primary metropolitan statistical area other than an area that is described by paragraph (86) of this subsection.

(99) USC—The United States Code.

§53.03. Ex Parte Communications.

(a) During the period beginning on the date project Applications are filed in an application cycle and ending on the date the board makes a final decision with respect to the approval of any Application in that cycle, a member of the Board may not communicate with the following Persons:

(1) an Applicant or a Related Party, as defined by state law, including board rules, and federal law; and

(2) any Person who is:

(A) active in the construction, rehabilitation, ownership, or control of the proposed project, including:

(i) a General Partner or contractor; and

(ii) a Principal or Affiliate of a General Partner or contractor; or

(B) employed as a consultant, lobbyist, or attorney by an Applicant or a Related Party.

(b) Subject to subsection (c) of this section, during the period beginning on the date project Applications are filed in an application cycle and ending on the date the Board makes a final decision with respect to the approval of any Application in that cycle, an employee of the Department may communicate about the Application with the following Persons:

(1) the Applicant or a Related Party, as defined by state law, including board rules, and federal law; and

(2) any Person who is:

(A) active in the construction, Rehabilitation, ownership, or Control of the proposed Project, including:

(i) a General Partner or contractor; and

(ii) a Principal or Affiliate of a General Partner or contractor; or

(B) employed as a consultant, lobbyist or attorney by the Applicant or a Related Party.

(c) A communication under subsection (b) of this section may be oral or in any written form, including electronic communication through the internet, and must satisfy the following conditions:

(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; and

(3) a record of the communication must be maintained and included with the Application for purposes of Board review and must contain the following information:

(A) the date, time, and means of communication;
(B) the names and position titles of the Persons involved in the communication and, if applicable, the Person's relationship to the Applicant;
(C) the subject matter of the communication; and
(D) a summary of any action taken as a result of the communication.

(d) Notwithstanding subsections (a) or (b) of this section, a Board member or Department employee may communicate without restriction with a Person listed in subsections (a) or (b) of this section during any board meeting or public hearing held with respect to the Application, but not during a recess or other nonrecord portion of the meeting or hearing.

(e) Subsection (a) of this section does not prohibit the Board from participating in social events at which a Person with whom communications are prohibited may or will be present, provided that all matters related to Applications to be considered by the Board will not be discussed.

§53.04. Waivers in Disaster Areas.

It is the policy of the Department to utilize the waivers granted by HUD in disaster areas unless otherwise specifically stated in any NOFA released.

§53.05 Printed Materials Available.

Upon request, any materials identified as available of the Department's website in this Chapter may also be distributed in hard copy.

§53.06. Alternative Dispute Resolution.

The Department encourages Persons to use the Alternative Dispute Resolution rules found in §1.17 of this title, to resolve disputes.

§53.07. Compliance Rules.

Multifamily Developments (whether single family homes or Developments with four or more units) are subject to the relevant compliance rules found in Chapter 60 of this title.

§53.08. Notice of Receipt of Application or Proposed Application.

(a) Not later than the 14th day after the date an Application or a proposed Application for housing funds described by §2306.111 has been filed, the Department shall provide written notice of the filing of the Application or proposed Application to the following Persons:

(1) the United States representative who represents the community containing the Development described in the Application;

(2) members of the legislature who represent the community containing the development described in the Application;

(3) the presiding officer of the governing body of the political subdivision containing the development described in the application;

(4) any member of the governing body of a political subdivision who represents the area containing the development described in the application;

(5) the superintendent and the presiding officer of the board of trustees of the school district containing the development described in the application; and

(6) any neighborhood organizations on record with the state or county in which the development described in the application is to be located and whose boundaries contain the proposed development site.

(b) The notice provided under subsection (a) of this section must include the following information:

(1) the relevant dates affecting the application, including:

(A) the date on which the application was filed;

(B) the date or dates on which any hearings on the application will be held; and

(C) the date by which a decision on the application will be made;

(2) a summary of relevant facts associated with the development;

(3) a summary of any public benefits provided as a result of the development, including rent subsidies and tenant services; and

(4) 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.

§53.09. Environmental Clearance and Loan Closing Are Required Prior to Construction.

Administrators and Development Owners must not proceed or allow a contractor to proceed with construction, including demolition, on any Activity, Project or Development without first completing the required environmental clearance procedures and Loan closing with the Department.

Subchapter B. – Allocation of Funds.

§53.20 Consolidated Plan.

The Department will annually develop a Consolidated Plan One-Year Action Plan that will determine funding priorities and Set-Asides for the use of funds provided under the Act by HUD. Funds will be released only after approval of the One-Year Action Plan by HUD.

§53.21. Allocation of Funds.

(a) The Department shall administer all federal housing funds provided to the state under the Act in accordance with the Final Rule and Chapter 2306 of the Texas Government Code by:

(1) adopting a goal to apply an aggregate minimum of 25% of the division's total housing funds toward housing assistance for individuals and families of extremely low and very low income, pursuant to §2306.111(b);

(2) expending 95% of these funds for the benefit of non-participating small cities and Rural Areas that do not qualify to receive funds under the Act directly from HUD;

(3) expending 5% of these funds for Persons with Disabilities who live in any area of the state as required by §2306.111(c).

(b) The funds under subsection (a)(2) of this section shall be allocated according to the regional allocation formula adopted as required by Chapter 2306.

(c) The funds will not be regionally allocated as required by subsection (b) of this section if the funds are reserved for contract for deed conversions or for Set-Asides mandated by state or federal law and each contract for deed Set-Aside equals not more than 10% of the total allocation of funds.

(d) The funds under subsection (a)(3) of this section are not subject to the regional allocation formula and may be used in any region of the state. Limitations on funds for a single region, if any, will be included within a NOFA. If limitations are not included in a NOFA, the maximum funds available is 5% of the annual allocation.

(e) The Department will make every effort to distribute funds throughout the state as outlined in the Department's Consolidated Plan One-Year Action Plan and in accordance with Chapter 2306.

(f) Redistribution. In an effort to commit HOME funds in a timely manner, the Department may reallocate funds to other areas identified in the Consolidated Plan, at its own discretion.

(g) Deobligated Funds. The Department shall use Deobligated Funds in accordance with §1.19 of this title. As required by Chapter 2306, the funds will be expended under the same allocation method called for under §53.21(a) of this subchapter and are not subject to the regional allocation formula.

Subchapter C. - Program Activities.

§53.30. Activities in Consolidated Plan.

Through its Consolidated Plan, the Department has identified general guidelines for funding of a Program Activity. Applicants that meet the qualifications identified in this Chapter and under the terms of a NOFA may apply for any Program Activity the Department funds.

§53.31. Owner-Occupied Housing Assistance Program (OCC).

(a) Eligible activities are limited to the Rehabilitation or Reconstruction of existing owner-occupied housing. The Rehabilitation of a MHU is not an eligible activity.

(b) Eligible forms of homeownership are limited to fee simple title to the real property, a 99-year leasehold interest in the real property, a 50-year leasehold interest on trust, a 50-year leasehold on restricted Indian lands, or ownership or membership in cooperative or a mutual housing project that constitutes homeownership under Texas law.

(c) Eligible property types are limited to single family dwellings, condominium units and cooperative units in mutual housing projects. A MHU is not an eligible property type for Rehabilitation. HOME funds may be used to replace (Reconstruct) an owner-occupied housing unit with a MHU or Modular Home if:

(1) the unit complies with standards at 24 CFR §92.205 and with the Texas Manufactured Housing Standards Act, §19(1);
(2) the unit is permanently installed down;
(3) the unit is permanently attached to utilities; and
(4) the ownership of the unit is recorded in the taxing authority of the county in which it is located.

(d) The Household must comply with the following initial eligibility requirements:

(1) own and occupy the single family unit as its Principal Residence;
(2) be an Income Eligible Household;
(3) be located within the Administrator's Service Area; and
(4) meet all other eligibility requirements.

(e) Real property taxes assessed on the housing unit must be current and/or the Household must be participating in an approved payment plan with the taxing authority.

(f) The property must not be encumbered with tax liens, child support liens, or mechanic or materialmen's liens.

(g) The maximum amount of assistance to an eligible Household is based on Household size:

“Figure: 10 TAC 53.31(g)”

Rehabilitation that is Reconstruction for 1-4 person Household	Rehabilitation that is Reconstruction for 5-6 person Household	Rehabilitation that is Reconstruction for 7 or more person Household	Rehabilitation that is not Reconstruction
$60,000	$67,500	$75,000	$30,000

(h) The minimum amount of assistance to an eligible household is $1,000.

(i) The estimated value of the housing unit, after Rehabilitation or Reconstruction, must not exceed the 203(b) Limits.

(j) The form of assistance to an eligible Household is based on AMFI except in the instances of a MHU being replaced with newly constructed housing (site-built) on the same site or any housing unit being replaced on an alternate site. For Rehabilitation that is Reconstruction (excluding contract for deed conversion), the Loan amount is based upon the amount of assistance minus the appraised value of the existing housing unit. Upon completion of the Reconstruction, the Department will reduce the Loan amount with a principal reduction for any change orders that resulted in a net decrease in the amount of assistance, a net decrease of the after-improved value and 10% of the after-improved value of the housing unit.:

“Figure: 10 TAC 53.31(j)”

AMFI	Rehabilitation or Reconstruction
<=30% AMFI	0% interest, 5-year deferred, forgivable Loan.
>30% and <=50% AMFI	0% interest, 20-year term Loan. Repayable for first 10 years on 50-year amortization schedule and annual forgiveness of balance from years 11-20.
>50% and <=60% AMFI	0% interest, 20-year term Loan. Repayable for over 20 years on 40-year amortization schedule and forgiveness of balance upon maturity.
>60% and <=80% AMFI	0% interest, 20-year term repayable Loan.

(k) When a MHU is being replaced with newly constructed housing (site-built) or any housing unit being replaced on an alternate site, the activity is considered acquisition and will trigger affordability requirements for homeownership as defined by 24 CFR §92.254. (Refer to §53.14 of this chapter.)

(l) In the event that the housing unit ceases to be the Principal Residence of the Household, the Department has established that the federal recapture requirements as defined in 24 CFR §92.254 will be imposed.

(m) In the event that the housing unit ceases to be the Principal Residence of the Household, the forgiveness of the Loan, if applicable, will cease, unless the Property is transferred by devise, descent or operation of law upon the death of the homeowner that is a Household whose Annual Income does not exceed 30% of the AMFI.

(n) In the event that the housing unit is sold, the Department will recapture the shared net proceeds available based on the requirements of 24 CFR §92.254 and the housing unit must be sold for an amount not less than the current appraised value as then appraised by the appropriate governmental authority without prior written consent of the Department unless the balance on the Loan will be paid at closing.

(o) Housing units assisted with HOME funds must meet or exceed the TMCS or CHS, as applicable, and all applicable codes and standards. In addition, housing that is Rehabilitated under this Chapter must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with the Final Rule.

§53.32. Homebuyer Assistance Program (HBA)

(a) Eligible activities are limited to the acquisition or acquisition and Rehabilitation of single family housing units.

(b) Eligible property types are limited to single family dwellings, condominium units and cooperative units in mutual housing projects. A MHU is not an eligible property type for Rehabilitation. HOME funds may be used to replace (Reconstruct) an owner-occupied housing unit with a MHU or Modular Home if:

(1) the unit complies with standards at 24 CFR 92.205 and with the Texas Manufactured Housing Standards Act, § 19(1);

(2) the unit is permanently installed down;

(3) the unit is permanently attached to utilities; and

(4) the ownership of the unit is recorded in the taxing authority of the county in which it is located.

(c) The Household must comply with the following initial eligibility requirements:

(1) occupy the single family unit as its Principal Residence;

(2) be an Income Eligible Household and for contract for deed conversion, the Households Annual Income must not exceed 60% AFMI;

(3) be located within the Administrator’s Service Area; and

(4) meet all other eligibility requirements.

(d) The Property must not be encumbered with tax liens, child support liens, or mechanic or materialmen’s liens.

(e) The maximum amount of assistance to an eligible Household for downpayment and closing cost assistance is the lesser of:

(1) $15,000 for Persons with Disabilities; or

(2) $10,000.

(f) The maximum amount of assistance for Rehabilitation that is not Reconstruction to an eligible PWD Household that is also using funds for acquisition is $20,000.

(g) The maximum amount of assistance to an eligible Household for acquisition and closing costs for a contract for deed conversion is $25,000. In the case of a contract for deed conversion housing unit that involves both the acquisition of a loan on an existing MHU and the associated land, the Executive Director may grant an exception to exceed this amount, however, the Executive Director will not grant an exception to exceed $40,000 of assistance.

(h) The maximum amount of assistance for Rehabilitation to an eligible Household for a contract for deed conversion is limited to the OCC Program Activity requirements in §53.13(g) of this subchapter.

(i) When a MHU is being replaced with newly constructed housing (site-built) or any housing unit being replaced on an alternate site, the maximum amount of assistance to an eligible Household is based on Household size:

"Figure 10 TAC §53.32(i)"

Rehabilitation that is Reconstruction for 1-4 person Household	**Rehabilitation that is Reconstruction for 5-6 person Household**	**Rehabilitation that is Reconstruction for 7 or more person Household**
$60,000	$67,500	$75,000

(j) For contract for deed conversions and when a MHU is being replaced with newly constructed housing (site-built) or any housing unit being replaced on an alternate site, the form of assistance to an eligible Household is based on AMFI:

"Figure 10 TAC §53.32(j)"

AMFI	**MHU Replacement with Stick Built or Alternate Site**
<=30% AMFI	0% interest, deferred, forgivable loan based on federal affordability requirements as defined in 24 CFR 92.254.
>30% and <=50% AMFI	0% interest, 20-year term Loan. Repayable for first 10 years on 50-year amortization schedule and annual forgiveness of balance from years 11-20.
>50% and <=60% AMFI	0% interest, 20-year term Loan. Repayable for over 20 years on 40-year amortization schedule and forgiveness of balance upon maturity.
>60% and <=80% AMFI	0% interest, 20-year term repayable Loan.

(k) The minimum amount of assistance to an eligible Household is $1,000.

(l) The purchase price of the housing unit, plus the value of the Rehabilitation or Reconstruction if applicable, must not exceed 95% of the area's median purchase price as specified in the 203(b) Limits.

(m) With the exception of subsection (j), the total amount of assistance under this section and Program Activity, including Rehabilitation, will be provided in the form of a zero % (0%) deferred, forgivable Loan with a term based on the federal affordability requirements as defined in 24 CFR §92.254.

(n) Any forgiveness of the Loan occurs upon the anniversary date of the Household's continuous occupancy as its Principal Residence and continues on an annual pro-rata basis until maturity of the Loan.

(o) In the event that the housing unit ceases to be the Principal Residence of the Household, the Department has established that the federal recapture requirements as defined in 24 CFR §92.254 will be imposed.

(p) In the event that the housing unit ceases to be the Principal Residence of the Household, the forgiveness of the Loan, if applicable, will cease.

(q) In the event that the housing unit is sold, the Department will recapture the shared net proceeds available based on the requirements of 24 CFR §92.254 and the housing unit must be sold for an amount not less than the current appraised value as then appraised but the appropriate governmental authority without prior written consent of the Department unless the balance on the Loan will be paid at closing.

(r) Housing units assisted with HOME funds must meet or exceed the TMCS or CHS, as applicable, and all applicable codes and standards. In addition, housing that is Rehabilitated under this Chapter must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with the Final Rule.

(s) This Program Activity is a CHDO-eligible activity.

§53.33. Tenant-Based Rental Assistance Program (TBRA).

(a) TBRA is provided to eligible tenants for payment of rental subsidies and for a period of time that does not exceed 24 months per Household. Security deposits and utility deposits may be provided in conjunction with rental assistance.

(b) The Household must comply with the following initial eligibility requirements:

(1) participate in an approved self-sufficiency program;

(2) maintain Principal Residency in the rental unit for which the subsidy is being provided;

(3) be an Income Eligible Household;

(4) reside in a rental unit that is located within the Administrator's Service Area; and

(5) meet all other eligibility requirements.

(c) Assistance to an eligible Household is limited by:

(1) for rental subsidy, cannot exceed twenty-four (24) months per Household; and

(2) for security deposit, cannot exceed two (2) months rent for the unit.

(d) The rental standard must not exceed HUD's "Fair Market Rent for the Housing Choice Voucher Program."

(e) Rental units must be inspected prior to occupancy and must comply with Housing Quality Standards established by HUD.

§53.34. Rental Housing Development Program (RHD).

(a) Eligible activities include the acquisition and New Construction or Rehabilitation of multifamily housing Developments and as further defined in the NOFA. Owners of rental units assisted with HOME funds must comply with income and rent restrictions for the duration of the required affordability period as required and defined at 24 CFR §92.252. Housing assisted with HOME funds must meet all applicable codes and standards. 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).

(b) This Program Activity is a CHDO-eligible activity.

§53.35. Single Family Housing Development Program.

(a) Eligible activities include the acquisition and New Construction or Rehabilitation of single family housing and as further defined in the NOFA. Single family housing units assisted with HOME funds must comply with the required affordability requirements as defined at 24 CFR §92.254. 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 the 24 CFR §92.251(a). If eligible, an Applicant that applies for Single Family Housing Development may also apply for Homebuyer Assistance.

(b) This Program Activity is a CHDO-eligible activity.

§53.36. CHDO Pre-Development Loan Program.

Applicants for pre-development loans will be required to have a summary description of a proposed Development and be able to show the necessary development experience to apply, as outlined in the NOFA and Application. Predevelopment loan funds 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.

§53.37. Prohibited Activities.

Department awards may not be used to:

(1) Provide project reserve accounts, except as provided in 24 CFR §92.206(d)(5), or operating subsidies;

(2) Provide tenant-based rental assistance for the special purposes of the existing Section 8 program, in accordance with §212(d) of the Act;

(3) Provide non-federal matching contributions required under any other Federal program;

(4) Provide assistance authorized under §9 of the 1937 Act (Public Housing Capital and Operating Funds);

(5) Provide assistance to eligible low-income housing under 24 CFR Part 248 (Prepayment of Low Income Housing Mortgages), except that assistance may be provided to priority purchasers as defined in 24 CFR §248.101;

(6) Provide assistance (other than tenant-based rental assistance or assistance to a homebuyer to acquire housing previously assisted with HOME funds) to a project previously assisted with HOME funds during the period of affordability established by the PJ in the written agreement under 24 CFR §92.504. However, additional HOME funds may be committed to a project up to one year after project completion (24 CFR §92.502), but the amount of HOME funds in the Project may not exceed the maximum per-unit subsidy amount established under 24 CFR §92.250;

(7) Pay for the acquisition of Property owned by the PJ, except for Property acquired by the PJ with HOME funds, or Property acquired in anticipation of carrying out a HOME project;

(8) Pay delinquent taxes, fees or charges on Properties to be assisted with HOME funds;

(9) Pay for any cost that is not eligible under 24 CFR §§92.206 - 92.209;

(10) Assist Persons who owe payments identified by the Comptroller of Texas as relevant;

(11) Assist Households whose Property has current tax liens and/or judgments to the State of Texas against it; or

(12) Provide Rehabilitation on a housing unit without prior written consent of all Persons who have a valid lien or ownership interest in the Property.

Subchapter D. - Application Requirements and Procedures.

§53.40. Competitive and Open Cycles.

All NOFAs will be presented to the Board. The Department will declare within a NOFA whether the application cycle will be a competitive or open cycle. Funds made available for disaster relief will not be released in a NOFA but will be provided in accordance with the Department's Deobligated Funds Policy §1.19 of this title.

§53.41. 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.

§53.42. Ineligible Applicants and Applications.

The following violations will cause an Applicant and any Applications they have submitted to be ineligible:

(1) The Applicant, Development Owner, or Developer is an Administrator of a previously funded Contract for which HOME funds have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to application submission date, unless the deobligation was voluntary and prior to the contract term expiration date, or was the remainder on a completed Contract;

(2) The Applicant, Development Owner, or Developer has failed to submit a response to provide an explanation, evidence of corrective action or a payment of disallowed costs or fees as a result of a monitoring review.

(3) The Applicant, Development Owner, or Developer has failed to make timely payment or is delinquent on any loans or fee commitments made with the Department on the date of the Application submission;

(4) The Applicant, Development Owner, or Developer 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 has otherwise been debarred by HUD or the Department;

(5) The Applicant, Development Owner, or Developer has violated the State's revolving door policy;

(6) The Applicant, Development Owner, or Developer has been convicted of a state or federal felony crime involving fraud, bribery, theft, misrepresentation of material fact, misappropriation of funds, or other similar criminal offenses within fifteen years preceding the Application deadline;

(7) The Applicant, Development Owner, or Developer at the time of Application submission is: subject to an enforcement or disciplinary action under state or

federal securities law or by the NASD; subject to a federal tax lien; or is the subject of an enforcement proceeding with any governmental entity;
(8) The Applicant, Development Owner, or Developer with any past due audits has not submitted those past due audits to the Department in a satisfactory format on or before the Application submission date in accordance with §1.3 of this title;
(9) The submitted Application has an entire volume of the Application missing; has excessive omissions of documentation from the threshold Criteria or uniform Application documentation; or is so unclear, disjointed, or incomplete that a thorough review can not reasonably be performed by the Department, as determined by the Department. If an Application is determined ineligible pursuant to this section, the Application will be terminated without being processed as an Administrative Deficiency. To the extent that a review was able to be performed, specific reasons for the Department's determination of ineligibility will be included in the termination letter to the Applicant;
(10) The Applicant, Development Owner, or Developer or anyone that has Controlling ownership interest in the Development Owner or Developer that is active in the ownership or Control of one or more other rent restricted rental housing properties in the state of Texas administered by the Department is in Material Noncompliance with the LURA;
(11) The Application is a joint venture Application for the same Program Activity to serve the same town, city, or county that is identified in the Application already submitted as a sole Application for the same Program Activity in the same town, city or county;
(12) Applicant is requesting funding not related to Persons with Disabilities in a PJ; or
(13) Any Application that includes financial participation by a Person who, during the five-year period preceding the date of the bid or award, has been convicted of violating a federal law in connection with a contract awarded by the federal government for relief, recovery, or Reconstruction efforts as a result of Hurricanes Rita or Katrina or any other disaster occurring after September 25, 2005, or was assessed a federal civil or administrative penalty in relation to such a contract.

§53.43 Application Forms and Materials and Deadlines.

(a) The Department will develop and publish on its website an Application and ASPM that if completed would satisfy the requirements for requesting funds from the Department. The Department may limit the eligibility of Applications in the NOFA and ASPM. Threshold and selection criteria and any other Application requirements will be specified in the NOFA approved by the Board.

(b) Applicants must submit an Application by the deadline date specified in the NOFA using the Application, ASPM and forms required by the Department. All Applications must be received during business hours (8:00 a.m. to 5:00 p.m. Central Standard Time) on any business day.

§53.44. General Applicant Eligibility Requirements.

(a) 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 and Application, 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 Loans;

(3) submit any past due audit to the department in a satisfactory format on or before the application deadline, in accordance with §1.3 of this title;

(4) demonstrate satisfactory performance otherwise required by Department rules and set out in the Application;

(5) comply with all requirements to utilize the Department's website to provide necessary data to the Department.;

(6) provide certification that no person or entity that would benefit from the award of HOME funds has provided a source of Match or has satisfied the Applicant's cash reserve obligation or made promises in connection therewith;

(7) provide certification that all contractors, consulting firms, Administrators, and Development Owners will sign an affidavit to attest that each request for payment of HOME funds is for the actual cost of providing a service and that the service does not violate any conflict of interest provisions; and

(8) if required or requested, provide reasonable Match.

(b) Noncompliance. Each Application will be reviewed for its compliance history by the Department, consistent with Chapter 60 of this title. Applications containing Persons found to be in Material Noncompliance, or otherwise violating the compliance rules of the Department, will be terminated.

§53.45. Rental Housing Development (Multifamily) Application Requirements.

(a) Rental Housing Development site and development restrictions include all those items referred to in the Final Rule, and any additional items included in the NOFA for RHD.

(b) Developments involving New Construction will be limited to 252 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 and Rehabilitation or Rehabilitation only may exceed the maximum unit restrictions. Developments in Rural Areas are limited to no more than 80 units. The minimum number of units shall be 4 units.

(c) For funds being used for RHD, the Development Owner must establish a reserve account consistent with §2306.186, and as further described in §1.37 of this title.

§53.46. Multifamily Applicants also Seeking Housing Tax Credits.

Applicants who are seeking housing tax credits and are also seeking funds under this Chapter for the same Development must meet the requirements under the Qualified Allocation Plan for the year in which they are applying for these funds and all of the requirements of this subchapter unless specifically waived by the Department

§53.47 Application and Award Limitations.

(a)The Department reserves the right to reduce the amount requested in an Application based on Program Activity or Project feasibility, underwriting analysis, or availability of funds.

(1) The Contract award amount for OCC shall not exceed $375,000 per Applicant per NOFA.

(2) The Contract award amount for HBA shall not exceed $300,000 per Applicant per NOFA, however, up to $500,000 may be awarded to HBA Applicants whose Service Area includes multiple counties within a Uniform State Service Region.

(3) The Contract award amount for TBRA shall not exceed $300,000 per Applicant per NOFA.

(4) The Contract award amount for contract for deed conversions shall not exceed $500,000 per NOFA, except as may be otherwise allowed by the Board or NOFA.

(5) The Contract award amount for disaster relief shall not exceed $500,000 per state or federally declared disaster, or as may be otherwise allowed by the Board. Only one Application per affected Unit of General Local Government may be submitted for each declared disaster. Public Housing Authorities (PHAs) and Nonprofit organizations may only act as an Applicant, in lieu of the Unit of General Local Government, if they are so designated by the affected Unit of General Local Government. If the disaster is a federally declared disaster, the Applicant may not be funded until 90 days have expired from the federal declaration date. Applications for disaster relief will only be accepted within six (6) months after the first day assistance under this program is made available.

(6) The Contract Award amount for RHD or Single Family Development activities shall not exceed $3 million. The Department reserves the right to set maximum loan to value limitations and minimum Match requirements on all Development activities.

(7) The Contract award amount for CHDO Operating Expenses shall not exceed:

(A) the lesser of clauses (i) or (ii) of this subparagraph:

(i) fifty percent (50%) of the CHDO's total annual operating expenses in that fiscal year; or

(ii) five percent (5%) of the CHDO funds awarded for the Project from the CHDO Set-Aside; and

(B) $50,000, whichever is greater.

(C) An Applicant shall not receive more than one award of CHDO operating funds during the same fiscal year regardless of the number of Applications submitted.

(8) The Contract award amount for CHDO Predevelopment Loans may not exceed $50,000 per Application. Applicants may submit only one Application per NOFA to cover eligible costs.

(b) The Board may waive the amounts in this section by stating the increase in the applicable NOFA.

§53.48. Application Review Process.

(a) Applications received by the Department in response to an Open Application Cycle NOFA will be handled in the following manner:

(1) The Department will accept Applications on an ongoing basis, until such date when the Department makes notice to the public that an Open Application Cycle has been closed.

(2) Each Application will be handled on a first-come, first-served basis as further described in this section. Each Application will be assigned a Received Date based on the date and time it is physically received by the Department. Then each Application will be reviewed on its own merits in three review phases, as applicable. Applications will continue to be prioritized for funding based on its Received Date unless it does not proceed into the next phase(s) of review. Applications proceeding in a timely fashion through a phase will take priority over Applications that may have an earlier Received Date but that did not timely complete a phase of review.

(A) Phase One will begin as of the Received Date and will include a review of eligibility and threshold criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM and will issue a notice of any Administrative Deficiencies for threshold criteria. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Two, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Two or Three will be reviewed for recommendation to the Board by the Committee.

(B) Phase Two will include a comprehensive review for financial feasibility for RHD and Single Family Development Program Activities. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. The Department may issue a notice of any Administrative Deficiencies. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into Phase Three, if applicable, and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not satisfied within five (5) business days, will be terminated and must reapply for consideration of funds. Applications that have completed this Phase and do not require additional review in Phase Three will be reviewed for recommendation to the Board by the Committee.

(C) Phase Three will only entail the review of the CHDO Certification Application. The Department will ensure review of these materials and issue notice of any Administrative Deficiencies on the CHDO Certification Application. Applicants who are able to resolve their Administrative Deficiencies within five (5) business days will be forwarded into the final review phase of the Application process and will continue to be prioritized by their Received Date. Applications with Administrative Deficiencies not cured within five (5) business days, will be terminated and must reapply for consideration of funds. Only upon satisfaction of all Administrative Deficiencies will the Application be forwarded to the final phase of the Application process. Upon completion of the applicable final review phase, the Application will be reviewed for recommendation to the Board by the Committee.

(3) Because Applications are processed in the order they are received by the Department, it is possible that the Department will expend all available HOME funds before an Application has completed all phases of its review. In the case that all HOME funds are committed before an Application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for ninety (90) days in its current phase. If new HOME funds become available, Applications will continue onward with their review without losing their Received Date priority. If HOME funds do not become available within ninety (90) days of the notification, the Applicant will be notified that their Application is no longer under consideration. The Applicant must reapply to be considered for future funding. If on the date an Application is received by the Department, no funds are available under this NOFA, the Applicant will be notified that no funds exist under the NOFA and the Application will not be processed.

(b) Applications received by the Department in response to a Competitive Application Cycle NOFA will be handled in the following manner:

(1) The Department will accept Applications on an ongoing basis during the Application Acceptance Period as specified in the NOFA.

(2) Applications submitted and accepted by the Department will be reviewed for eligibility, threshold and selection criteria and all Application requirements. The Department will ensure review of materials required under the NOFA and ASPM. A comprehensive review of financial feasibility for RHD and Single Family Development Program Activities will be conducted by the Real Estate Analysis (REA) Division consistent with §1.32 of this title. REA will create an underwriting report identifying staff's recommended Loan terms, the Loan or Grant amount and any conditions to be placed on the Development. If applicable, a review of the CHDO Certification Application will be performed. The Department will issue a notice of any Administrative Deficiencies for items reviewed. If Administrative Deficiencies are not cured to the satisfaction of the Department within five (5) business days of the deficiency notice date, then five

(5) points shall be deducted from the selection score for each additional day the Administrative Deficiency remains unresolved. If Administrative Deficiencies are not clarified or corrected within seven (7) business days from the deficiency notice date, then the Application shall be terminated.

(3) Upon completion of review and no unresolved Administrative Deficiencies, the Application will be reviewed for recommendation to the Board by the Committee.

(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 including threshold and/or selection criteria documentation and/or financial feasibility analysis. 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. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. To cure an Administrative Deficiency, an Applicant must provide a clarification, further definition or exposition of an issue, an explanation as to why an Applicant has provided certain information, or resolution of a discrepancy where an Applicant has provided conflicting information. An Administration Deficiency may not be cured by substantially changing an Application or providing any new unrequested information. An Applicant may not change or supplement any part of an Application in any manner after submission to the Department, and may not add any Set-asides, increase their award amount, or revise their unit mix (both income levels and bedroom mixes), except in response to a direct request from the Real Estate Analysis Division to remedy an Administrative Deficiency as further described in this title or by amendment of an Application after a commitment or allocation of HOME funds.

(d) Decline to Fund. The Department may decline to fund any Application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any Applications which are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. The Department reserves the right to negotiate individual elements of any Application.

§53.49. Selection Criteria for Program Activities.

Selection criteria for any Program Activities will be described in the applicable NOFA and ASPM. The Applicant's self-score must be completed in the Application. An Applicant may not adjust the self-score without a request from the Department as a result of an Administrative Deficiency.

Subchapter E. - Community Housing Development Organization (CHDO) Certification.

§53.30. Application Procedures for Certification of CHDO.

(a) 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) The Applicant must be organized as a private nonprofit organization under the Texas Nonprofit Corporation Act or other state not-for-profit/nonprofit statute as evidenced by:

(A) charter; or

(B) Articles of Incorporation.

(2) The Applicant must be registered with the Secretary of State to do business in the State of Texas.

(3) No part of the private nonprofit organization's net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:

(A) charter; or

(B) Articles of Incorporation.

(4) The Applicant must have the following tax status:

(A) A current tax exemption ruling from the Internal Revenue Service (IRS) under §501(c)(3), a charitable, nonprofit corporation, or §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

(B) 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 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.

(5) 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:

(A) Articles of Incorporation,

(B) Charter;

(C) Resolutions; or

(D) Bylaws; and

(E) A Business Plan for the CHDO, as prescribed in the CHDO Application.

(6) The Applicant must have a clearly defined CHDO Service Area. The Applicant may include as its service area an entire Community, but not the whole

state. The Applicant must provide evidence of its participation in the Community for each city/place or county listed in the Service Area. Private nonprofit organizations serving special populations must also define the geographic boundaries of its Service Areas and provide evidence of its participation in the Community for each city/place or county listed in the Service Area. This subparagraph does not require a private nonprofit organization to represent only a single neighborhood.

(7) 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; and

(iv) a written narrative describing internal controls used to create financial duties and safe guard corporate assets; and

(v) a written narrative describing the conflict of interest policy governing employees and development activities and procurement; and

(vi) a written narrative describing the current corporation's financial structure can support housing development activities; and

(vii) describe the organization's ability to manage additional rental development activities, if applicable.

(B) Demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

(i) documentation that describes 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 low income residents of the Community within the city/place or county which housing to be assisted with HOME funds is to be located as evidenced by:

(i) documentation of at least one year of experience in serving that 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 in which the housing to be assisted with HOME funds is to be located; and

(iii) The CHDO or its parent organization must be able to document one year of serving the Community in which housing to be assisted with HOME funds is to be located prior to the date the PJ provides HOME funds to the organization. In the submission, the organization must document and describe its history (or its parent organization's history) of serving the community in which the housing to be assisted with HOME funds is to be located by describing and documenting CHDO eligible 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 in the submission package must be signed by the president or other official of the organization.

(8) An Applicant must have the following organizational structure. 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 % 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 subparagraph (B) of this paragraph. 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 paragraph shall be evidenced by:

(A) written provision or statement in the organizations Bylaws, Charter or Articles of Incorporation;

(B) affidavit in a form prescribed by the Department signed by the organization's Executive Director and notarized; and

(C) 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.

(9) 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:

(A) organization's Bylaws; or

(B) 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; and

(C) A Resolution as prescribed by the Department and evidence date of board approval.

(10) 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:

(A) The state or local government may not appoint more than one-third of the membership of the organization's governing body;

(B) The board members appointed by the state or local government may not, in turn, appoint the remaining two-thirds of the board members;

(C) No more than one-third of the governing board members may be public officials. Public officials include elected officials, appointed public officials, employees of the participating jurisdiction, or employees of the sponsoring state or local government, 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;

(D) 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; and

(E) Compliance with subparagraphs (A)-(E) of this paragraph shall be evidenced by:

(i) organization's Bylaws with evidence date of board approval;

(ii) Charter; or

(iii) Articles of Incorporation.

(11) 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:

(A) Bylaws with evidence date of board approval;

(B) Charter; or

(C) Articles of Incorporation.

(D) 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 Bylaws. 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 Bylaws with evidence date of board approval; or

(ii) Memorandum of Understanding (MOU);

(12) CHDO that are in partnership agreements associated with the Development must maintain effective Control and decision making control over the Development. All legally binding ownership and/or partnership agreements must clearly state the CHDO’s role in the Development, as evidenced by:

(A) partnership agreement; and/or
(B) ownership agreement; and/or
(C) developer agreement ; and/or
(D) sponsorship agreement.

(13) Religious or Faith-based Organizations may sponsor a CHDO if the CHDO meets all the requirements of this section. While the governing board of a CHDO sponsored by a religious or a faith-based organization remains subject to all other requirements in this section, the faith-based organization may retain control over appointments to the board. If a CHDO is sponsored by a religious organization, the following restrictions also apply:

(A) Housing developed must be made available exclusively for the residential use of program beneficiaries and must be made available to all persons regardless of religious affiliations or beliefs;

(B) A religious organization that participates in the HOME program may not use HOME funds to support any inherently religious activities: such as worship, religious instruction, or proselytizing;

(C) HOME funds may not be used for the acquisition, construction, or rehabilitation of structures to the extent that those structures are used for inherently religious activities. Sanctuaries, chapels, or other rooms which a faith-based CHDO uses as its principal place of worship are always ineligible for HOME-funded improvements;

(D) Compliance with subparagraphs (A)-(C) of this paragraph may be evidenced by:

(i) Organization's Bylaws;
(ii) Charter; or
(iii) Articles of Incorporation.

(b) An Application for CHDO Certification will only be accepted if submitted with an Application to the Department for HOME funds. If all requirements under this section 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.

(c) Community Housing Development Organizations (CHDO) that have received an award of HOME funds must submit recertification documentation every two years. The recertification documentation is due to the Department biannually on the last day of the anniversary month in which the Board approved the CHDO Set-Aside award. The recertification documentation must include, but is not limited to:

(1) A narrative describing the housing production objectives accomplished over the last 2-year period.

(2) A description of any ongoing/future initiatives.

(3) A statement of objectives for the CHDO over the next two years.

(4) A timeline and budget describing the completion of any development activities undertaken by the CHDO within the last two years.

(5) An organizational chart listing current personnel and a brief description of each individual's position, primary responsibilities and authority in the organization.

(6) A written statement indicating how the current organization's financial structure can support housing development activities in the future.
(7) A written statement describing how the CHDO will continue to leverage other resources in the future.
(8) A written statement describing ways in which the Department can assist your organization through technical assistance, capacity building, and/or training.

Subchapter F. – Award and Contracts.

§53.70. Process for Awards.

(a) All recommendations for awards will be presented to the Committee before presentation to the Board. All Applications must comply with all applicable program requirements or regulations established in 24 CFR Part 92 and in this chapter.

(b) Applicants applying in response to an Open Application Cycle will be prioritized for recommendation to the Board based on the process described in §53.48 of this chapter and as otherwise specified in the NOFA.

(c) Applicants applying in response to a Competitive Application Cycle will be ranked by highest score per Program Activity, per Uniform State Service Region and Area Type, unless otherwise specified in the NOFA.

> (1) If sufficient qualified Applications are not received for a Program Activity in a Uniform State Service Region and Area Type, the funds will be redirected to the next Uniform State Service Region that had a higher number of qualified Applicants for that same Program Activity type, unless otherwise specified in the NOFA.
>
> (2) If sufficient Applications are not received in a Uniform State Service Region and Area Type for a Program Activity, the funds will be redirected to the Uniform State Service Region and Area Type with the highest number of qualified Applicants for another Program Activity type, unless otherwise specified in the NOFA.

(d) 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 as otherwise specified in the NOFA. Tied Applicants may also receive a partial recommendation for funding.

(e) When the remainder of the allocation for an allocation within a Uniform State Service Region is insufficient to completely fund the next ranked Application in the Program Activity or Uniform State Service Region, it is within the discretion of the Department to:

> (1) award a partial amount to the next ranked Application, reducing the scope of the Application proportionally;
>
> (2) make necessary adjustments to fully fund the Application; or
>
> (3) transfer the remaining funds to other Program Activities or Uniform State Service Regions.

(f) Applications may also receive a partial recommendation for funding. A minimum award amount may be established to ensure feasibility.

(g) Applications receiving a favorable EARAC recommendation are presented to the Board for approval, pending the availability of HOME funds.

(h) Applicants may appeal on the decision regarding their Applications in accordance with §1.7 of this title.

(i) Board approval of the award of any HOME funds, acquisition or construction activities will be conditional upon a completed Loan closing and any other conditions deemed necessary by the Department.

§53.71. Contract Required after Award.

Any Program Activity funded under this program will be governed by a written Contract that identifies the terms and conditions related to the awarded funds. The Contract will not be effective until executed by all parties to the Contract. Any amendments must be in writing and are subject to the requirements of this Chapter.

§53.72. Contract Terms.

(a) Unless otherwise changed by agreement of the parties in a Contract or the applicable NOFA, the terms found in Contract shall be consistent with the following and performance under the Contract will be evaluated with the following benchmarks:

(1) OCC Program Activity: The Contract term will not exceed 22 months. Performance under the Contract term will be based on the following benchmarks from the Contract begin date:

(A) 6 months, exempt administrative and broad review environmental clearance must be complete, and if not tiering, the first Household to be assisted must be environmentally cleared;

(B) 8 months, Authority to Use Grant Funds must be fully executed and all Households to be assisted must be environmentally cleared;

(C) 12 months, 100% of funds must be committed to Households to be assisted;

(D) 15 months, 100% of Household's Loans must be closed, if applicable;

(E) 20 months, 100% of construction must be complete for all Households to be assisted; and

(F) 22 months, 100% funds drawn and 100% of match requirement supplied.

(2) HBA Program Activity: The Contract term will not exceed 24 months. Performance under the Contract term will be based on the following benchmarks from the Contract begin date:

(A) 6 months, exempt administrative and environmental clearance must be complete for at least one Household to be assisted;

(B) 12 months, environmental clearance must be complete for at least 50% of the Households to be assisted, 50% of funds must be committed, 25% of funds drawn, and 25% of match supplied;

(C) 18 months, environmental clearance must be complete for at least 75% of the Households to be assisted, 75% of funds must be committed, 50% of funds drawn, and 50% of match requirement supplied; and

(D) 24 months, 100% of funds must be committed, 100% of funds drawn, and 100% of matched supplied.

(3) TBRA Program Activity: The Contract term will not exceed 36 months. Performance under the Contract term will be based on the following benchmarks from the Contract begin date:

(A) 6 months, exempt administrative environmental clearance must be complete and application intake complete for 30% or Households to be assisted;

(B) 9 months, application intake complete for 75% or Households to be assisted;

12 months, 100% of funds must be committed to Households to be assisted and 25% of funds drawn;

(C) 18 months, 100% of funds already committed and 35% of funds drawn;

(D) 24 months, 100% of funds already committed and 50% of funds drawn; and

(E) 36 months, 100% of funds already committed and 100% of funds drawn.

(4) Rental Housing Development and Single Family Housing Development Program Activity: The Contract term will not exceed 36 months based on the size of the development and length of the Development period. Performance under the Contract term will be based on benchmarks established in the Contract and specific to the Development. Repayment of Loans or affordability periods will extend beyond the Contract end date depending on the Final Rule and Chapter 2306 requirements.

(5) CHDO Pre-Development Loans: The initial contract term will not exceed 24 months. Repayment is expected from development funds if development is begun prior to 24 months.

(b) Revised benchmarks and/or lower percentages, due to extenuating or unforeseeable circumstances, may be allowed and as approved by the Department.

§53.73. Contract Amendments.

(a) Amendment requests to be approved by the Executive Director of the Department are allowable under the following circumstances:

(1) Time extensions. The Executive Director may collectively provide up to one six month extension to the end date of any Contract. Any additional time extension granted by the Executive Director shall include a statement by the Executive Director relating to unusual and non foreseeable circumstances that warrant more than a six month extension. If the extension is longer than six months and the Executive Director determines that a statement related to unusual or non-foreseeable circumstances can not be issued, it will be presented to the Board for approval, approval with modifications, or denial of the requested extension.

(2) Increase in funds. In the case of a modification or amendment to the dollar amount of the Contract, such modification or amendment does not increase the dollar amount by more than 25% of the original Contract or $50,000, whichever is greater. Modifications and/or amendments that increase the dollar amount by more than 25% of the original Contract 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.

(b) If the Administrator or Development Owner fails to meet the Contract term or benchmark requirements and does not seek, or is not granted, a Contract amendment for an extension of a benchmark or the entire term, the awarded funds related to the lack of performance may be entirely or partially deobligated at the Department's sole discretion.

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

(d) Accounting Requirements. Within 60 days after the Contract end date, the Administrator or Development Owner shall provide a full accounting of funds expended under the terms of the Contract. Failure of an Administrator or Development Owner to provide full accounting of funds expended under the terms of a Contract shall be sufficient reason for the Department to deny any future Contract to the Administrator or Development Owner.

(e) Individual benchmarks. Each benchmark is an individual term and subject to the amendment processes. An interim benchmark extension may or may not extend the entire Contract at the Department's discretion.

Subchapter G. – Loans and Contract Administration.

§53.80. Documents Supporting Mortgage Loans.

(a) Administrators and Development Owners must not proceed or allow a contractor to proceed with construction, including demolition, on any Activity, Project or Development without first completing the required environmental clearance procedures and Loan closing with the Department.

(b) A mortgage Loan shall be evidenced by a mortgage or deed of trust note or bond and by a mortgage that creates a lien on the housing development and on all real property that constitutes the site of or that relates to the housing development.

(c) A note or bond and a mortgage or deed of trust:

(1) must contain provisions satisfactory to the Department;

(2) must be in a form satisfactory to the department; and

(3) may contain exculpatory provisions relieving the borrower or its principal from personal liability if the department agrees.

(d) For each Loan made for the Development of multifamily housing with funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 USC §§12701, et seq.), the department shall obtain a mortgagee's title policy in the amount of the loan. The Department may not designate a specific title insurance company to provide the mortgagee title policy or require the borrower to provide the policy from a specific title insurance company. The borrower shall select the title insurance company to close the loan and to provide the mortgagee title policy. Award amount for disaster relief shall not exceed $500,000 per State declared disaster, or as may be otherwise allowed by the Board. Only one application per affected Unit of General Local Government may be submitted for each designated disaster. Public Housing Authorities (PHAs) and Nonprofit organizations may only act as an Applicant, in lieu of the Unit of General Local Government, if they are so designated by the affected Unit of General Local Government.

(e) Documentation required for OCC and HBA with Rehabilitation Loans: The Administrator must ensure the following documents are submitted to the Department in order to request Loan documents be prepared for the Household:

(1) An as-is and final appraisal or an as-is and as-built appraisal no older than ninety (90) days;

(2) A title commitment no older than ninety (90) days that evidences no tax lien, no child support lien, no mechanic or materialmen’s lien;

(3) Tax certificate no older than ninety (90) days that evidences a current paid status, and in the case of delinquency, evidence of an approved payment plan with the taxing authority and evidence that the payment plan is current;

(4) Life event documentation, as applicable;

(5) A copy of the original contract for deed, for contract for deed conversion Loan;

(6) A current payoff statement, for contract for deed conversion Loan;

(f) Trailing documentation requirements for HBA Loans for downpayment and closing cost assistance. Within ninety (90) days after the Loan closing date, the Administrator or Development Owner must submit to the Department the original recorded deed of trust and transfer of lien, if applicable. Failure to submit these documents within ninety (90) days after the Loan closing date will result in the Department withholding payment for disbursement requests.

§53.81. General Contract Administration.

All Administrators and Development Owners must use the forms provided on the Department's website and comply with the Department's procedural and documentation requirements as outlined in the HOME Program Manual and in this section including, but not limited to:

(1) Contract must be signed and executed by all appropriate authorized parties.

(2) Attend training as required by the Department.

(3) Develop and comply with written procurement selection criteria and committees.

(4) Procure consultants, if applicable. Consultants may not participate in or direct any part of the process for procuring consultants.

(5) Complete all applicable Department Contract System access request forms and requirements.

(6) Perform environmental clearance procedures before committing or expending funds to a Project or Activity, performing any construction activities, including demolition, or the occurrence of the Loan closing, if applicable.

(7) Develop and comply with written accounting, reporting, filing, and documentation procedures.

(8) Develop and comply with written applicant intake and selection criteria for and ensure program eligibility which must include, but is not limited to:

(A) Homeownership, if applicable;

(B) Income eligibility;

(C) Assisted Households must be located within the Administrator's Service Area, as defined by the Contract;

(D) Property taxes are current, if applicable; and

(E) Assist Special Needs Households, if applicable.

(9) Develop and comply with affirmative marketing procedures in accordance with the Final Rule.

(10) Complete applicant intake and applicant selection. Notify each applicant Household in writing of either acceptance or denial of HOME assistance within sixty (60) days following receipt of the intake application.

(11) Ensure that no Conflict of Interest exists between Households to be assisted and Persons designated to receive or assist with the application intake process.

(12) Document and verify all income and asset eligibility requirements for the Household to be assisted.

(13) Ensure compliance with applicable audit certification requirements.

(14) Ensure that the demolition and removal of all dilapidated units on the lot occurs prior to the Household's occupancy of the Newly Constructed or Rehabilitated housing unit.
(15) Ensure and verify that each building construction contractor performing activities in the amount of $10,000 or more under the Contract is registered and maintains good standing with the Texas Residential Construction Commission in accordance with 16 TAC, Subtitle C, §16.001.
(16) Ensure and verify that each housing unit being rehabilitated in the amount of $10,000 or more under the Contract is registered with the Texas Residential Construction Commission in accordance with 16 TAC, Subtitle C, §426.003.
(17) Provide building construction contractor oversight and ensure builder's risk coverage is provided.
(18) Ensure that the demolition of any housing unit does not occur less than 4 (four) months prior to the Contract end date.
(19) Ensure compliance with applicable construction or property standards and lead-based paint requirements.
(20) Conduct appropriate property inspections and documentation in accordance with applicable program requirements.
(21) Submit required documentation and electronic requests for Project setups and disbursement requests to the Department.
(22) Submit support documentation for Project setups and disbursement requests within thirty (30) days of electronic submission to the Department.
(23) Submit all Project setups and support documentation for Households to be assisted no later than ninety (90) days prior to the Contract end date.
(24) Submit required Match documentation to the Department.
(25) Not retain Program Income of any kind, including Program Income to fund other eligible HOME Activities.
(26) Submit any Program Income received to the Department within ten (10) days of receipt.
(27) Return any refunds to the Department's accounting division and include a written explanation of the return of funds, the Contract number, name of Administrator or Development Owner, Activity address and Activity number referenced on the check.
(28) Submit required documentation for Project completion reports and certificate of Contract Completion no later than sixty (60) days from the Contract end date.
(29) Complete the terms of the Contract.

§53.82. Conflict of Interest.

The Conflict of Interest provisions in 24 CFR §92.356 apply to any Person who is an employee, agent, consultant, officer, or elected official or appointed official of the Department, Administrator or Development Owner. All Administrators and Development Owners must comply with procedures to submit a request to the Department to grant an exception to any conflicts prohibited by 24 CFR §92.356. The request submitted to the Department must include a disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict and a description of how the public disclosure was made. No HOME funds can be used to assist a Household until HUD has granted an exception to the Conflict of Interest provisions.

§53.83. Procurement.

(a) All Administrators acting in the capacity of State Recipients must comply with procurement requirements and regulations established under 24 CFR Part 84 pertaining to the HOME Program, 24 CFR Part 92, Chapter 2254, Texas Government Code, and the HOME Program Manual, as well as any other applicable state and/or local procurement requirements.

(b) Administrators acting in the capacity of Subrecipients must comply with procurement requirements and regulations established under 24 CFR Part 85 pertaining to the HOME Program, as well as any other applicable state and/or local procurement requirements.

(c) Procurement procedures and the selection process must be integrated into the Administrator's HOME program and must comply with federal, state, and local procurement requirements. The Administrator must have a written code of conduct governing employees, officers, or agents engaged in administering a HOME Contract and appoint a Procurement Officer to manage the bid process.

(d) Procedures established for procurement of building construction contractors may not include requirements for the provision of general liability insurance coverage for an amount to exceed the value of the contract.

(e) HOME funds may not be used to directly or indirectly employ, award contracts to, or otherwise engage the services of any service provider or vendor during any period for which the service provider or vendor has been debarred, suspended, or designated as ineligible on the federal Excluded Parties Listing System.

(f) Building construction contractors must be procured using a formal sealed bid procedure for single family New Construction or Rehabilitation Activities or Projects.

(g) Professional service providers must be procured using an open competitive procedure for single family New Construction or Rehabilitation Activities or Projects. Professional services may not be procured based solely on the lowest priced bid. Consultants may not participate in or direct the process of procurement for consultants.

(h) Goods and services other than professional services and building construction contractors, for an amount less than $100,000 may be procured using documented price quotation procedures.

§53.84. Project Setups and Disbursement Requests.
All Administrators and Development Owners must comply with procedures and timeframes established by this Chapter and the HOME Program Manual to submit

requests for Project setup and disbursement requests and support documentation required by the Department. The Department reserves the right to request additional documentation or clarification from the Administrator or Development Owners. Requests must be made electronically and submitted in accordance with applicable benchmarks to the Department using the online TDHCA Contract System database as defined in the "TDHCA Contract System Users Guide."

§53.85. Soft Cost Limitations.

(a) The Department has established cost guidelines and limitations for soft costs related to the OCC and HBA Program Activities.

(1) These costs are maximums per Activity or Project and may not be exceeded without approval by the Department. Upon prior approval of the Department, exceptions may be allowed in the case of Rehabilitation activities for lead-based paint hazard reduction and/or relocation.

(2) Contract Administrators must certify that the amount being disbursed is for the actual amount of costs.

(3) Costs that may be categorized as either a project cost or an administrative cost are identified below. No duplicate disbursement of costs is allowed. Costs may only be disbursed as either a project cost or administrative cost but not both. Additionally, costs may only be disbursed once per occurrence when providing both acquisition and construction type of assistance to the same Project or Activity as may take place with, but not limited to, contract for deed conversions.

(4) Unless otherwise noted, all items are limited to one (1) occurrence per Project or Activity.

"Figure 10 TAC §53.85(a)(4)"

OCC	**Reconstruction**	**Rehabilitation**
Project or Administrative Cost		
Application intake and processing	$ 350	$ 350
Appraisal (limited to 2 at $500 max each)	$ 1,000	N/A
Construction and disbursement documentation preparation	$ 50	$ 50
Environmental review	$ 300	$ 300
Exempt administrative environmental	$ 50	$ 50
Final inspection	$ 200	$ 200
Information services	$ 50	$ 50
Initial inspection	$ 500	$ 500
Procurement of contractor	$ 300	$ 300
Progress inspections (limited to 4 at $200 max each)	$ 800	$ 800
Pre-construction conference	$ 200	$ 200
Project document preparation	$ 50	$ 50
Punch list verification inspection	$ 200	$ 200
Schedule of values	$ 100	$ 100
Work write-up	N/A	$ 500

Work write-up summary/cost estimate	$ 400	$ 400
Administrative Cost Only		
Affirmative marketing plan	$ 50	$ 50
Financial management	$ 75	$ 75
Procurement of professional service provider	$ 300	$ 300
Recordkeeping	$ 75	$ 75
Project Cost Only		
Plans (market value)	N/A	$ 200
Plans and specification manual (market value)	$ 1,500[1]	N/A
Specification manual	N/A	$ 200

[1] Plans and specifications are not an allowable cost when a housing unit is replaced with a MHU.

HBA	
Project or Administrative Cost	
Application intake and processing	$ 350
Preparation of loan documents	$ 100
Environmental Review	$ 300
Exempt administrative environmental	$ 50
Information services	$ 50
Project document preparation	$ 50
Property Inspection	$ 350
Schedule of values	$ 100
Administrative Cost Only	
Affirmative marketing plan	$ 50
Financial management	$ 75
Procurement of professional service provider	$ 300
Recordkeeping	$ 75
Project Cost Only	
Credit Report	$ 50
Homebuyer Counseling	$ 300

(b) The allowable activities for each cost category are defined as follows:

(1) Affirmative marketing plan is the cost incurred to develop a written plan for ensuring that marketing, advertising, and outreach activities are provided to all protected classes and to the populations being served by the Contract. This includes the development of advertising materials and hand-outs and public presentation.

(2) Application intake and processing is the cost incurred for the completion of all intake application documentation and forms, verification of all sources of income, employment verification, asset verification and imputation and re-verification of all expired documentation. This includes all Department-required forms, worksheets, addendums and certifications required for the household's application intake and processing.

(3) Appraisal is the cost incurred in obtaining appraisals prepared by an independent, state-licensed real estate appraiser.
(4) Construction and disbursement documentation preparation is the cost incurred in the preparation of forms required by the Department that are related to construction or disbursement documentation and include electronic entry into the TDHCA Contract System, support documentation preparation and completion of Department-required forms including, but not limited to, the Contractor Request for Payment, Lien Waiver Affidavits, Final Bills Paid Affidavit and Certification of Completion.
(5) Environmental review is the cost incurred for the preparation and completion of all required forms, checklists and certifications, publication activities and Request for Release of Funds and Finding of No Significant Impact and Eight Step Process, if applicable.
(6) Exempt administrative environmental is the cost incurred in the completion of an exemption form for administrative expenses.
(7) Final inspection is the cost incurred in performing a final walk through and physical inspection of the assisted housing unit noting any deficient items that must be corrected before final payment and the completion of any Department-required forms or checklists.
(8) Financial management is the cost incurred in the management of all project and program accounts using a fund type accounting system that can trace each expense to an individual Project or to the program as a whole and ensures compliance with OMB circulars. A written or printed journal of all transactions including receipt and disbursement of funds should be included.
(9) Homebuyer counseling is the cost incurred to provide a minimum of eight hours of counseling provided by a certified homebuyer counselor. Instruction may include, but is not limited to, financial management, credit management, homebuyer education, and/or job training.
(10) Information services is the cost incurred to provide information to homeowners, prospective homebuyer and/or tenants. These may include the following:

(A) Fair housing -- cost incurred to provide information to prospective homebuyers and tenants (not applicable to OCC).

(B) Loan procedures -- cost incurred to provide information pertaining to fair lending practices, loan requirements, and closing procedures to participants in OCC and HBA (not applicable to TBRA).

(C) Warranty (*Project cost only)* -- cost incurred to provide an explanation of the builder's homeowner warranty (must comply with Texas Residential Construction Commission requirements) to households assisted with Reconstruction or Rehabilitation activities.

(D) Lead-based paint -- cost incurred to provide lead-based paint hazard notification to all applicants in all HOME Program Activities.

(11) Initial inspection is the cost incurred in the completion of the initial physical inspection of the housing unit to be assisted and Department-required forms and checklists. The inspection must identify all health and safety concerns regarding the housing unit, all sub-standard conditions that require repair or replacement to

comply with applicable codes and standards and the TMCS, and provide enough detail to complete a work write-up, and if applicable, a justification of Reconstruction.

(12) Plans is the cost incurred to obtain a complete set of plans shall include a site plan for each housing unit showing known easements and lot set-backs, a floor plan, a front elevation, a foundation plan, a plumbing and electrical plan and a mechanical and energy efficiency plan. If these plans are purchased from or donated by a licensed architect or engineer they should bear the appropriate stamp. While builders may require less complete plan sets and it is understood that some of these details may be combined on the same sheet, any plans set that does not include this level of detail will be pro-rated accordingly.

(13) Pre-construction conference is the cost incurred in conducting a meeting with the homeowner and building construction contractor to explain and discuss the construction process being undertaken. This meeting should include a description of construction activities and procedures, expectations of the final product, an explanation of the roles and duties for all parties, detail and review of the timelines and contractual milestones, required access and use of utilities, provision of appropriate security measures, selection of products and improvements to be provided, and a discussion of appropriate handicap accessibility features.

(14) Procurement of contractor is the cost incurred in the preparation of bid documents, pre-bid advertising, conducting of the pre-bid conference, the verification of required builder certifications, conducting of the walk-through of housing units to be assisted, conducting checks of bidder qualifications and references, conducting bid opening including keeping minutes and tabulations, the review of the bids, conducting contract negotiation and verification, the notification of award and the completion of any Department-required forms.

(15) Procurement of professional service provider is the cost incurred to procure a professional service provider (i.e. consultant). The Administrator must use negotiated bidding procedures for the procurement of professional service providers (i.e. consultants) and provide for independent procurement of professional service providers (i.e. consultants may not participate in any aspect of procuring consultants).

(16) Progress inspections is the cost incurred in performing inspections at logical points during the construction process or prior to approving each draw that verify quality and completeness of work to date and are signed by the inspector, homeowner, and Contract Administrator. Logical points of inspection include but are not limited to:

(A) Foundation -- prior to pouring a monolithic foundation and after initial curing or alternatively after completion of piers,

(B) Framing -- completion of framing,

(C) Rough-in -- after completion of electrical and plumbing but before covering and placement of fixtures, and

(D) Substantial completion.

(17) Progress inspections should each require at least one hour and include inspection forms, filed notes, sketches, and photographs adequate for verification of that stage of completion.
(18) Project documentation preparation is the cost incurred in the preparation of forms required by the Department that are not related to income eligibility or construction and include, but are not limited to, the TDHCA Contract System Access Request, Direct Deposit Authorization, Texas Application for Payee Identification, and Audit Certification.
(19) Property inspections is the cost incurred to perform an inspection of the subject property in order to certify that no sub-standard conditions exist according to TMCS using the Department's forms.
(20) Punch list verification inspection is the cost incurred in performing a final physical inspection of the assisted housing unit to verify the completion of punch list items only.
(21) Recordkeeping is the cost incurred to develop, prepare and maintain a recordkeeping system in the order prescribed by the Departments which includes three separate types of filing for program, environmental, and project areas.
(22) Schedule of values is the cost incurred to prepare a line-item description of each work activity and its associated cost and enter electronically into the Department's Contract System as the budget.
(23) Specification manual is the cost incurred to prepare or obtain a single generic manual to be used for multiple sites or projects detailing the methods and materials to be used on all construction jobs. The homeowner's choices may be included but should be detailed for each job. All trade areas and construction activities must be included in the specification manual. In cases where there are no local requirements for specifications and TMCS are used, no additional cost should be requested for disbursement.
(24) Work write-up is the cost incurred to prepare or obtain a complete description of the work activity specific to Rehabilitation required to bring the entire structure into compliance with the applicable construction standards. It must include all units of measurement, materials to be used, methods of application, and all necessary construction detail and/or may be used in conjunction with a specification manual.
(25) Work write-up/cost estimate is the cost incurred in performing the Feasibility Analysis which is a budgetary justification for Reconstruction which compares the cost of Rehabilitation to the replacement costs of a housing unit and in the completion of Department-required forms. The analysis must include a summary of the steps and costs required to correct the deficiencies identified in the initial inspection.

(c) Notwithstanding the limitations of subsection (a) of this section, the total of all soft costs for each Project or Activity is limited based on the maximum amount of assistance allowed for the housing unit and is calculated as a percentage of the hard or project costs for each Activity or Project. For example, a household that is eligible to be assisted with an OCC Reconstruction amount of assistance of $67,500, the maximum amount of total soft costs is derived by dividing $67,500 by 1.09 and then subtracting this amount from

$67,500, which equals $5,573.39. There is no minimum percentage for soft costs per housing unit. These percentages are the maximums allowed per Activity or Project and may not be exceeded without approval by the Department. Upon prior approval of the Department, exceptions may be allowed in the case of Rehabilitation activities for lead-based paint hazard reduction and/or relocation.

"Figure 10 TAC §53.85(c)"

Type of Activity		**Max Percentage for soft costs based on Hard Costs or Project Costs**
	Max Assistance	
OCC - Reconstruction (includes MHU to site-built and contract for deed conversions)	$ 60,000	10%
	$ 67,500	9%
	$ 75,000	8%
OCC or HBA – Rehabilitation only		18%
OCC – Reconstruct (replacement) with MHU		5%
HBA – Acquisition only for contract for deed conversion		10%
HBA – Downpayment and closing costs only		10%

§53.86. Performance Reviews and Sanctions.

The Department may review and monitor the performance of Administrators and Development Owners in carrying out its responsibilities in accordance with the Contract, this Chapter, the Final Rule and any other applicable federal and state requirements.

(1) Performance reviews. If the Department determines that the Administrator or Development Owner has not met any terms of the Contract or benchmark requirements, the Administrator or Development Owner will be given notice of this determination and an opportunity to demonstrate, within the time prescribed by the Department and on the basis of substantial facts and data at the Department's discretion, that it has done so. If Administrator or Development Owner fails to demonstrate to the Department's satisfaction that it has met any terms of the Contract or benchmark requirements, the Department will take corrective or remedial action up to and including termination of the Contract, deobligation of funds and denial of any future Contract to the Administrator or Development Owner.

(2) Corrective and remedial actions. Corrective or remedial actions for a performance deficiency are designed to prevent a continuation of the deficiency; mitigate, to the extent possible, its adverse effects or consequences; and prevent its recurrence. The Department will instruct the Administrator or Development Owner to submit and comply with proposals for action to correct, mitigate and prevent a performance deficiency, including but not limited to:

(A) preparing and following a schedule of actions for carrying out the affected activities, consisting of timetables necessary to implement the affected activities;

(B) canceling or revising Activities likely to be affected by the performance deficiency, before expending HOME funds for additional Activities;
(C) repayment of HOME funds that were expended on ineligible Activities;
(D) suspending disbursement of HOME funds for affected Activities and/or the total Contract amount; and
(E) sanction the Administrator or Development Owner from receiving funds for two (2) years from the date of monitoring report.

LEGAL SERVICES DIVISION

BOARD ACTION REQUEST

September 13, 2007

Action Item

Presentation, Discussion and Possible Approval to publish a draft of proposed new 10 TAC Chapter 60, Subchapter B, Accessibility Requirements for comment in the *Texas Register.*

Requested Action

Approve, approve with amendments or deny the draft rules for publication in the *Texas Register* for public comment relating to the 504 Accessibility standards in Chapter 60 Subchapter B.

Background and Recommendations

In 2006, the Board requested that the staff look at the standards required under Section 504 related to accessibility standards for housing developed with Department funds. After internal discussions, it was recommended that outside counsel be hired to develop a compendium with references and examples of the requirements under state and federal law to comply with the 504 requirements.

After receiving approval from the Attorney General to contract with a private attorney, the General Counsel had discussion with a variety of people to determine candidates. After reviewing resumes and receiving input, Sara Pratt was hired. Ms. Pratt is a former D.C. HUD attorney serving in several key roles relating to accessibility. In addition, she is a frequent lecturer on the subject at national events. She is a sought after and respected consultant with both advocates and people seeking to develop policies. A copy of Ms. Pratt's resume is attached to this write-up for reference. Ms. Pratt began work on the draft rule and submitted the first draft for staff to review. The Executive team reviewed the rule along with other interested staff and requested additional examples to be included and a few clarifications.

Upon receiving the amended draft from Ms. Pratt, the Department, as requested by the Board, arranged a meeting with interested developers based on guidance by TAAHP. That meeting was held in July of 2007. The item was also placed on the Disability Workgroup's Agenda in August and was discussed there. The draft today represents a few changes made during the discussions and further clarifications.

The staff considers the proposed rule to meet the request of the Board to help wade through the gray areas surrounding 504 issues and establish what is required under today's laws. The rule attempts to be a practical guide and given the comments in our conversations with the interested communities, achieves this purpose. However based on some of these same discussions, there will be requests for additions to be added to this policy. Staff believes it has met the Board's request and delivered a comprehensive, user friendly policy that is well sourced and well supported.

Staff Recommendation: Staff recommends approval of this policy for publication in the *Texas Register* to receive public comment before final adoption of the rule.

Title 10. Community Development
Part 1. Texas Department of Housing and Community Affairs
Chapter 60. Compliance Administration
Subchapter B. Accessibility Requirements

The Texas Department of Housing and Community Affairs proposes new 10 TAC Chapter 60, Subchapter B, §§60.201 – 60.211, concerning Accessibility Requirements. The new sections are proposed to ensure that the accessibility policy conforms to other Department rules that are being revised in the 2008 rule cycle and to implement changes enacted during the 80th Regular Session of the Texas Legislature.

Michael Gerber, Executive Director, has determined that for the first five-year period the new sections are in effect there will be no fiscal implications for state or local governments as a result of enforcing or administering these new sections.

Mr. Gerber has also determined that for each year of the first five-years the new sections are in effect the public benefit anticipated as a result of enforcing the new sections will be the more consistent delivery of accessible affordable housing and a Fair Housing policy that coordinates and conforms with other Department rules that are undergoing revision as part of the 2008 rule cycle. There will be no effect on small businesses or persons. There is no anticipated economic cost to persons who are required to comply with these new sections as proposed.

Public hearings will be held across the state between September 24 and October 5 to receive public input on these new sections. More information on the public hearings can be found at http://www.tdhca.state.tx.us. Written comments may be submitted to Texas Department of Housing and Community Affairs, 2008 Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, by e-mail to the following address: 2008rulecomments@tdhca.state.tx.us, or by fax to (512) 475-3978. All comments must be received by October 10, 2007.

The new sections are proposed pursuant to authority granted in Chapter 2306 of the Texas Government Code, and the Internal Revenue Code of 1986, §42, as amended, and related Internal Revenue Service Regulations which provide the Department with the authority to adopt rules governing the administration of the Department and its programs.

No other statutes, articles, or codes are affected by these proposed new sections.

§60.201. Scope.

(a) The purpose of this subchapter is to provide guidance about and to ensure compliance with the requirements of Section 504 of the 1973 Rehabilitation Act and the Fair Housing Act in the alteration or construction of multifamily housing projects by recipients of funding from the Texas Department of Housing and Community Affairs ("the department").

(b) No otherwise qualified individual with a disability shall, solely by reason of their disability, be excluded from the participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance from the Department of

Housing and Urban Development through the department. (**Source**: 24 CFR §8.1(a), 24 CFR §8.20.)

(c) This subchapter applies to all of the programs and activities of recipients of federal financial assistance from the Department of Housing and Urban Development through the programs and activities of the department and/or any other program required to meet §504 of the 1973 Rehabilitation Act under state law. (**Source**: Texas Government Code §2306.6722 and §2306.6730, 24 CFR §8.2. See also the Civil Rights Restoration Act of 1987, 20 U.S.C. §794 (b), March 22, 1988, (the amendments "make clear that discrimination is prohibited throughout entire agencies or institutions if any part receives Federal financial assistance. "S. Rep. No. 64, 100th Cong., 2d Sess. 4 (1988) and Texas Government Code Chapter 2306.)

(d) This subchapter does not apply to entities which only participate in the Housing Choice Voucher or the Enhanced Voucher programs and receive no other federal financial assistance, except that these entities are covered by the Fair Housing Act's prohibitions against discrimination, including the requirements that such entities permit reasonable modifications to existing premises, make reasonable accommodations to rules, policies, practices, or services, when such accommodations may be necessary to afford such person equal opportunity to use and enjoy a dwelling, and, for those properties that were designed and constructed for first occupancy after March 13, 1991 compliance with the Fair Housing Act's provisions for accessible design and construction of new multifamily housing. See §60.207 of this subchapter. (**Source**: 24 CFR §8. 3 Definitions: Definition of Recipient.)

(e) This subchapter does not apply to contracts for the procurement of goods or services by the department. (**Source**: 24 CFR §8.3, Definition of Federal Financial Assistance.)

(f) There are additional requirements for compliance with Section 504 of the 1973 Rehabilitation Act, Title VI of the Civil Rights Act of 1964, the Fair Housing Act, the Americans with Disabilities Act and other civil rights laws, regulations and Executive Orders by recipients of federal financial assistance. This subchapter addresses only the requirements relating to physical accessibility in new construction, alterations, and reasonable accommodations under Section 504 and the Fair Housing Act. Other disability-related requirements include:

> (1) Operating housing that is not segregated based upon disability or type of disability, unless authorized by federal statute or executive order
>
> (2) Providing auxiliary aids and services necessary for effective communication with persons with disabilities
>
> (3) Operating programs in the most integrated setting appropriate to the needs of qualified individuals with disabilities. See 24 CFR Part 8 for complete information. (**Source**: 24 CFR §8.4.)

(g) These rules are to be performed in conjunction with the rules found in Chapter 60, Subchapter A, of this title.

§60.202. Definitions.

(a) The following terms are used for purposes of this subchapter:

(1) Accessible route--A continuous unobstructed path connecting accessible elements and spaces in a facility or building that complies with the space and reach requirements of an applicable accessibility standard. In cases of rehabilitation, an accessible route is not required to serve units that are occupied by persons with hearing or vision impairments. (**Source**: 24 CFR §8.3 Definitions. Definition of Accessible Route.)

(2) Alteration--Any physical change in a facility or its permanent fixtures or equipment. It includes, but is not limited to, remodeling, renovation, rehabilitation, reconstruction, changes or rearrangements in structural parts and extraordinary repairs. It does not include normal maintenance or repairs, reroofing, interior decoration, or changes to mechanical systems. (**Source**: 24 CFR §8.3 Definitions. Definition of Alteration.)

(3) Disability--A physical or mental impairment that substantially limits one or more major life activities; or having a record of such an impairment; or being regarded as having such an impairment. Nothing in this subpart requires that a dwelling be made available to an individual whose tenancy would constitute a direct threat to the health or safety of other individuals or whose tenancy would result in substantial physical damage to the property of others. (**Source**: 24 CFR §8.3 Definitions. Definition of Individual with Handicaps. 24 CFR §§100.201, 202 (d).)

(4) Federal financial assistance--Any assistance provided or otherwise made available by the department through any grant, loan, contract or any other arrangement, in the form of:

(A) Funds;

(B) Services of personnel; or

(C) Real or personal property or any interest in or use of such property, including transfers or leases of the property for less than fair market value or for reduced consideration. (**Source**: 24 CFR §8.3 Definitions. Definition of Federal Financial Assistance.)

(D) Multifamily housing project--A project identified under a single project number that includes five or more dwelling units. It does not include a single family development. A project includes the whole of one or more residential structures and appurtenant structures, equipment, roads, walks, and parking lots which are covered by a single contract or application for assistance, or which are treated as a whole for processing purposes, whether or not located on a common site. (**Source**: 24 CFR Definitions. Definition of multifamily housing project and definition of project. ADAPT v. Philadelphia Housing Authority, 2000 U.S. Dist. LEXIS 5380 (E.D. PA 2000).)

(E) Recipient--Includes a subrecipient and means any State or its political subdivision, any instrumentality of a State or its political subdivision, any public or private agency, institution, organization, or other entity, or any person to which Federal financial assistance is extended for any program or activity directly or through another recipient, including any successor, assignee, or transferee of a recipient, but excluding the ultimate beneficiary of the assistance. Recipients include private entities in partnership with recipients to own or operate a program or service.(**Source**: 24 CFR §8.4 Definitions. Definition of recipient.)

(F) Replacement cost--The total development cost for construction and equipment for a newly constructed housing facility of the size and type being altered. Construction and equipment costs do not include the cost of land, demolition, site improvements, non-dwelling facilities or administrative costs for project development activities. (**Source**: 24 CFR §8.4 Definitions. Definition of replacement cost.)

§60.203. General Requirements.

(a) A unit is not considered to be fully accessible unless it meets the requirements of the Uniform Federal Accessibility Standards (UFAS). All units that are accessible to persons with mobility impairments must be on an accessible route. (**Source**: HUD Handbook 4350.3, Occupancy Requirements of Subsidized Multifamily Housing Programs, §2-22 (C) (4).)

(b) Recipients must give priority to methods that offer housing in the most integrated setting possible (i.e., a setting that enables qualified persons with disabilities and persons without disabilities to interact to the fullest extent possible). To the maximum extent feasible and subject to reasonable health and safety requirements, accessible units must be:

(1) Distributed throughout the project and site; and

(2) Made available in a sufficient range of sizes and amenities so that the choice of living arrangements of qualified persons with disabilities is, as a whole, comparable to that of other persons eligible for housing assistance under the same program. (**Source**: 24 CFR §8.26.)

(c) Multifamily housing projects covered by this subchapter and built after July 11, 1988 must have a minimum of 5% of the units in multifamily housing that are fully accessible in accordance with the Uniform Federal Accessibility Standards (UFAS) and an additional 2% that are accessible to persons with visual and hearing impairments. This obligation is an absolute requirement. For buildings that fall within this category, an owner may not justify a failure to have met these requirements because of an undue financial and administrative burden.

(d) Multifamily housing projects which are designed and constructed only for homeownership are not subject to the 5%/2% requirement. However, they are subject to the other requirements of this subchapter, including, but not limited to, the requirements found in §§60.207(2) and 60.209 of this subchapter. (**Source**: 24 CFR 8.22, HUD Handbook 4350.3, § 2-35, Telesca v. Long Island

Housing Partnership, 443 F. Supp. 2nd 397 (E.D. N.Y. 2006). EXAMPLE 203(1): A recipient receives funding from the Department and will construct a 10 unit homeownership project. The requirement that 5% of the units are accessible to persons with mobility impairments and 2% of the units are accessible to persons with sensory impairments does not apply. However, structural changes that are needed by a purchaser with a family member who is disabled are subject to the requirement that the recipient make reasonable accommodations, including structural changes that may be necessary to enable the family to live in the unit. So a request that a ramp be constructed to access the front porch of a homeownership unit to accommodate the disability of a 12 year old resident or prospective resident must be provided as a reasonable accommodation, unless the accommodation presents an undue financial and administrative hardship or constitutes a fundamental alteration of the program. In addition, if some or all of the units are covered by the design and construction requirements of the Fair Housing Act, those units must comply with the requirements.)

§60.204. Other Limitations Relating to Alterations.

(a) When alterations are considered for a project:

(1) Recipients are not required to make structural changes where other methods, which may not cost as much, are effective in making federally assisted housing programs or activities readily accessible to and usable by persons with disabilities. (EXAMPLE 204(1): A rental office in an older building where rent payments are made can only be reached by traveling a flight of stairs. Removal of the steps would be an undue financial and administrative burden. Alternative methods of offering residents with disabilities a readily usable way of making rent payments could include offering them an alternative way of making rent payments at an accessible location.)

(2) Recipients are not required to make structural changes that would impose an undue financial and administrative burden, even if alternatives to making housing programs or activities readily accessible to and usable by persons with disabilities are not effective.

(A) Payment for alterations from operating funds, residual receipts accounts or reserve replacement accounts must be sought using appropriate approval procedures.

(B) The approved amount must be able to be replenished through property rental income within one year without a corresponding raise in rental rates.

(C) A projected inability to replenish an operating fund account or the reserve for replacement account within one year for funds spent in providing alterations under this subchapter is evidence that the alteration would be an undue financial and administrative burden.

(i) EXAMPLE 204(2): Each entrance to existing pre-1988 units is reached by a number of steps. Estimates of the cost of making any of the units accessible are high. The project rental income will not cover the cost of making the units accessible without a rent increase or a reduction in services or benefits to other tenants. However, the project has a large residual receipts account. Therefore, the operator of the housing could request approval to use money from this account to remove the steps and replace them with a ramp or chairlift.

(ii) EXAMPLE 204(3): In the same situation, the project does not have funds in its residual receipts account, but it has a large reserve for replacement account. However, the estimate is large enough that a rent increase would be required in order to replenish the account completely within one year. It would be a financial and administrative burden for the project to make a unit accessible. The owner may explore alternatives to making its program accessible but is not required to make the structural changes.

(iii) EXAMPLE 204(4): A high rise project that was built before 1988 has no units that comply with UFAS. In order to make one of its units large enough to comply with UFAS, it would be required to rehabilitate the property substantially and eliminate at least one unit. The loss of income from the rental unit would present a serious financial hardship to the property and there are inadequate funds in the relevant accounts. The property is not required to meet the 5% requirement. It must meet the requirement that 2% of its units and be accessible to persons with sensory impairments, and it must make reasonable accommodations to meet the needs of individuals with disabilities.

(iv) EXAMPLE 204(5): A project seeks funding for rehabilitation of the property from the Department. The project includes in its request all structural alterations that are necessary to ensure compliance with this section. A property that receives funding for accessible features from the Department may not assert that providing those features is an undue financial and administrative burden if it receives funding to undertake those alterations. The other provisions in this section with respect to limitations on alterations apply.

(v) EXAMPLE 204(6): A project receives funding for rehabilitation of the property from the Department. The property already has 5% of the units that are UFAS compliant.. No additional rehabilitation for accessibility need be conducted.

(vi) EXAMPLE 204(7): A project receives funding for repair of the waste disposal system at the property from the Department. Because the funding does not cover alteration of structural elements but only repair of an existing system, no accessible elements need be provided. (**Source**: HUD Handbook 4350.3, §2-43 (C), Exhibit 2-6.)

(b) Recipients are not required to install an elevator solely for the purpose of making units accessible. (**Source**: HUD Handbook 4350.3, §2-36 (E).)

(c) Recipients do not have to make mechanical rooms and similar spaces accessible when, because of their intended use, they do not require accessibility by the public, by tenants, or by employees with physical disabilities. (**Source**: HUD Handbook 4350.3, §2-36 (D).)

(d) Recipients are not required to make building alterations that have little likelihood of being accomplished without removing or altering a load-bearing structural member. (**Source**: 24 CFR §8.32(c). EXAMPLE 204(8): A property built before 1988 has no units that comply with UFAS. An assessment of the property indicates that no units can be made accessible to persons with mobility impairments because of the existence of load bearing interior and exterior walls which prevent construction of accessible exterior doorways. Therefore, no units must be made accessible to persons with mobility impairments except to the extent that they are made as a reasonable accommodation for a person with a disability.)

§60.205. Substantial Alteration.

When a recipient undertakes alterations to one or more structural elements in a project that contains fifteen or more units, which was built before July 11, 1988 and which lacks the required minimum of 5% of units that are accessible to persons with mobility impairments: If the total cost of the alterations is 75% or more of the replacement cost of the completed property, then the recipient must make a minimum of 5% of the units in the property accessible for persons with mobility impairments, and a minimum of 2% of the units accessible for persons with visual and hearing impairments. These units must comply fully with UFAS. (**Source**: 24 CFR §8.23 (a). EXAMPLE 205(1): The total development cost for a planned alteration of a 40 unit apartment building with no accessible unit amounts to $80,000 per unit and the replacement cost per unit is $100,000. Because the cost of the alterations is more than 75% of the replacement cost of the unit, the recipient must make a minimum of 5% of the 40 units, or at least two, of the units accessible to persons with mobility impairments by compliance with UFAS and at least 2%, or one unit, accessible to people with visual and hearing impairments.)

§60.206. Renovation of Elements.

(a) When a recipient has a project which was built before July 11, 1988 and that contains five or more units but lacks the required 5% of units that are accessible to people with mobility impairments, when the recipient undertakes alterations to a structural element that are not substantial as defined in §60.205 of this subchapter:

> (1) Those alterations must be accessible, to the maximum extent feasible, until at least 5% of the units are fully accessible for persons with mobility impairments. If the 5% requirement is met, no other structural alterations are required to units except to provide reasonable accommodations to individuals with disabilities.
>
> (2) If alterations of single elements (such as replacement of a bathtub or a door) or spaces (such as kitchens or bathrooms) occur in a single unit and when the alterations are considered as a group amount to an alteration of the entire unit, the recipient must make the

entire dwelling unit accessible until 5% of the units are accessible to persons with mobility impairments.

(3) When the recipient is not altering the entire unit, all of the single elements or spaces that are being altered must be made accessible unless at least 5% of the units in the project already comply fully with the UFAS requirements for persons with mobility impairments. If at least 5% of the units comply with UFAS no additional single elements need be made accessible except to provide reasonable accommodation for an individual with a disability.

(4) Recipients are encouraged to examine existing units for compliance with UFAS and ensure that at least 5% of the units in a property are accessible. When at least 5% of the units comply with UFAS requirements for accessibility, individual elements need not comply with accessibility requirements when they are altered.

(5) Recipients are encouraged, but not required, to make at least an additional 2% of the units being altered comply with UFAS requirements for persons with hearing and vision impairments, if such units do not already exist.

(6) Completion of minor maintenance required to maintain a property in a decent, safe and sanitary condition is generally considered to be normal repairs and not alteration. (**Source**: 24 CFR §8.23, HUD Handbook 4350.3, 4315.1, Rev 1, Chg 2, page 10-14.)

> (A) EXAMPLE 206(1): A property is remodeling all of the bathrooms throughout the property by replacing plumbing, fixtures, and cabinets. Remodeling the bathroom is an alteration to a space. Unless the property already has a minimum of 5% of its units that comply with UFAS to serve people with mobility impairments, 100% of the bathrooms remodeled must be made accessible until the property has a minimum of 5% of its units compliant with UFAS.
>
> (B) EXAMPLE 206(2): A property is remodeling all of the kitchens throughout a property by replacing stoves and refrigerators. Because this is not an alteration to a structural element, no structural elements must be made accessible.
>
> (C) EXAMPLE 206(3): A property is renovating its heating system by replacing furnaces, ductwork and vents. This is not an alteration that triggers compliance with this section because it is the replacement of a mechanical system.
>
> (D) EXAMPLE 206(4): A property has 100 units and 6 of the units are for persons with mobility impairments. They comply with UFAS and are on an accessible route. The property is remodeling all of the bathrooms throughout the property by replacing plumbing, fixtures, and cabinets. None of the remodeled bathrooms need be made accessible because the property already has at least 5% of its units that comply with UFAS.
>
> (E) EXAMPLE 206(5): A property that was built before 1988 has 100 units and none of them comply with the UFAS requirements. The property is replacing all of

the roofs as part of regularly scheduled maintenance and repair. No units are required to be made accessible because the work being performed is regular maintenance and repair.

(F) EXAMPLE 206(6): A property has 100 units and only three of those units (or 3%) comply with UFAS for persons with mobility impairments. The property is renovating 10 units, but the cost of renovation is only 50% of the cost of replacing the units, so this is not a substantial alteration. Because the entire unit is being renovated, two of the renovated units must comply with UFAS in order to provide a minimum of 5% of the total number of units that are accessible to people with mobility impairments.

§60.207. New Construction and Additions of Units.

(a) New multifamily housing construction of five or more units in a project by a recipient due to demolition, addition of units, or replacement of uninhabitable units shall be designed and constructed to provide accessibility to persons with disabilities.

(1) A minimum of 5% of the new units, or at least one, shall be made accessible for persons with mobility impairments.

(2) The new accessible units must be on an accessible route. The accessible units must comply with the UFAS requirements. (**Source**: 24 CFR §8.22.)

(b) All covered multifamily housing that is newly constructed for first occupancy, including additions of four or more units, must be designed and constructed to comply with the Fair Housing Act's design and construction requirements, regardless of funding.

(1) Multifamily housing units are covered if they:

(A) Are in a building with four or more units;

(i) In a building with one or more elevators, all units are covered;

(ii) In a building without an elevator, all of the ground floor units are covered.

(2) All covered units must be on an accessible route. The accessible units must comply with an objective accessibility standard that provides at least as much accessibility as the Fair Housing Act Accessibility Guidelines.

(A) There are eight standards that the Department of Housing and Urban Development has identified as safe harbors for compliance with the accessibility standards. Compliance with one of these safe harbors will provide full compliance with the accessibility requirements.

(B) Compliance with local building code requirements does not assure compliance with the federal law. The International Building Code 2003 is a safe harbor. (**Source**: 24 CFR §100.205, www.fairhousingfirst.org)

§60.208. Public and Common Use Areas in Multifamily Housing.

(a) Recipients must make common use facilities, or parts of facilities, and public spaces accessible to persons with disabilities, as long as such improvements would not result in an undue financial and administrative burden. This requirement applies regardless of the date of construction of the property. This responsibility means that recipients must do everything feasible to make these areas accessible up to the point at which any further modifications or improvements would result in an undue financial and administrative burden.

(1) Public spaces include but are not limited to community rooms, laundry and trash rooms, parking spaces, entrances, sidewalks, public restrooms and the management office.

(b) Recipients are not required to make each location of an amenity or facility accessible to persons with mobility impairments. If only one entrance or amenity is made accessible, it must be accessible to tenants with mobility impairments who live in any part of the development on the same terms that the entrance or amenity is made available to persons without disabilities.

(1) EXAMPLE 208(1): If a property has multiple buildings with two laundry rooms located in two different central areas, only one laundry room need be made accessible.

(2) EXAMPLE 208(2): Each building has its own laundry room for use by the residents of the building. Each laundry room must be made accessible, so that tenants with mobility impairments do not have to go out in inclement weather to do their laundry, when residents without disabilities may do their laundry in their building.

(c) The recipient must make one-of-a kind amenities or facilities accessible and usable to persons with disabilities or provide an alternative means for accessibility. (EXAMPLE 208(3): A property has only one community room. It must be made accessible, or programs and services offered in that room must also be offered at another, accessible location to provide access for people with disabilities. **Source**: HUD Handbook 4350.3, §2-35(D))

§60.209. Reasonable Accommodations.

(a) A reasonable accommodation is an alteration, change, exception or adjustment to a program, service, building, dwelling unit, or workplace that will allow a qualified person with a disability to:

(1) Participate fully in a program

(2) Take advantage of a service or

(3) Use and enjoy a dwelling.

(b) To show that a requested accommodation may be necessary, there must be an identifiable relationship between the requested accommodation and the individual's disability.

(c) When a resident or applicant requires an accessible unit, feature, space or element, or a policy modification, or other reasonable accommodation to accommodate a disability, the recipient must provide and pay for the requested accommodation, unless doing so would result in a fundamental alteration in the nature of the program or an undue financial and administrative burden. A fundamental alteration is a modification that is so significant that it alters the essential nature of the provider's operations.

(d) If a particular accommodation would result in an undue financial and administrative burden or fundamentally alter the program, the recipient must explore whether other accommodations, although not those requested, can meet the needs of the person with a disability.

(e) A recipient may not charge a fee or place conditions on a resident or applicant in exchange for making the accommodation.

(f) A reasonable accommodation that amounts to an alteration should be made to meet the needs of the individual with a disability, rather than any particular minimum code specification.

(g) If a recipient refuses to provide a requested accommodation because it is either an undue financial and administrative burden or would result in a fundamental alteration to the nature of the program, the recipient shall engage in an interactive dialogue with the requester to determine if there is an alternative accommodation that would adequately address the requester's disability-related needs. If an alternative accommodation would meet the individual's needs and is reasonable, the recipient must provide it. (**Source**: HUD Handbook 4350.3, §2-39, 2-40, 24 CFR §8.33, Secretary v. Country Manor, HUDALJ 05-98-1469-8 (September 20, 2001).)

> (1) EXAMPLE 209(1): A resident requires an accessible parking space that will accommodate her wheelchair-equipped van. A reasonable accommodation includes relocating and enlarging an existing parking space that will serve the van.
>
> (2) EXAMPLE 209(2): A project has five parking spaces located outside the main entrance to the building and another parking lot with 20 spaces a half block away. All five of the parking spaces near the entrance to the building have been assigned to disabled residents who need a parking space near their door because of their disabilities. A sixth tenant with difficulty in walking long distances moves into the project and requests a parking space near his door. The recipient has explored the options and concluded that the only way to provide more parking spaces near the door would be to widen the parking area by purchasing valuable real estate next door. It would be an undue financial and administrative burden for the recipient to provide the sixth tenant with a parking space near the entrance. An alternative accommodation could be to provide the sixth tenant with an assigned parking space in the lot a half block away until such time as one of the five spaces near the door becomes available.

(3) EXAMPLE 209(3): A resident needs grab bars at the toilet in her bathroom. She does not require other accessible features. The recipient must install grab bars consistent with the resident's needs in the bathroom.

(4) EXAMPLE 209(4): A resident needs a ramped entrance to her ground floor unit to accommodate her wheelchair. She does not wish to move to an accessible unit. The recipient must provide an accessible entrance at the resident's current unit, unless it would be an undue financial and administrative hardship or a fundamental alteration of the program to do so.

(5) EXAMPLE 209(5): A resident uses a scooter type wheelchair which is 38 inches in width. She requests a ramp to enter her ground floor unit. The ramp which she requests must be at least 40 inches wide, it must have a slope of no more than 3%, and the landing at the front door, which opens outward, must be enlarged to provide adequate maneuvering space to enter the doorway. The changes must be provided, even though they may exceed the usual specifications for such alterations.

(6) EXAMPLE 209(6): A resident who is a quadriplegic requests replacement of a bathtub in his unit with a roll-in shower. Due to the location of existing plumbing in the building and the size of the existing bathroom, a plumber confirms that installation of a roll-in shower in that unit is impossible. The on-site manager meets with the resident to explain why the roll-in shower cannot be installed and to explore alternative accommodations with the resident.

(h) Housing Tax credit Properties that are not layered with additional federal funds are not subject to any provision identified in §60.209 of this subchapter.

§60.210. Certifications and Effect of Non Compliance.

(a) Compliance with the provisions of this subchapter is included in the certifications required in the Certification of Program Compliance Chapter 60, Subchapter A §60.103 of this title.

(b) Failure to comply with the provisions of this subchapter shall be addressed by the rights and remedies found in Chapter 60, Subchapter C of this of this title.

§60.211. Resources.

The following materials are cited within or are generally available as resources for the underlying topic of this subchapter:

(1) Uniform Federal Accessibility Standards (UFAS). Individual copies of UFAS are available on line at http://www.access-board.gov/ufas/ufas-html/ufas.htm or from the Architectural and Transportation Barriers Compliance Board, 1331 F Street, NW, Suite 1000, Washington, D.C. 20004-1111, Telephone: 202-272-0080, TTY:
202-272-0082, email address: info@access-board.gov.

(2) Accessibility Requirements. HUD provides technical information about the accessibility requirements of Section 504, the Fair Housing Act, and the Americans with Disabilities Act at http://www.hud.gov/offices/fheo/disabilities/accessibilityR.cfm

(3) Americans with Disabilities Act. Technical guidance materials are available on line from the United States Department of Justice for the Americans with Disabilities Act, Titles II and III, relating to the operations of public entities and entities that serve the general public at http://www.usdoj.gov/crt/ada/publicat.htm or from the ADA Information Line, Telephone: 1-800-514-0301, TDD, 1-800-514-0383 (TDD)).

(4) Fair Housing Act. Technical guidance materials on the design and construction requirements of the Act are available on line from the FairHousingFIRST program at www.fairhousingfirst.org. Additional technical guidance is available from the FIRST program, Telephone: 1-888-341-7781 V/TTY.

(5) Reasonable Accommodations: The Department of Housing and Urban Development and the Department of Justice have issued a joint statement on reasonable accommodations under the Fair Housing Act that is available on line at
http://www.hud.gov/offices/fheo/library/huddojstatement.pdf.

LEGAL SERVICES DIVISION
BOARD ACTION REQUEST
September 13, 2007

Action Item

Presentation, Discussion and Possible Action on award of contract for disclosure counsel as recommended by staff.

Requested Action

Approve or reject staff recommendation for award of disclosure counsel for multi family and single family bond transactions for one year.

Background and Recommendations

The contract for Disclosure Counsel has expired. At the August 23, 2007 meeting, the Board requested that the staff recommendation be postponed in order to provide additional information regarding the selection of bond disclosure counsel. Based on the submissions to the Request for Proposals put forward by the Department, a staff review committee made up of the General Counsel, the Deputy Director for Programs and the Deputy Director for Administration had recommended Andrews & Kurth. The staff was asked to review the matter based on the current single family bond transactions and the impact that changing team members might have in the current market.

Staff has completed that review and has altered its recommendation based on the current market conditions. The Request for Proposal that the firms responded to allowed for the hiring of more than one bond disclosure counsel at the Department's discretion. Based on the concerns raised at the Board meeting, and after further investigation, staff recommends that the single family and multi-family bond transactions be bifurcated and the Department contract for one year with both McCall Parkhurst and Andrews & Kurth. McCall Parkhurst is recommended to be designated as disclosure counsel for single family transactions to ensure continuity at this time recognizing the sensitive market condition. Andrews & Kurth is recommended to be the disclosure counsel based on the strength of their submission to the RFP for all multi-family bond transactions. Both contracts will be for one year and expire on August 31, 2008.

The staff recognizes this is a different approach than the Department has used in the past, but believes that it recognizes current market place concerns, and still allows for Andrews & Kurth to provide the Department with a new perspective and different approach to our multi-family bond transactions similar to what they identified in their submission to the RFP.

The Office of the Attorney General will need to approve the final selection of outside bond counsel.

It is staff's current plan to request the Board to approve another Request for Proposals in the summer of 2008 and examine the needs of the Department at that time.

Staff Recommendation:	Staff recommends that the Board approve McCall Parkhurst for Bond Disclosure Securities Counsel for single family bond transactions for FY 2008 and that the Board approve Andrews and Kurth for Bond Disclosure Securities Counsel for multi family bond transactions for FY 2008 publication.

LEGAL SERVICES DIVISION
BOARD ACTION REQUEST
September 13, 2007

Action Item

Presentation, Discussion and Possible Action on Request for Proposals for Bond Securities Disclosure Counsel.

Requested Action

Approve for publication in the Texas Register a notice for Bond Disclosure Securities Counsel proposals.

Background and Recommendations

This agenda item will only be required if the board votes to deny staff's recommendation to select disclosure counsel on a previous agenda item. If the Board denies the recommendation, then a new RFP will need to be posted. State law requires that professional contracts be bid to provide the state with the best value of representation. The law allows for a one year agreement, plus a one year extension. The Department's previous disclosure counsel contract expired as of August 31, 2007.

Staff proposes a similar RFP to the one used this summer with two additions. First, the RFP requests a discussion of minority representatives within a submitting firm. Secondly, the RFP requests that a submission address the benefits of staying with an existing counsel in the current market or the benefits of changing counsel periodically. In an attempt to encourage broad participation and multiple applicant proposals, the RFP allows flexibility in the qualifications. The Department will create a review committee made up of the General Counsel, the Deputy Director for Programs and the Deputy Director for Administration and others appointed by the Executive Director to review and rank proposals prior to submitting for award by the Board.

The Office of the Attorney General and the Bond Review Board will need to review the RFP prior to publication in the Texas Register under state law effective September 1, 2007. The Office of the Attorney General will need to approve the final selection of outside bond counsel.

Staff Recommendation: Staff recommends that the Board approve the RFP for Bond Disclosure Securities Counsel for publication in the Texas Register.

REQUEST FOR PROPOSALS

FOR

BOND/SECURITIES DISCLOSURE COUNSEL

I. BACKGROUND ON THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

A. PURPOSE

The Texas Department of Housing and Community Affairs ("TDHCA"), is a public and official governmental agency of the state, pursuant to Chapter 2306, Texas Government Code (the "Act"). One purpose of TDHCA is to provide for the housing needs of individuals and families of low, very low and extremely low income and families of moderate income. Pursuant to the Act, TDHCA may issue bonds, notes or other obligations to finance or refinance residential housing and multi-family developments and to refund bonds previously issued by Texas Housing Agency, TDHCA, or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of TDHCA.

B. ORGANIZATION

TDHCA is governed by an executive director employed by a seven-member board. The members of the board are appointed by the Governor upon the advice and consent of the Texas Senate for staggered six-year terms, with the terms of two or three members expiring on January 31 of each odd-numbered year. The board is responsible for authorizing the allocation of bonds by TDHCA and all other acts in connection therewith specified in the Act. The executive director is responsible for the overall administration of TDHCA and its programs and for employing its staff.

C. BOND PROGRAMS.

Single Family Housing Bond Program. TDHCA has established a Single Family Mortgage Revenue Bond Program pursuant to the Act for the purpose of assisting in financing the costs of acquisition of residences within the State of Texas by eligible borrowers. The program offers interest rates below conventional market rates through the sale of tax-exempt mortgage revenue bonds. The guidelines adopted by TDHCA from time to time in connection with the program establish the eligibility of lenders to participate in the program, time limitations with respect to commitments for and originations of mortgage loans, the types of mortgage loans eligible for purchase by the servicer, the eligibility of mortgagors, the requirements for dwellings which secure mortgage loans, the fees which a mortgage lender may charge to originate a mortgage loan, the fees which a lending institution may charge for servicing a mortgage loan, as well as other aspects of the program.

Multi-Family Bond Program. The Multi-Family Bond Program finances below market loans to non-profit and for-profit developers of apartment projects serving moderate income persons and families that agree to set aside at least 20% of a project's unit for rental to very low and low income persons and families. In addition, at least 5% must be rented to persons with special needs. TDHCA funds the loans through the sale of tax-exempt and taxable mortgage revenue bonds.

II. SCOPE OF SERVICES.

A. NATURE OF SERVICES REQUIRED.

TDHCA anticipates the need for legal services in connection with the issuance of bonds at any time and from time to time during the term of the contract at the request of TDHCA. Bond/Securities Disclosure Counsel is expected to assign those attorneys and professionals employed by the firm who are best suited to appropriately respond to such requests in connection with the issuance of bonds and with ongoing compliance of any/all trust indentures. The firm will provide any such services as Bond/Securities Disclosure Counsel, which includes preparation of all Official Statements of TDHCA in connection with bond issues being sold into the public market.

B. TERMS OF AGREEMENT

Subject to the approval of Bond/Securities Disclosure Counsel by the governing board of the TDHCA, and negotiation of an acceptable contract by TDHCA and such outside counsel, TDHCA will execute an agreement with Bond/Securities Disclosure Counsel for at least a one year term with optional extensions as required based on performance and on such other terms and conditions as may be acceptable to the parties subject to required approval of the Attorney General of Texas. Any such agreement shall provide that TDHCA will retain the right to terminate the contract for any reason and at any time upon the payment of fees and expenses then due and payable.

III. RFP INSTRUCTIONS

A. PROPOSAL FORM AND FORMAT

Four (4) copies of the proposal are requested and should be sent by registered mail or delivered in person to the attention of Mr. Kevin Hamby, General Counsel, Texas Department of Housing and Community Affairs, 221 East 11th Street, Austin, Texas 78701, no later than the deadline for submission of proposals specified below. The proposals must include each question or request for information, as specified herein, followed by the narrative answer in the standard format for interrogatories, limited to one side of a single 8 1/2" x 11" page. Supplemental information (such as firm brochure, annual reports or background material), if any, must be restricted to Appendices following the responses. The pages of the proposal should be numbered sequentially with the name of the firm on each page. The proposal should be submitted in a loose-leaf binder.

B. Deadline for Submission

The deadline for submission in response to the Request for Proposals is **4:00 p.m.**, Central Daylight Saving Time, on _____________. No proposal will be accepted after the deadline.

C. General Information

TDHCA reserves the right to accept or reject any (or all) proposals submitted. The information contained in this proposal request is intended to serve only as a general description of the services desired by TDHCA, and TDHCA intends to use responses as a basis for further negotiation of specific project details with offerors. This request does not commit TDHCA to pay for any costs incurred prior to the execution of a contract and is subject to availability of funds. Issuance of this request for proposal in no way obligates TDHCA to award a contract or to pay any costs incurred in the preparation of a response.

D. Release of Information

Information submitted relative to this request for proposals shall not be released by TDHCA during the proposed evaluation process or prior to contract award. All information submitted to and retained by TDHCA becomes subject to disclosure under the Texas Public Information Act, unless an exception under such Act is applicable.

E. Proprietary Information

If a firm does not desire proprietary information in the proposal to be disclosed under the Texas Public Information Act or otherwise, it is required to clearly identify (and segregate, if possible) all proprietary information in the proposal, which identification shall be submitted concurrently with the proposal. If such information is requested under the Texas Public Information Act, the firm will be notified and given an opportunity to present its position to the Attorney General of Texas, who shall make the statutory determination. If the firm fails to clearly identify proprietary information, it agrees, by the submission of a proposal, that those sections shall be deemed non-proprietary and made available upon public request after the contract is awarded.

IV. Requested Information

Respondent must:

A. Provide a general description of your law firm, including historical background, number and location of firm offices, number of attorneys and major areas of practice;

B. Provide a general description of your firm's practice in the field of public finance, including the size and scope of the practice, the number of attorneys active in the practice and other resources of the firm relevant to the practice;

C. Provide a complete list of bond issues for which the firm has acted as Bond/Securities Disclosure Counsel during the past five years; indicate, for each of the five years, the number and aggregate dollar amount of bond issues for which the firm acted as Bond/Securities Disclosure Counsel.

D. Indicate subtotals for each of the following categories; state general obligation bonds, local general obligation bonds, state revenue bonds, and local revenue bonds; provide a description of the firm's practice in the field of housing finance, the number of attorneys active in the practice and other resources of the firm relevant to the practice; provide a listing of each single-family and multi-family housing bond issue handled by the firm as Bond/Securities Disclosure Counsel during the past ten years. For each bond issue, indicate the name of the issuer, the size of the bond issue and provide a capsule description of the type of transaction (e.g., nature of credit enhancement, tender option provisions or other unusual features); describe five innovative finance transactions in which the firm played a significant role, including at least three housing transactions; identify the individuals who will be assigned to the TDHCA account if the firm is selected as Bond/Securities Disclosure Counsel.

E. Provide information regarding the background and experience of each individual, in particular their housing finance experience, if any, and designate the percentage of work for which each individual will be responsible; provide five public finance client references, preferably including at least two state agency clients; describe in detail the services that the firm normally provides as Bond/Securities Disclosure Counsel for a transaction and other matters not directly related to bond transactions in which the firm anticipates its services may be necessary.

F. Explain the reasons why and the extent to which additional involvement may be necessary; discuss briefly the firm's views as to the major problems to be faced by the TDHCA during the next three years; and discuss the role of Bond/Securities Disclosure Counsel in helping to find solutions to those problems.

G. Compensation. As required by the outside counsel contract provided by the Office of the Attorney General of Texas, your firm's proposed method of charging for legal services shall be submitted to the Agency on a monthly basis and shall provide a detailed accounting of the time charged and the respective charge for each increment of time and contain detail of specific expenses allowed by the Attorney General of Texas and set by the State of Texas Comptroller of Public Accounts. All proposals must include a statement that they are valid for the duration of the contract.

H. Diversity within Organization. Each submission should include information relevant to participation in the firm by racial minorities, women and others who would otherwise be eligible, if sought individually, to be designated as a Historically Underutilized Business.

I. Impact on the Marketplace. Each proposal should include a discussion of the strengths and weaknesses of changing or keeping counsel and its impact both positive and negative and changing Disclosure Counsel at this time. For purposes of this discussion, the responder should assume that current counsel has been in place for more than ten years. The discussion should include how the current market (as of date of release of RFP and for the initial one year term) would be impacted by a change.

V. REVIEW.

A. In accordance with law, TDHCA will make its selection based upon its perception of the need for Bond/Securities Disclosure Counsel, the demonstrated competence, experience, knowledge, and qualifications, on the reasonableness of the proposed fee for the services to be performed. By this Request for Proposals, however, TDHCA has not committed itself to employ Bond/Securities Disclosure Counsel for any or all of the above-described matters, nor does the suggested scope of services or term of agreement require that Bond/Securities Disclosure Counsel be employed for any of those purposes. TDHCA reserves the right to make those decisions after receipt of responses, and TDHCA's decision on these matters is final.

B. TDHCA reserves the right to negotiate all elements which comprise the proposal of the firm(s) to ensure that the best possible consideration be afforded to all concerned. TDHCA reserves the right to reject any and all proposals and to resolicit in such an event. TDHCA permits proposals utilizing joint ventures of any two or more firms, if appropriate.

C. Conflict of Interest. TDHCA will not contract with any firm in which the provisions of conflict of interest, as set out in the 2003 Outside Counsel Contract provided by the Attorney General of Texas, are not met, as follows:

> 8.12 CONFLICT OF INTEREST. If the legal services to be performed by an attorney pursuant to this Agreement involve representation of the Agency in a contested matter, the Outside Counsel represents that Outside Counsel, and such attorney, does not, and shall not during the term hereof, represent a plaintiff in a proceeding seeking monetary damages from the State of Texas or any of its agencies. Outside Counsel shall conduct a conflicts analysis on any subcontractor and disclose any, actual or potential conflict to the Agency and the Attorney General. For these purposes, "proceedings seeking money damages" do not include actions for tax refunds or reimbursement of costs of litigation and attorneys' fees.

VI. ADDITIONAL INFORMATION.

For additional information concerning the requirements of this request for proposals, please contact Mr. Kevin Hamby, General Counsel, at (512) 475-3948. Communication with any member of the Board of Directors, the Executive Director, or TDHCA staff other than Mr. Hamby, or his assistant, concerning any matter relating to this request for proposals is grounds for immediate disqualification.

Issued in Austin, Texas on _________________

Michael Gerber

Michael Gerber, Executive Director

Housing Tax Credit Program
Board Action Request
September 13, 2007

Action Item

Request review and board determination of four (4) four percent (4%) tax credit application with another issuer for tax exempt bond transaction.

Recommendation

Staff is recommending that the board review and approve the issuance of two (2) four percent (4%) Tax Credit Determination Notice with **another issuer** for the tax exempt bond transaction known as:

TDHCA No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
07437	Creek View Apartments	Johnson City	Capital Area HFC	64	64	$6,080,556	$3,050,000	$188,425	$0
07438	Park Ridge Apartments	Llano	Capital Area HFC	64	64	$6,226,817	$3,000,000	$240,290	$0
07443	Regency Park Apartments	Houston	Houston HFC	252	252	$28,879,280	$14,000,000	$1,189,095	$1,189,095
07446	Runnymede Apartments	Austin	Austin HFC	252	252	$16,816,424	$10,825,000	$488,042	$488,042

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
September 13, 2007

Action Item

Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits Associated with Mortgage Revenue Bond Transactions with Other Issuers and Possible Award of HOME Rental Development funds.

Requested Action

Approve, Amend or Deny the staff recommendation for Creek View Apartments, #07437.

Summary of the Transaction

Background and General Information: The 4% housing tax credit application was received on May 29, 2007 and the HOME application was received on July 10, 2007. The Issuer for this transaction is Capital Area HFC with a reservation of allocation that expires on October 11, 2007. The development proposes the new construction of 64 total units targeting the general population. The development is proposed for the City of Johnson City, Blanco County and 100% of the units are proposed to be restricted. The site is zoned for such a development.

Background and General Information for the HOME Rental Development Award: This application was submitted under the Rental Housing Development Supporting New Job Creation and Economic Development in Rural Texas Notice of Funding Availability (NOFA). The Department received two applications for a total request of $2,350,000. The NOFA stated the development should be located within twenty miles from the proposed employment location and construction of the employment facility should begin at the time of application submission or completed within eighteen months of application submission. This proposed development will be located approximately twenty-two miles from the proposed employment facility and the proposed completion of the employment facility is Fall of 2009. Due to the limited number of applications, staff processed the applications because they met the general intent of the NOFA for the housing to be available when the employment facility was complete. The proposed development will meet that intent. The applicant has requested $930,000 with an interest rate of 1% and a term of 45 years to be paid from 75% of available cashflow.

Program Concerns: An item of concern is the 60 day requirement, in the Qualified Allocation Plan and Rules, that all outstanding documentation be submitted at least 60 days prior to the Board meeting at which the application will be presented. In this case the appraisal (used for the identity of interest determination), development costs including sources and uses of funds and the final financing commitments were not submitted by this required deadline. In order to be eligible for 4% tax credits, the tax-exempt bond amount must be equal to or greater than 50% of the aggregate basis of the buildings and land. Based on the Department Underwriter's estimate, the transaction may not meet this requirement and therefore may not be eligible for the 4% tax credits which would jeopardize the financial feasibility of the development. The Department's Underwriter has determined that the HOME loan would be required to be deferred forgivable. The reservation of allocation for the tax-exempt bonds expires on October 11, 2007, the Applicant will need to address any and/or all concerns noted by staff or the Board at the September 13, 2007 Board meeting.

Organizational Structure and Compliance: The Borrower is Creek View, Ltd. and the General Partner is THF Creek View, LLC, of which Texas Housing Foundation has 100% ownership interest. The Compliance Status Summary completed on August 31, 2007 reveals that the principals of the general partner have eight (8) properties that have been monitored by the Department. The bond priority for this transaction is:

☒ **Priority 3:** Any qualified residential development.

Census Demographics: The development is to be located at approximately the east side of North Winters Furr, north of Dawn Street in Johnson City. Demographics for the census tract (9501) include AMFI of $57,537; the total population is 3,873; the percent of population that is minority is 13.87%; the percent of population that is below the poverty line is 9.68%; the number of owner occupied units is 1,231; the number of renter units is 311 and the number of vacant units is 381. The percentage of population that is minority for the entire City of Johnson City is 22% (Census information from FFIEC Geocoding for 2007).

Public Comment: The Department has received two letters of support from State Senator Troy Fraser and from State Representative Patrick M. Rose and no letters of opposition.

Recommendation

Staff recommends the Board deny the issuance of a Determination Notice of $188,425 in Housing Tax Credits and a HOME award in the amount of $930,000 as a deferred forgivable loan for Creek View Apartments. This recommendation is based on concerns that are described in more detail in the Real Estate Analysis report.

MULTIFAMILY FINANCE PRODUCTION DIVISION
September 13, 2007
Development Information, Public Input and Board Summary
Creek View Apartments, TDHCA Number 07437

BASIC DEVELOPMENT INFORMATION

Site Address:	East side of North Winters Furr, North of Dawn Street			Development #:	07437
City:	Johnson City	Region:	7	Population Served:	Family
County:	Blanco	Zip Code:	78636	Allocation:	Rural
HOME Set Asides:	☐ CHDO ☐ Preservation ☐ General			Purpose/Activity:	NC
Bond Issuer:	Capitol Area HFC				

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner:	Creek View, Ltd.	
Owner Contact and Phone	Mark Mayfield	(830) 693-4521
Developer:	THF Housing Development Company, LLC	
Housing General Contractor:	Nash Builders, Ltd.	
Architect:	Cameron Alread, Architect Inc.	
Market Analyst:	Novogradac & Company, LLP	
Syndicator:	PNC Multifamily Capital, Inc.	
Supportive Services:	Texas Housing Foundation	
Consultant:	Not Utilized	

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	2	62	0	12	28	24	0	0

Type of Building:

- ☐ Duplex
- ☐ Triplex
- ☑ Fourplex
- ☐ 4 units or more per building
- ☐ Detached Residence
- ☐ Single Room Occupancy
- ☐ Transitional
- ☐ Townhome

Total Restricted Units:	64
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	64
Total Development Cost:	$0
Number of Residential Buildings:	16
HOME High Total Units:	8
HOME Low Total Units:	2

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$188,425	$0	0	0	0%
TDHCA Bond Allocation Amount:	$0	$0	0	0	0%
HOME Activity Fund Amount:	$930,000	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

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MULTIFAMILY FINANCE PRODUCTION DIVISION

September 13, 2007

Development Information, Public Input and Board Summary

Creek View Apartments, TDHCA Number 07437

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24 S

TX Representative: Rose, District 45 S

US Representative: Smith, District 21, NC

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Kermit Roeder, Mayor, City of Johnson City - NC

Resolution of Support from Local Government ☑

Pat Dildine, City Secretary, City of Johnson City - The city has no consolidated plan but there is a need for additional affordable housing such as the proposed construction of this development.

Individuals/Businesses: In Support: 0 In Opposition 0

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and no letters of opposition.

CONDITIONS OF COMMITMENT

Not recommended due to the following:

Based on the Underwriter's proforma and the Applicant's development costs, the application is not eligible for 4% Housing Tax Credits because the serviceable Tax Exempt Bonds do not amount to at least 50% of the development's estimated depreciable basis plus land costs (IRS Section 42(h)(4)(B)).

As required by Section 49.12 (a)(2) of the 2007 QAP, the Applicant failed to provide a lender's commitment or any other supporting documentation for the proposed financing structure prior to 60 days before the issuance of the Determination Notice.

Should the Board approve this award, the Board must waive its rules for the issues listed above and such an award should be conditioned upon the following:

A 4% HTC allocation not to exceed $188,425 annually for ten years, and a HOME award of $930,000 to be structured as a deferred forgivable loan with an interest rate of 0% and a term of 15 years.

Receipt, review and acceptance, by commitment, of documentation including, but not limited to a new permanent loan commitment supporting a debt coverage ratio at a minimum of 1.15.

Receipt, review, and acceptance, by cost certification, of documentation that the Winter Furr roadway provides paved (asphalt or concrete) access to the site.

Receipt, review, and acceptance, by commitment, of a noise survey for the proposed site.

Receipt, review, and acceptance, by commitment, of a letter from the Applicant's legal counsel documenting how the property will qualify for a 100% property tax exemption.

Receipt, review, and acceptance, by commitment, of a breakdown of the offsite costs certified by a professional enigineer and a revised cost schedule with the offsite costs appropriately broken out.

Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit and or allocation amount may be warranted.

Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."

MULTIFAMILY FINANCE PRODUCTION DIVISION
September 13, 2007
Development Information, Public Input and Board Summary

Creek View Apartments, TDHCA Number 07437

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

4% Housing Tax Credits:	Credit Amount:	$0
Recommendation:		
TDHCA Bond Issuance:	Bond Amount:	$0
Recommendation:		
HOME Activity Funds:	Loan Amount:	$0
HOME CHDO Operating Expense Grant:	Grant Amount:	$0
Recommendation:		

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/06/07 PROGRAM: 4% HTC/HOME FILE NUMBER: **07437**

DEVELOPMENT

Creek View Apartments

Location: East side of North Winters Furr, north of Dawn Street Region: 7

City: Johnson City County: Blanco Zip: 78636 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Family, New Construction, Rural

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount*	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$930,000	1.00%	Cashflow	**$0**	**N/A**	**N/A**
Housing Tax Credit (Annual)	$188,425			**$0**		

* The Applicant has revised the HOME and 4% HTC request on several ocassions. The original HOME request was a $1,000,000 repayable loan at 1% and a 40 year term. The original 4% HTC request was for $194,169.

CONDITIONS

NOT RECOMMENDED DUE TO THE FOLLOWING:

- Based upon the Underwriter's proforma and the Applicant's development costs, the application is not eligible for 4% Housing Tax Credits because the serviceable Tax Exempt Bonds do not amount to at least 50% of the development's estimated depreciable basis plus land costs [IRS Section 42(h)(4)(B)].
- As required by Section 49.12(a)(2) of the 2007 QAP, the Applicant failed to provide a lender's commitment or any other supporting documentation for the proposed financing structure prior to 60-days before the issuance of the Determination Notice.

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

1 A 4% HTC allocation not to exceed $188,425 annually for ten years, and a HOME award of $930,000 to be structured as a deferred forgivable loan with an interest rate of 0% and term of 15 years.

2 Receipt, review and acceptance, by commitment, of documentation including, but not limited to a new permanent loan commitment supporting a debt coverage ratio at a minimum of 1.15.

3 Receipt, review, and acceptance, by cost certification, of documentation that the Winter Furr roadway provides paved (asphalt or concrete) access to the site.

4 Receipt, review, and acceptance, by commitment, of a noise survey for the proposed site.

5 Receipt, review, and acceptance, by commitment, of a letter from the Applicant's legal counsel documenting how the property will qualify for a 100% property tax exemption.

6 Receipt, review, and acceptance, by commitment, of a breakdown of the offsite costs certified by a professional engineer and a revised cost schedule with the offsite costs appropriately broken out.

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/allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
50% of AMI	50% of AMI/Low HOME	2
60% of AMI	60% of AMI/High HOME	8
60% of AMI	60% of AMI	54

PROS

CONS

- The application fails to meet the 50% test for the Tax Exempt Bonds and the application is therefore ineligible for 4% HTCs as currently structured.
- Significant inconsistencies in and revisions to the application may adversely affect the viability of the transaction.
- The Applicant may be required to defer 99% of the developer fee in order to fill the gap in financing and these funds cannot be repaid within 10 years of stabilized operation.
- The extraordinary size of the Primary and Secondary Market Areas may reflect an unrealistic expectation of the demand for the subject property.

PREVIOUS UNDERWRITING REPORTS

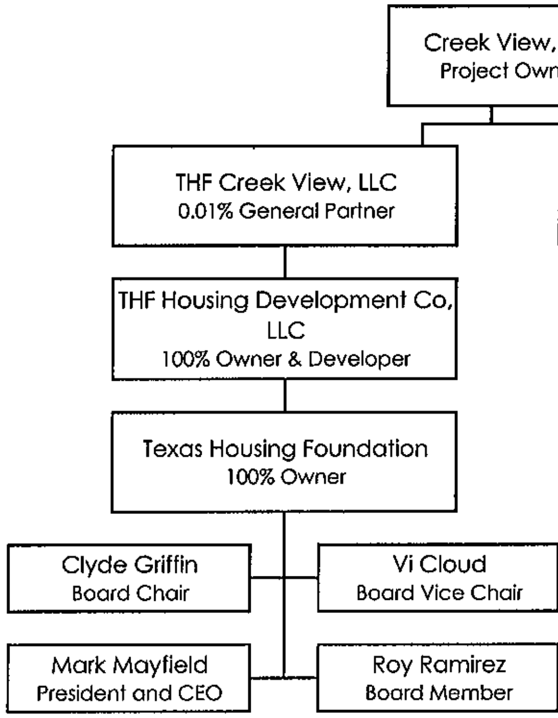
The subject development was originally submitted for funding during the 2007 9% HTC cycle and was terminated by the program staff due to a failure to submit the required third party reports. The subject application was received on May 29, 2007 with a request for 4% HTCs in conjunction with a tax exempt bond reservation with a local issuer. Since application, the Applicant has submitted several iterations of the financing structure with substantial variations between each submission. The latest submission is hypothetical at this point as the Applicant has been unable to receive a lender's commitment to support the loan amount and structure.

Moreover, the Underwriter has evaluated four development cost schedules, which remain incomplete due to a failure to appropriately account for off-site costs associated with paving the roadway that provides access to the site. Four iterations of the rent schedule have been submitted. Originally, the incorrect rent limits and utility allowances were reflected and subsequent revisions scaled back the number of HOME units and included new utility allowances with energy savings of 35% reflected. Three revisions to the operating expenses were submitted due to an understatement of certain expense items and changes to the debt service. The latest revisions to all of the essential financial exhibits were received on September 3, 2007.

The changes to the application from the time of submission have been numerous and substantial. The Underwriter is concerned about the Applicant's readiness to proceed with the proposed plan as the latest proposal appears to be hypothetical and the latest hard documentation available to the Underwriter results in a failure to meet the required 50% test to be eligible for the 4% tax credits. This is discussed in detail below.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Mark Mayfield Phone: (830) 693-4521 Fax: (830) 693-5128
Email: mmayfield@txgf.org

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments
Texas Housing Foundation	$470K	($280K)	--
Mark Mayfield	N/A	N/A	6 LIHTC Properties

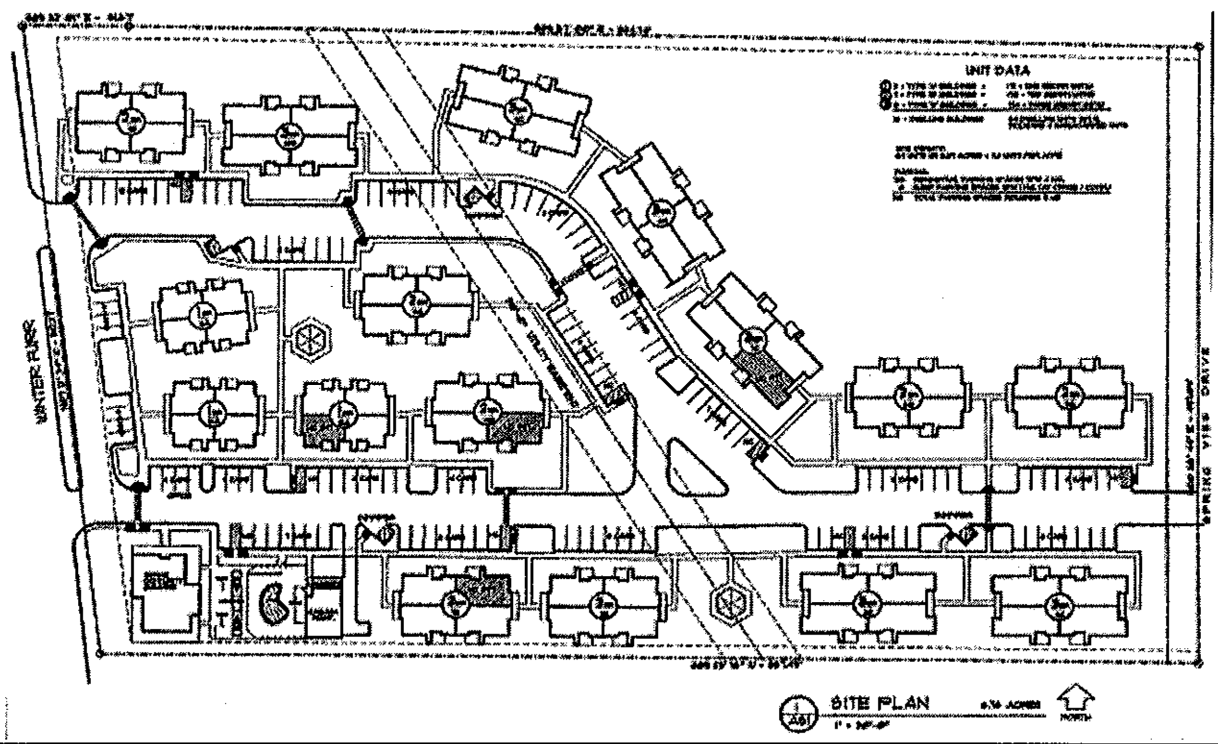
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, Property Manager, and General Contractor are related entities. These are common relationships for HTC-funded developments.
- The seller of the property, THF Highland Lakes Housing Corp, is an instrumentality of the Texas Housing Foundation.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C								Total Buildings
Floors/Stories	1	1	1								
Number	3	7	6								**16**

BR/BA	SF	Units									Total Units	Total SF
1/1	675	4									12	8,100
2/2	913		4								28	25,564
3/2	1,067			4							24	25,608
Units per Building		4	4	4							**64**	**59,272**

SITE ISSUES

Total Size:	10.24 acres	Scattered site?	[ ] Yes	[X] No	
Flood Zone:	X	Within 100-yr floodplain?	[ ] Yes	[X] No	
Zoning:	R-2	Needs to be re-zoned?	[ ] Yes	[X] No	[ ] N/A

Comments:

Winter Furr is planned to provide primary access to the site. However, the portion of the road bordering the site is currently gravel. Additionally, Spring View Drive, which provides secondary access to the site is currently a gravel road. The Applicant indicated that improvements to Winter Furr will be required and that the costs (about $25K) have been embedded in the construction costs. However, the Applicant has not specified what kind of improvements will be made. Receipt, review, and acceptance, by cost certification, that the Winter Furr roadway provides paved (asphalt or concrete) access to the site is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff   Date: 5/2/2007

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Single family residential and undeveloped beyond

East: Undeveloped pasture land

South: Undeveloped and mobile home park

West: Single family, multifamily and undeveloped beyond

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Frost GeoSciences, Inc.   Date: 4/17/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- No further environmental assessment is recommended at this time. However, due to the proximity of US Highway 281 and FM 2766, a decibel noise survey is recommended" (p. 1).

Comments:

Receipt, review, and acceptance, by commitment, of a noise survey for the proposed site is a condition of this report.

MARKET HIGHLIGHTS

Provider: Novogradac & Company, LLP   Date: 2/12/2007

Contact: Brad Weinberg   Phone: (512) 340-0420   Fax: (512) 340-0421

Number of Revisions: 0   Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

"For the purpose of this study, the Subject's Primary Market Area (PMA) is defined as Blanco and Gillespie Counties, with the additional areas of Burnet County south of 1431, as depicted below. Ths area was defined based on conversations with local property managers, city officials, natural political boundaries and overall similarities in market characteristics observed during the field investigation." (p. 8)

Secondary Market Area (SMA):

"The secondary market area (SMA) is defined as Blanco, Gillespie, Llano and Mason Counties." (p. 8)

Comments:

The Market Analyst's PMA is approximately 1,919 square miles and completely encompasses two counties and a portion of a third county. The SMA is approximately 3,814 square miles and completely encompasses four counties and a portion of a fifth county. These market areas are extraordinarily large and are unlikely to portray realistic expectations. However, due to the time constraints and preoccupation with the significant financing obstacles present in this transaction, the Underwriter has not requested that the Market Analyst revise the market study.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
Friendship Place	04008	76	76	Kingsland Trails	04004	76	19	76
	0			Park Ridge	07438	64	16	64

Comments:

The Market Analyst did not include the 64 units from the Texas Housing Foundation's other proposed property Park Ridge Apartments (07438) that is located within the Secondary Market Area. Additionally, it appears that the Market Analyst has only included 56 of the units from Kingsland Trails (04004).

Vista Apartments (04410; 124 units) is located just outside of the Primary Market Area in Marble Falls and has not been considered in the inclusive capture rate. If these 124 units were included in the Underwriter's demand calculations, the inclusive capture rate would increase to 79% which is above the Department's maximum of 75% for rural transactions. Due to the time constraints and preoccupation with the significant financing obstacles present in this transaction, the Underwriter has not requested that the Market Analyst to consider these units. Moreover, the subject property is roughly 20 miles from Vista Apartments in Marble Falls.

INCOME LIMITS						
Blanco						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
50	$19,300	$22,050	$24,800	$27,550	$29,750	$31,950
60	$23,160	$26,460	$29,760	$33,060	$35,700	$38,340

OVERALL DEMAND												
			Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER												
Market Analyst	p.	88	100%	20,667	100%	20,667	2%	353			25%	88
Underwriter			100%	21,193	97%	20,515	26%	5,409	18%	990	35%	346
PMA DEMAND from HOUSEHOLD GROWTH												
Market Analyst	p.	88			100%	525	2%	9			100%	9
Underwriter					97%	526	26%	134	18%	25	100%	25
SMA DEMAND from TURNOVER												
Market Analyst	p.	89	100%	31,536	100%	31,536	2%	512			25%	128
Underwriter			100%	10,870	97%	10,522	27%	2,878	18%	527	35%	14
DEMAND from OTHER SOURCES												
Market Analyst	p.	88-89							SMA	129	PMA	78
Underwriter									SMA	0	PMA	0

Comments:

The Market Analyst has included demand from other sources, including: PMA demand from rent overburdened households; PMA demand growth from rent overburdened households; SMA demand from rent overburdened households; SMA demand from household growth; and SMA demand from rent overburdened households growth. The Market Analyst provided very few calculations or demographic data in the body of the report to support the demand conclusions.

Moreover, demand from existing overburdened households is generally included in household turnover figures. It is unclear how the Market Analyst has segregated these into different categories. The growth from overburdened renter households is clearly already included in demand from household growth as the calculations effectively double up count demand from the same growth demographics.

In addition to these problems, the Secondary Market Area is inclusive of the Primary Market Area. Therefore, in order to avoid including the same households in both the PMA demand and SMA demand, the SMA demand calculations must exclude households from the PMA. It appears that the Market analyst has included households from the PMA in both the demand from the PMA and demand from the SMA.

Despite the above errors that generally overstate demand, the Market Analyst appears to have significantly understated the income-qualified renter household percentage for both the PMA and SMA. Although it is unclear how the calculations were done. The combined effect of the above errors results in an understatement of demand for the subject property when compared with the conclusions based on Department's standard methodology.

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p.	64	71	14	149	239	62.40%
Underwriter	64	76	35	175	374	46.73%

Primary Market Occupancy Rates:

"Stabilized occupancy rates reported at comparable properties ranged from 84.4 percent to 100 percent, with an average occupancy rate of 95.3 percent." (p. 62)

Absorption Projections:

"Friendship Place was constructed in 2006 and reports an absorption rate of 6 units per month. Thus, we assume an absorption rate of 6 units per month similar to the newest property in the PMA, and an absorption period estimated to be approximately 8 months to reach a stabilized occupancy rate of 95 percent for the Subject's 64 units." (p. 61)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 750 SF 50%/LH	$355	$314	$590	$314	$276
1 BR 750 SF 60%	$544	$504	$590	$504	$86
1 BR 750 SF 60%/HH	$355	$314	$590	$314	$276
2 BR 1,000 SF 60%	$654	$599	$705	$599	$106
2 BR 1,000 SF 60%/HH	$455	$399	$705	$399	$306
3 BR 1,100 SF 60%	$753	$686	$750	$686	$64
3 BR 1,100 SF 60%/HH	$608	$541	$750	$541	$209

Market Impact:

"....Friendship Place, the only unstabilized LIHTC property for families located in the PMA, is expected to be fully stabilized prior to the Subject's market entry date of October 2008. As such, the Subject will be the only multifamily property in the PMA with little competition during the absorption period. In addition, the Subject will have the benefit of new construction and superior condition and quality when compared to existing market-rate and affordable properties in the PMA. Therefore, the potential impact on the existing affordable housing stock is anticipated to be minimal." (p. 83)

Comments:

Despite several deficiencies and/or errors in the original reports submitted to the Department, the Underwriter has been able reach a reasonable inclusive capture rate that is within the Department's guidelines.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 4 Date of Last Applicant Revision: 9/3/2007

The Applicant's projected rents collected per unit were calculated by subtracting expected tenant-paid utility allowances from the gross program rent limits. The Applicant has stated that the Housing Authority will be obtaining energy efficient utility allowances and has projected net rents based upon what they expect these allowances to reflect once completed. These expected allowances are between $41 and $67 per unit per month (35% to 39%) lower than the typical (non-energy efficient) utility allowances provided at application.

This utility allowance difference translates to a $40K difference in annual potential gross income, which is vital for the viability of the transaction. The impetus to obtain lower utility allowances appears to be the subject transaction. This is particularly of concern because the Housing Authority (owner of the GP) controls utility allowances and the use of unrealistically low allowances will erode the affordability of other units in the area and place the extra burden on the tenants.

At this point the Underwriter has not received sufficient support for the use of the lower utility allowances. Therefore, the Underwriter's rents are based upon the program gross rent limits less the applicable utility allowances provided at application. Tenants will be required to pay electric costs.

Estimates of secondary income and vacancy an losses are in line with TDHCA underwriting guidelines. Due primarily to the difference in potential gross income, the Applicant's estimate of effective gross income is not within 5% of the Underwriter's estimate.

At 5:40pm eight days prior to the September 13 TDHCA Board meeting, the Applicant submitted new energy efficient utility allowances for Johnson City and Llano ($81 for one-bedroom units, $95 for two-bedroom units, and $104 for three-bedroom units) . These allowances do not appear to be approved by the board of the housing authority or to be readily available for use by other developments. Additionally, the Llano utility allowances provided decreased by $9 to $16 per unit over the utility allowances used for the previous year. It is unlikely that actual utility costs or that utility allowances would reflect such a decrease. These allowances were not used in this analysis, but will be researched further and if affirmed, an addendum report will be completed.

Expense: Number of Revisions: 3 Date of Last Applicant Revision: 9/3/2007

The Applicant's total annual operating expense projection of $3,342 per unit is within 5% of the Underwriter's estimate of $3,353, derived from the 2006 Owner's Financial Certifications for five other THF properties, the TDHCA database, and third party sources.

The Applicant and Underwriter have assumed the property will be eligible for a 100% property tax exemption due to the ownership structure. However, a 100% exemption typically requires a ground lease of the site from the housing authority to the partnership or an agreement with taxing entities, which the Applicant has not provided. Therefore, receipt, review, and acceptance, by commitment, of a letter from the Applicant's legal counsel documenting how the property will qualify for a 100% property tax exemption is a condition of this report.

Conclusion:

While the Applicant's estimated expense is within 5% of the Underwriter's estimate, the Applicant's estimates of effective gross income and net operating income (NOI) are each not within 5% of the Underwriter's estimates. Therefore, the Underwriter's Year One proforma will be used to evaluate the development's debt capacity and the debt coverage ratio. The Underwriter's proforma results in a DCR of 0.97 and negative cashflow in Year One. Therefore, the Underwriter's recommended financing structure will reflect a decrease in the permanent financing in order to bring the DCR within the Department's current guidelines of 1.15 to 1.35. This adjustment is discussed in detail in the "Recommended Financing Structure" section below.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized, and after necessary adjustments to the terms and/or amounts of the anticipated debt, the 30-year proforma reflects a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development under a revised debt structure be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	10.2 acres	$130,250	Tax Year:	2006
Existing Buildings:		$0	Valuation by:	Blanco County
Total Assessed Value:		$130,250	Tax Rate:	2.5014

EVIDENCE of PROPERTY CONTROL

Type: Option to Purchase (and Addendum) Acreage: 10.24

Contract Expiration: 8/1/2007 Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $100,000 Other: Original purchase price was $250,000

Seller: THF Highland Lakes Housing Corp. Related to Development Team? [X] Yes [ ] No

Comments:

THF Highland Lakes Housing Corp. was formerly known as Highland Lakes Housing Opportunity Corp.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 4 Date of Last Applicant Revision: 9/3/2007

Acquisition Value:

The Applicant originally claimed an acquisition cost of $250,000. However, the transfer is an identity of transaction and the Applicant did not provide an appraisal at application to support this acquisition cost. The Applicant has adjusted the acquisition cost and Purchase Option to reflect an acquisition cost equal to the original purchase price of the property. A settlement statement indicating the original acquisition cost of $100,000 was provided at the request of the Underwriter. Therefore, the Applicant's revised acquisition cost of $100,000 is generally acceptable and an appraisal is not required.

Off-Site Cost:

Winter Furr is planned to provide primary access to the site. However, the portion of the road bordering the site is currently gravel. Additionally, Spring View Drive, which provides secondary access to the site is currently a gravel road. The Applicant indicated that improvements to Winter Furr will be required and that the costs have been embedded in the construction costs. However, off-site costs are not eligible and are required to be separated from the eligible sitework and direct costs. In an email dated September 5, 2007, the Applicant indicated that the off-site costs are estimated to be $25,000, and that these costs were embedded in eligible sitework costs. The Underwriter has removed these costs from sitework costs and from eligible basis as reflected in the cost schedules.

Receipt, review, and acceptance, by commitment, of a breakdown of the offsite costs certified by a professional engineer and a revised cost schedule with the offsite costs appropriately broken out is a condition of this report. This could result in a reduction in the development's eligible basis and increase the development's gap in financing. A reevaluation of the development may be warranted upon receipt of the requested information.

Sitework Cost:

The Applicant's claimed sitework costs of $8,604 per unit are within current Department guidelines. Therefore, further third party substantiation is not required. However, as indicated above, some off-site costs may be embedded in the eligible sitework costs which could ultimately adversely affect the viability of the transaction.

Direct Construction Cost:

The Applicant's revised direct construction cost estimate is $462K or 14% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

The design of the proposed property reflects one-story fourplex style buildings. The Underwriter very conservatively utilized the same costing mechanism that is used for more affordable two story garden style configurations to derive the underwritten direct construction cost estimate. Despite the Underwriter's conservative approach, the Applicant's direct construction cost estimate remains 14% lower than the Underwriter's estimate.

However, the Applicant has provided a fixed price contract corresponding to the Applicant's estimated costs. The agreement has been signed by the Applicant and General Contractor. The Applicant has indicated that Steve Nash, principal with Nash Builders, Ltd. (General Contractor), will serve as the Construction Contract guarantor as well as the Operating Deficiency guarantor.

Interim Interest Expense:

The Applicant's eligible interim interest exceeds one year's fully drawn interest expense. Therefore, the Applicant's eligible basis has been adjusted to accordingly.

Contingency & Fees:

Due to the removal of the off-site costs and reduction of interim interest expense, the Applicant has overstated contingency, contractor fees, and developer fees by $16,081. The Underwriter has reduced the Applicant's eligible basis by the overstated amount and effectively allocated these fees to ineligible costs.

Conclusion:

The Applicant's total development cost is not within 5% of the Underwriter's estimate. However, this difference is primarily the result of direct construction costs. The Applicant has provided a fixed price contract suggesting that the Applicant's very low direct construction cost estimate is achievable. Therefore, despite the significant difference between the Underwriter's total costs and Applicant's costs, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $5,328,975 supports annual tax credits of $192,909. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

The substantial cost difference is of serious concern for the Underwriter. The effects of understating the development costs for the proposed development are particularly acute due to the use of Private Activity Bonds. The bonds must exceed 50% of the depreciable basis plus land ("good costs"). Based upon the Applicant's projected costs, the Underwriter estimates the NOI supported bonds amount to be approximately 49.02% of "good costs." Based upon the Underwriter's costs, the NOI supported bond amount is approximately 45.06% of "good costs."

Based upon the Underwriter's proforma and the Applicant's development cost schedule, the bonds amount to just 49.02% of the development's depreciable basis plus land. The application is not eligible for an allocation of 4% tax credits and cannot be recommended for funding due to a failure to meet the 50% test.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 4 Date of Last Applicant Revision: 9/3/2007

Source: TDHCA HOME Loan (Requested) Type: **Interim to Permanent Financing**

Principal: $1,000,000 Interest Rate: 1.0% [X] Fixed Term: 480 months

Issuer: Capital Area Housing Finance Corporation
Source: PNC MultiFamily Type: **Interim to Permanent Bond Financing**

Tax-Exempt: $2,810,120 Interest Rate: 6.05% [X] Fixed Term: 420 months

Comments:

The Underwriter has relied upon the most recently submitted financing commitment from PNC MultiFamily Capital for the underwriting of the subject transaction. Subsequent to the submission of this commitment, the Applicant proposed several hypothetical financing structures to improve the viability of the transaction and to meet the 50% test require to be eligible for the tax credits. However, the Applicant has provided no new commitments or other documentation from the lender to suggest that these hypothetical structures have been evaluated or accepted by the lender.

The PNC commitment indicates that the development will utilize bonds amounting to $2,810,210 structured with a fixed rate and a 35 year amortization. The Underwriter utilized the lender's underwritten interest rate of 6.05%, which includes a rate of 4.80% for the AAA-rated bonds plus 1.00% for guaranty and servicing and 0.25% for issuer and trustee fees. This letter was provided at the request of the Underwriter once the Applicant alerted the Department of substantial changes to the financing structure. This commitment indicates a substantial change from the previous structure from a different lender that included a USDA 538 guarantee on a portion of the bonds and completely different terms and amounts.

The Applicant's anticipated structure includes a bond amount of $3,050,000 and a variable rate structure with a SWAP premium to fill a portion of the gap in financing. The Applicant has estimated the SWAP rate plus issuer and trustee fees and guarantee and servicing fees to be 6.325% and an amortization period of 35 years. Based upon the Underwriter's proforma, this estimated interest rate would have an adverse affect on the viability of the transaction as the serviceable debt would decrease and the bond amount as a percentage of "good costs" would decrease.

It must also be noted, the financing structure relied upon by the Underwriter was provided to the Department on August 28, 2007, which is less than 60-days prior to the September 13 TDHCA Board meeting at which the subject transaction will be considered. Moreover, the financing structure remains in flux with the Applicant's latest significant financing structure changes unsupported by lender commitments. Therefore, the subject application is not recommended for funding due to violation of the 60-day deadline.

Section 49.12(a)(2) of the 2007 QAP states, "Any outstanding documentation required under this section regardless of Priority must be submitted to the Department at least 60 days prior to the Board meeting at which the decision to issue a Determination Notice would be made unless a waiver is being requested." Lender's commitment that are required as a result of substantial financing structure changes are required to be submitted prior to 60-days before the TDHCA Board meeting.

Source: PNC MultiFamily Capital Type: **Syndication**

Proceeds: $1,836,490 Syndication Rate: 95% Anticipated HTC: $ 194,357

Comments:

The commitment indicates a minimum DCR of 1.15 and reserve for replacements of $250 per unit per year.

Amount: $200,000 Type: **SWAP Premium**

Comments:

As indicated above the Applicant anticipates a SWAP premium to fill a portion of the gap in financing. However, this is a hypothetical source of funds at this point as a commitment has not been submitted to support the latest proposed financing structure.

Amount: $64,066 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. Therefore, receipt, review and acceptance by, commitment, of documentation including, but not limited to a new permanent loan commitment supporting a debt coverage ratio at a minimum of 1.15 is a condition of this report. The current underwriting analysis assumes a decrease in the permanent loan amount to $2,668,409 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

The Applicant's total development cost estimate less the permanent loan of $2,668,409 and requested HOME loan of $930,000 indicates the need for $2,482,147 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $262,687 annually would be required to fill this gap in financing. Should the Board choose to make an award, of the three possible tax credit allocations, Applicant's request ($188,425), the gap-driven amount ($262,687), and eligible basis-derived estimate ($192,909), the Applicant's request of $188,425 would be recommended resulting in proceeds of $1,780,438 based on a syndication rate of 95%.

In addition, should the Board choose to approve the subject, a HOME award of $930,000 to be structured as a deferred forgivable loan at a 0% interest rate and a 15 year term is recommended. Based on the underwriting analysis, the transaction is very tight and it is highly unlikely that the property will generate sufficient cashflow to repay the requested HOME funds. For this reason a deferred forgivable loan would be recommended.

The Underwriter's recommended financing structure indicates the need for $701,708 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation in front of any payments on the HOME loan. Of note, the gap in funding amounts to 99% of the available developer fee, which is a concern of the Underwriter.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

Return on Equity:

The cash-on-cash return on equity is unrealistically large due to the limited cash equity from the developer. The overall return on equity, based on this analysis, would be less than 2%.

Underwriter:	*Cameron Dorsey*	Date:	9/6/2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	9/6/2007

MULTIFAMILY COMPARATIVE ANALYSIS

Creek View Apartments, Johnson City, 4% HTC/HOME #07437

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 50%/LH	2	1	1	750	$430	$314	$628	$0.42	$116.00	$83.00
TC 60%	8	1	1	750	$620	504	4,032	0.67	116.00	83.00
TC 60%/HH	2	1	1	750	$430	314	628	0.42	116.00	83.00
TC 60%	25	2	2	1,000	$744	599	14,975	0.60	145.00	94.00
TC 60%/HH	3	2	2	1,000	$544	399	1,197	0.40	145.00	94.00
TC 60%	21	3	2	1,100	$859	686	14,406	0.62	173.00	105.00
TC 60%/HH	3	3	2	1,100	$714	541	1,623	0.49	173.00	105.00
TOTAL:	64		AVERAGE:	991		$586	$37,489	$0.59	$150.06	$96.06

INCOME	Total Net Rentable Sq Ft:	63,400		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$449,868	$493,488	Blanco		7
Secondary Income		Per Unit Per Month:	$13.58	10,428	10,428	$13.58	Per Unit Per Month	
Other Support Income:				0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$460,296	$503,916			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(34,522)	(37,788)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$425,774	$466,128			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT		PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.18%	$411	0.41	$26,293	$24,800	$0.39	$388	5.32%
Management		5.00%	333	0.34	21,289	23,306	0.37	364	5.00%
Payroll & Payroll Tax		13.15%	875	0.88	56,000	55,998	0.88	875	12.01%
Repairs & Maintenance		6.96%	463	0.47	29,643	31,200	0.49	488	6.69%
Utilities		2.69%	179	0.18	11,443	12,800	0.20	200	2.75%
Water, Sewer, & Trash		6.09%	405	0.41	25,942	23,200	0.37	363	4.98%
Property Insurance		4.47%	297	0.30	19,020	17,600	0.28	275	3.78%
Property Tax	2.5014	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		3.76%	250	0.25	16,000	16,000	0.25	250	3.43%
TDHCA Compliance Fees		0.60%	40	0.04	2,560	2,560	0.04	40	0.55%
Other: Supportive Services		1.50%	100	0.10	6,400	6,400	0.10	100	1.37%
TOTAL EXPENSES		50.40%	$3,353	$3.38	$214,589	$213,864	$3.37	$3,342	45.88%
NET OPERATING INC		49.60%	$3,300	$3.33	$211,184	$252,264	$3.98	$3,942	54.12%
DEBT SERVICE									
PNC MultiFamily (MRBs)		50.90%	$3,387	$3.42	$216,738	$216,819	$3.42	$3,388	46.51%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
TDHCA HOME Loan		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		-1.30%	($87)	($0.09)	($5,553)	$35,445	$0.56	$554	7.60%
AGGREGATE DEBT COVERAGE RATIO					0.97	1.16			
RECOMMENDED DEBT COVERAGE RATIO					1.15				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		1.52%	$1,563	$1.58	$100,000	$100,000	$1.58	$1,563	1.64%
Off-Sites		0.38%	391	0.39	25,000	25,000	0.39	391	0.41%
Sitework		8.39%	8,604	8.69	550,681	550,681	8.69	8,604	9.06%
Direct Construction		49.66%	50,923	51.40	3,259,063	2,797,545	44.13	43,712	46.01%
Contingency	4.43%	2.57%	2,635	2.66	168,661	168,661	2.66	2,635	2.77%
Contractor's Fees	12.40%	7.20%	7,379	7.45	472,250	472,250	7.45	7,379	7.77%
Indirect Construction		5.62%	5,765	5.82	368,940	368,940	5.82	5,765	6.07%
Ineligible Costs		7.53%	7,719	7.79	494,000	494,000	7.79	7,719	8.12%
Developer's Fees	13.85%	10.76%	11,038	11.14	706,417	706,417	11.14	11,038	11.62%
Interim Financing		4.28%	4,384	4.43	280,562	280,562	4.43	4,384	4.61%
Reserves		2.08%	2,136	2.16	136,680	116,500	1.84	1,820	1.92%
TOTAL COST		100.00%	$102,535	$103.51	$6,562,254	$6,080,556	$95.91	$95,009	100.00%
Construction Cost Recap		*67.82%*	*$69,541*	*$70.20*	*$4,450,655*	*$3,989,137*	*$62.92*	*$62,330*	*65.60%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
PNC MultiFamily (MRBs)	42.82%	$43,908	$44.32	$2,810,120	$3,050,000	$2,668,409	Developer Fee Available
TDHCA HOME Loan	14.17%	$14,531	$14.67	930,000	930,000	930,000	$706,417
HTC Syndication Proceeds	27.99%	$28,695	$28.97	1,836,490	1,836,490	1,780,438	% of Dev. Fee Deferred
Swap Equity	3.05%	$3,125	$3.15	200,000	200,000	0	99%
Deferred Developer Fees	0.98%	$1,001	$1.01	64,066	64,066	701,708	
Additional (Excess) Funds Req'd	11.00%	$11,275	$11.38	721,578	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$6,562,254	$6,080,556	$6,080,556	$874,319

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Creek View Apartments, Johnson City, 4% HTC/HOME #07437

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$55.17	$3,497,750
Adjustments				
Exterior Wall Finish	6.00%		$3.31	$209,865
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.75%		2.07	131,166
Roofing			0.00	0
Subfloor			(2.47)	(156,598)
Floor Cover			2.43	154,062
Breezeways/Balconies	$21.65	7,947	2.71	172,053
Plumbing Fixtures	$805	156	1.98	125,580
Rough-ins	$400	128	0.81	51,200
Built-In Appliances	$1,850	64	1.87	118,400
Exterior Stairs	$1,800		0.00	0
Enclosed Corridors	$45.25		0.00	0
Heating/Cooling			1.90	120,460
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$63.50	4,670	4.68	296,522
Other: fire sprinkler	$1.95	0	0.00	0
SUBTOTAL			74.46	4,720,458
Current Cost Multiplier	0.98		(1.49)	(94,409)
Local Multiplier	0.87		(9.68)	(613,660)
TOTAL DIRECT CONSTRUCTION COSTS			$63.29	$4,012,390
Plans, specs, survy, bld prm	3.90%		($2.47)	($156,483)
Interim Construction Interest	3.38%		(2.14)	(135,418)
Contractor's OH & Profit	11.50%		(7.28)	(461,425)
NET DIRECT CONSTRUCTION COSTS			$51.40	$3,259,063

PAYMENT COMPUTATION

Primary	$3,050,000	Amort	420
Int Rate	6.325%	DCR	0.97

Secondary	$0	Amort	
Int Rate		Subtotal DCR	0.97

Additional	$930,000	Amort	
Int Rate	1.00%	Aggregate DCR	0.97

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$183,656
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$27,528

Primary	$2,668,409	Amort	420
Int Rate	6.050%	DCR	1.15

Secondary		Amort	
Int Rate		Subtotal DCR	1.15

Additional	$930,000	Amort	0
Int Rate	1.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$449,868	$463,364	$477,265	$491,583	$506,330	$586,976	$680,466	$788,846	$1,060,143
Secondary Income	10,428	10,741	11,063	11,395	11,737	13,606	15,773	18,286	24,574
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	460,296	474,105	488,328	502,978	518,067	600,582	696,239	807,132	1,084,718
Vacancy & Collection Loss	(34,522)	(35,558)	(36,625)	(37,723)	(38,855)	(45,044)	(52,218)	(60,535)	(81,354)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$425,774	$438,547	$451,703	$465,255	$479,212	$555,538	$644,021	$746,597	$1,003,364
EXPENSES at 4.00%									
General & Administrative	$26,293	$27,345	$28,438	$29,576	$30,759	$37,423	$45,531	$55,395	$81,998
Management	21,289	21,927	22,585	23,263	23,961	27,777	32,201	37,330	50,168
Payroll & Payroll Tax	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Repairs & Maintenance	29,643	30,828	32,062	33,344	34,678	42,191	51,332	62,453	92,445
Utilities	11,443	11,901	12,377	12,872	13,387	16,287	19,816	24,109	35,687
Water, Sewer & Trash	25,942	26,980	28,059	29,181	30,348	36,924	44,923	54,656	80,904
Insurance	19,020	19,781	20,572	21,395	22,251	27,071	32,936	40,072	59,317
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
Other	8,960	9,318	9,691	10,079	10,482	12,753	15,516	18,877	27,943
TOTAL EXPENSES	$214,589	$222,960	$231,659	$240,700	$250,095	$302,904	$366,935	$444,585	$653,006
NET OPERATING INCOME	$211,184	$215,587	$220,044	$224,555	$229,117	$252,634	$277,086	$302,012	$350,358
DEBT SERVICE									
First Lien Financing	$183,656	$183,656	$183,656	$183,656	$183,656	$183,656	$183,656	$183,656	$183,656
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	$27,528	$31,931	$36,388	$40,898	$45,461	$68,978	$93,429	$118,355	$166,702
DEBT COVERAGE RATIO	1.15	1.17	1.20	1.22	1.25	1.38	1.51	1.64	1.91

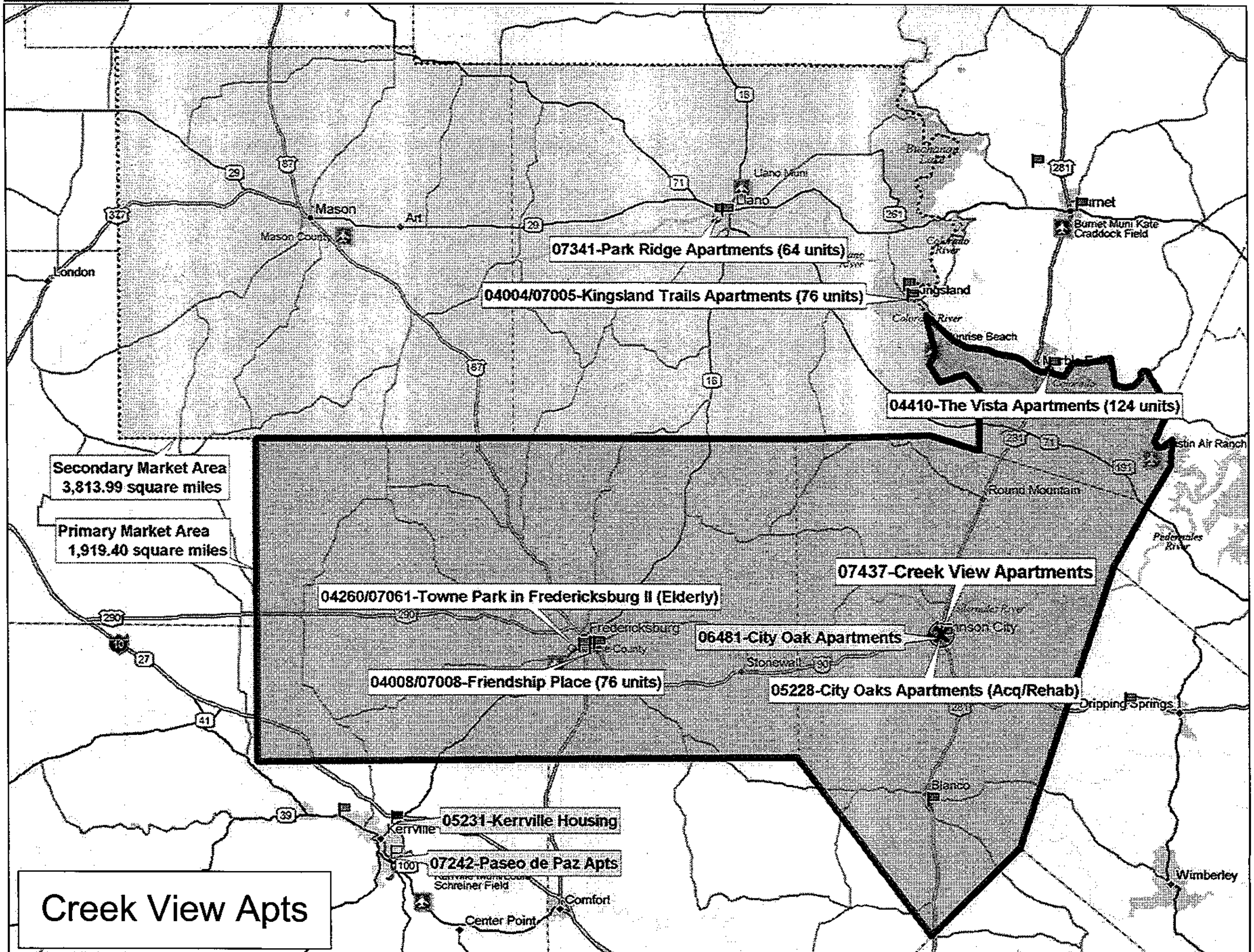
HTC ALLOCATION ANALYSIS -Creek View Apartments, Johnson City, 4% HTC/HOME #07437

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$100,000	$100,000		
Purchase of buildings				
Off-Site Improvements	$25,000	$25,000		
Sitework	$550,681	$550,681	$550,681	$550,681
Construction Hard Costs	$2,797,545	$3,259,063	$2,797,545	$3,259,063
Contractor Fees	$472,250	$472,250	$468,752	$472,250
Contingencies	$168,661	$168,661	$167,411	$168,661
Eligible Indirect Fees	$368,940	$368,940	$368,940	$368,940
Eligible Financing Fees	$280,562	$280,562	$280,562	$280,562
All Ineligible Costs	$494,000	$494,000		
Developer Fees			$695,084	
Developer Fees	$706,417	$706,417		$706,417
Development Reserves	$116,500	$136,680		
TOTAL DEVELOPMENT COSTS	$6,080,556	$6,562,254	$5,328,975	$5,806,575

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		$5,328,975	$5,806,575
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$5,328,975	$5,806,575
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$5,328,975	$5,806,575
Applicable Percentage		3.62%	3.62%
TOTAL AMOUNT OF TAX CREDITS		$192,909	$210,198
Syndication Proceeds	**0.9449**	**$1,822,807**	**$1,986,173**
Total Tax Credits (Eligible Basis Method)		**$192,909**	**$210,198**
Syndication Proceeds		**$1,822,807**	**$1,986,173**
Requested Tax Credits		**$188,425**	
Syndication Proceeds		**$1,780,438**	
Gap of Syndication Proceeds Needed		**$2,482,147**	**$2,963,845**
Total Tax Credits (Gap Method)		**$262,687**	**$313,666**

DELORME

Street Atlas USA® 2007 Plus



Data use subject to license.

Scale 1 : 650,000

1" = 10.26 mi

Data Zoom 8-3

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
September 13, 2007

Action Item

Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits Associated with Mortgage Revenue Bond Transactions with Other Issuers and Possible Award of HOME Rental Development funds.

Requested Action

Approve, Amend or Deny the staff recommendation for Park Ridge Apartments, #07438.

Summary of the Transaction

Background and General Information for the Housing Tax Credit Determination: The 4% housing tax credit application was received on May 29, 2007 and the HOME application was received on July 10, 2007. The Issuer for this transaction is Capital Area HFC with a reservation of allocation that expires on October 11, 2007. The development proposes the new construction of 64 total units targeting the general population. The development is proposed for the City of Llano, Llano County and 100% of the units are proposed to be restricted. The site is zoned for such a development.

Background and General Information for the HOME Rental Development Award: This application was submitted under the Rental Housing Development Supporting New Job Creation and Economic Development in Rural Texas Notice of Funding Availability (NOFA). The Department received two applications for a total request of $2,350,000. The NOFA stated the development should be located within twenty miles from the proposed employment location and construction of the employment facility should begin at the time of application submission or completed within eighteen months of application submission. This proposed development will be located approximately twenty-two miles from the proposed employment facility and the proposed completion of the employment facility is Fall of 2009. Due to the limited number of applications, staff processed the applications because they met the general intent of the NOFA for the housing to be available when the employment facility was complete. The proposed development will meet that intent. The applicant has requested $930,000 with an interest rate of 1% and a term of 45 years to be paid from 75% of available cashflow.

Program Concerns: An item of concern is the 60 day requirement, in the Qualified Allocation Plan and Rules, that all outstanding documentation be submitted at least 60 days prior to the Board meeting at which the application will be presented. In this case the appraisal (used for the identity of interest determination), development costs including sources and uses of funds and the final financing commitments were not submitted by this required deadline. In order to be eligible for 4% tax credits, the tax-exempt bond amount must be equal to or greater than 50% of the aggregate basis of the buildings and land. Based on the Department Underwriter's estimate, the transaction may not meet this requirement and therefore may not be eligible for the 4% tax credits which would jeopardize the financial feasibility of the development. The Department’s Underwriter has determined that the HOME loan would be required to be cashflow or deferred forgivable and not have the term requested by the applicant. The reservation of allocation for the tax-exempt bonds expires on October 11, 2007, the Applicant will need to address any and/or all concerns noted by staff or the Board at the September 13, 2007 Board meeting.

Organizational Structure and Compliance: The Borrower is Park Ridge, Ltd. and the General Partner is THF Park Ridge, LLC, of which Texas Housing Foundation has 100% ownership interest. The Compliance Status Summary completed on August 31, 2007 reveals that the principals of the general partner have eight (8) properties that have been monitored by the Department. The bond priority for this transaction is:

☒ **Priority 3:** Any qualified residential development.

Census Demographics: The development is to be located at approximately the southeast corner of Legend Hills Blvd. and RM 152 in Llano. Demographics for the census tract (9702) include AMFI of $43,785; the total population is 3,531; the percent of population that is minority is 10.48%; the percent of population that is below the poverty line is 10.24%; the number of owner occupied units is 1,000; the number of renter units is 424 and the number of vacant units is 163. The percentage of population that is minority for the entire City of Llano is 11% (Census information from FFIEC Geocoding for 2007).

Public Comment: The Department has received letters of support from State Senator Troy Fraser, Llano County Commissioner Johnnie Heck (not the Commissioner for this development location), Llano County Commissioner Jerry Don Moss and no letters of opposition.

Recommendation

Staff recommends the Board deny the issuance of a Determination Notice of $240,290 in Housing Tax Credits and a HOME award in the amount of $930,000 as a deferred forgivable loan for Park Ridge Apartments. This recommendation is based on concerns that are described in more detail in the Real Estate Analysis report.

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 13, 2007

Development Information, Public Input and Board Summary

Park Ridge Apartments, TDHCA Number 07438

BASIC DEVELOPMENT INFORMATION

Site Address:	SE Corner of Legend Hills Blvd. & RM 152			Development #:	07438
City:	Llano	Region:	7	Population Served:	Family
County:	Llano	Zip Code:	78643	Allocation:	Rural
HOME Set Asides:	☐ CHDO	☐ Preservation	☐ General	Purpose/Activity:	NC
Bond Issuer:	Capitol Area HFC				

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner:	Park Ridge, Ltd.	
Owner Contact and Phone	Mark Mayfield	(830) 693-4521
Developer:	THF Housing Development Company, LLC	
Housing General Contractor:	Nash Builders, Ltd.	
Architect:	Cameron Alread, Architect Inc.	
Market Analyst:	Novogradac & Company, LLP	
Syndicator:	Apollo Housing Capital	
Supportive Services:	Texas Housing Foundation	
Consultant:	State Street Housing Advisors, L.P.	

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	0	64	0	12	28	24	0	0

Type of Building:

- ☐ Duplex
- ☐ Triplex
- ☑ Fourplex
- ☐ 4 units or more per building
- ☐ Detached Residence
- ☐ Single Room Occupancy
- ☐ Transitional
- ☐ Townhome

Total Restricted Units:	64
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	64
Total Development Cost:	$0
Number of Residential Buildings:	16
HOME High Total Units:	9
HOME Low Total Units:	3

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$240,290	$0	0	0	0%
TDHCA Bond Allocation Amount:	$0	$0	0	0	0%
HOME Activity Fund Amount:	$930,000	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

MULTIFAMILY FINANCE PRODUCTION DIVISION
September 13, 2007
Development Information, Public Input and Board Summary

Park Ridge Apartments, TDHCA Number 07438

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Fraser, District 24 S

US Representative: Conaway, District 11, NC

TX Representative: Hilderbran, District 53 NC

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Roger Pinckney, Mayor, City of Llano - NC

Resolution of Support from Local Government ☑

Jerry Don Moss, Commissioner, Llano County Pct. 4 - S

John Montgomery, City Manager, City of Llano - The city has no consolidated plan but there is a need for additional affordable housing such as the proposed construction of this development.

Johnnie B. Heck, Commissioner, Llano County Pct. 1 - S

Individuals/Businesses: In Support: 0 In Opposition 0

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and no letters of opposition.

CONDITIONS OF COMMITMENT

Not recommended due to the following:

Based on the Underwriter's proforma and the Applicant's development costs, the application is not eligible for 4% Housing Tax Credits because the serviceable Tax Exempt Bonds do not amount to at least 50% of the development's estimated depreciable basis plus land costs (IRS Section 42(h)(4)(B)).

As required by Section 49.12 (a)(2) of the 2007 QAP, the Applicant failed to provide a lender's commitment or any other supporting documentation for the proposed financing structure prior to 60 days before the issuance of the Determination Notice.

Should the Board approve this award, the Board must waive its rules for the issues listed above and such an award should be conditioned upon the following:

A 4% HTC allocation not to exceed $240,290 annually for ten years, and a HOME award of $930,000 to be structured as a deferred forgivable loan with an interest rate of 0% and a term of 15 years.

Receipt, review, and acceptance, by commitment, of a letter from the Applicant's legal counsel documenting how the property will qualify for a 100% property tax exemption.

Receipt, review, and acceptance of a new permanent loan commitment with terms satisfying the minimum 1.15 DCR requirement and meeting the 50% test for the bonds.

Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit and or allocation amount may be warranted.

Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 13, 2007

Development Information, Public Input and Board Summary

Park Ridge Apartments, TDHCA Number 07438

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

4% Housing Tax Credits:	Credit Amount:	$0
Recommendation:		
TDHCA Bond Issuance:	Bond Amount:	$0
Recommendation:		
HOME Activity Funds:	Loan Amount:	$0
HOME CHDO Operating Expense Grant:	Grant Amount:	$0
Recommendation:		

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/06/07 PROGRAM: 4% HTC/HOME FILE NUMBER: **07417**

DEVELOPMENT

Park Ridge Apartments

Location: Approx at SE corner of Legend Hills Blvd and RM 152 Region: 7

City: Llano County: Llano Zip: 78643 ☐ QCT ☒ DDA

Key Attributes: Multifamily, New Construction, Family, Rural

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$930,000	1.00%	Cashflow	**$0**	**N/A**	**N/A**
Housing Tax Credit (Annual)	$240,290			**$0**		

* The Applicant has revised the HOME and 4% HTC request on several ocassions. The original HOME request was a $1,350,000 repayable loan at 1% and a 40 year term. The original 4% HTC request was for $247,996.

CONDITIONS

NOT RECOMMENDED DUE TO THE FOLLOWING:

- Based upon the Underwriter's proforma and the Applicant's development costs, the application is not eligible for 4% Housing Tax Credits because the serviceable Tax Exempt Bonds do not amount to at least 50% of the development's estimated depreciable basis plus land costs [IRS Section 42(h)(4)(B)].
- As required by Section 49.12(a)(2) of the 2007 QAP, the Applicant failed to provide a lender's commitment or any other supporting documentation for the proposed financing structure prior to 60-days before the issuance of the Determination Notice.

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

1. A 4% HTC allocation not to exceed $240,290 annually for ten years, and a HOME award of $930,000 to be structured as a deferred forgivable loan with an interest rate of 0% and term of 15 years.
2. Receipt, review, and acceptance, by commitment, of a letter from the Applicant's legal counsel documenting how the property will qualify for a 100% property tax exemption.
3. Receipt, review, and acceptance of a new permanent loan commitment with terms satisfying the minimum 1.15 DCR requirement and meeting the 50% test for the bonds.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI/Low HOME	2
60% of AMI	60% of AMI/High HOME	8
60% of AMI	60% of AMI	54

PROS	CONS
▫	▫ The application fails to meet the 50% test for the Tax Exempt Bonds and the application is therefore ineligible for 4% HTCs as currently structured.
▫	▫ Significant inconsistencies in and revisions to the application may adversely affect the viability of the transaction.
▫	▫ The extraordinary size of the Primary and Secondary Market Areas may reflect an unrealistic expectation of the demand for the subject property.
▫	▫

PREVIOUS UNDERWRITING REPORTS

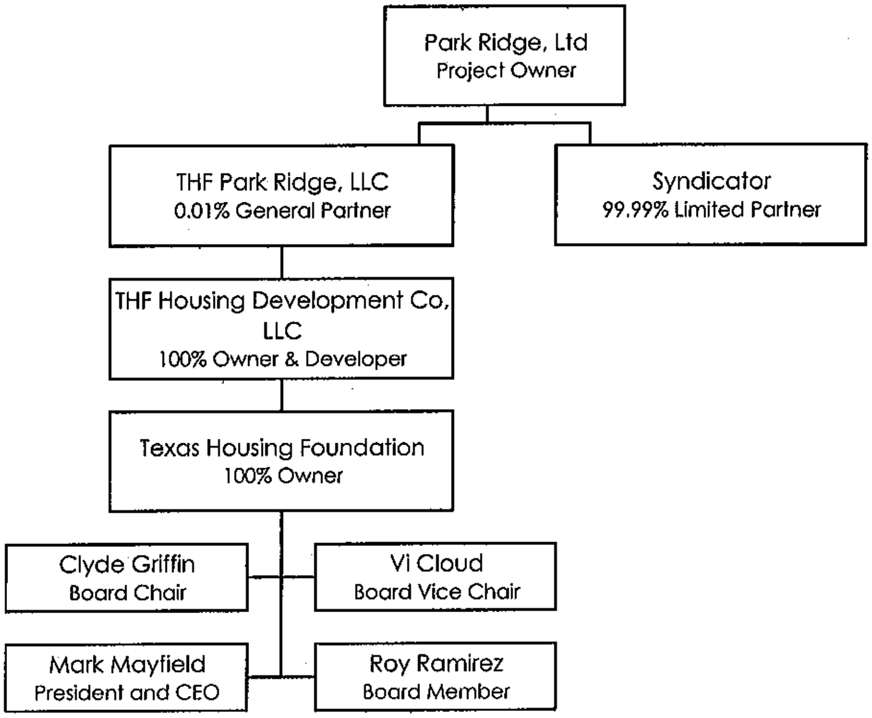
The subject development was originally submitted for funding during the 2007 9% HTC cycle and was terminated by the program staff due to a failure to submit the required third party reports. The subject application was received on May 29, 2007 with a request for 4% HTCs in conjunction with a tax exempt bond reservation with a local issuer. Since application, the Applicant has submitted several iterations of the financing structure with substantial variations between each submission. The latest submission is hypothetical at this point as the Applicant has been unable to receive a lender's commitment to support the loan amount and structure.

Moreover, the Underwriter has evaluated three development cost schedules. Four iterations of the rent schedule have been submitted. Originally, the incorrect rent limits and utility allowances were reflected and subsequent revisions scaled back the number of HOME units and included preliminary utility allowances with substantial energy savings reflected. Two revisions to the operating expenses were submitted due to an understatement of certain expense items and changes to the debt service. The latest revisions to all of the essential financial exhibits were received on September 3, 2007.

The changes to the application from the time of submission have been numerous and substantial. The Underwriter is concerned about the Applicant's readiness to proceed with the proposed plan as the latest proposal appears to be hypothetical and the latest hard documentation available to the Underwriter results in a failure to meet the required 50% test to be eligible for the 4% tax credits. This is discussed in detail below.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Mark Mayfield   Phone: (830) 693-4521   Fax: (830) 693-5128
Email: mmayfield@txhf.org

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments
Texas Housing Foundation	$470K	($280K)	--
Mark Mayfield	N/A	N/A	6 LIHTC Properties

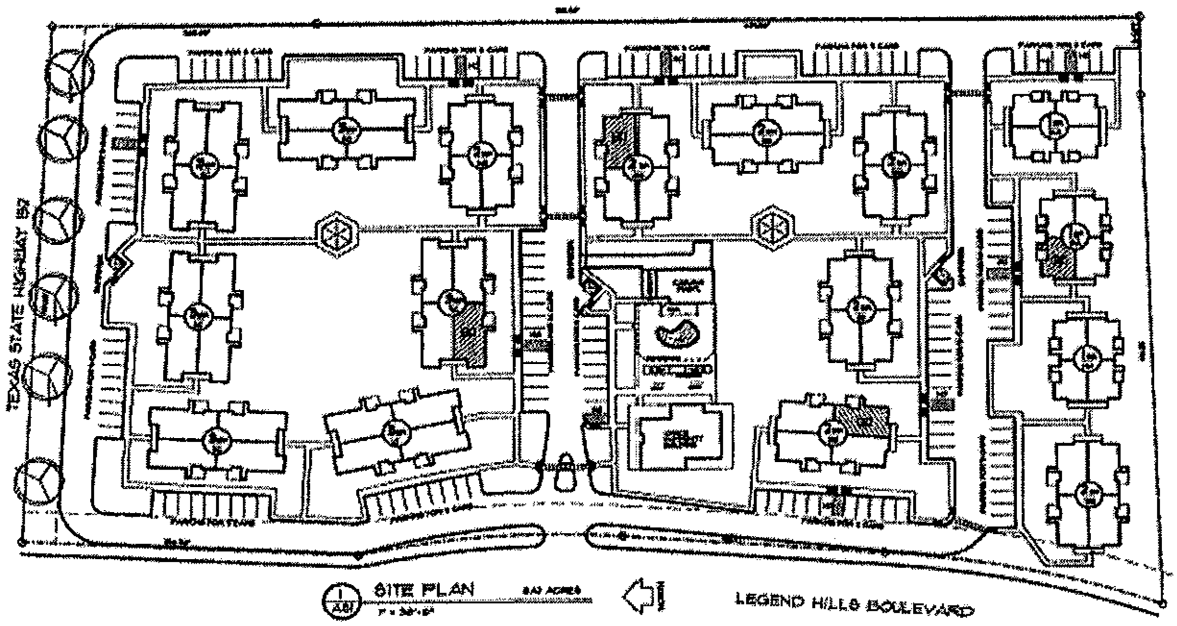
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, property manager, and General Contractor are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C								Total Buildings
Floors/Stories	1	1	1								
Number	3	7	6								**16**

BR/BA	SF	Units									Total Units	Total SF
1/1	750	4									12	9000
2/1	1,000		4								28	28000
3/2	1,100			4							24	26400
Units per Building		4	4	4							**64**	**63400**

SITE ISSUES

Total Size:	8.42 acres	Scattered site?	[ ] Yes [x] No	
Flood Zone:	X	Within 100-yr floodplain?	[ ] Yes [x] No	
Zoning:	GR	Needs to be re-zoned?	[ ] Yes [x] No	[ ] N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/2/2007

Overall Assessment:

[ ] Excellent [X] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: Undeveloped land East: Undeveloped land

South: Dirt road and private warehouse West: Multifamily development

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Frost GeoSciences, Inc. Date: 4/18/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- None

MARKET HIGHLIGHTS

Provider: Novogradac & Company Date: 2/12/2007

Contact: Brad Weinberg Phone: (512) 340-0420 Fax: (512) 340-0421

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

"The Subject's Primary Market Area (PMA) is defined as Llano and Mason Counties with the addition of an area of western Burnet County located north of FM 1431 and west of U.S. Highway 281" (p. 8).

Secondary Market Area (SMA):

The secondary market area (SMA) is defined as the Blanco, Gillespie, Llano and Mason Counties also with the addition of an area of western Burnet County located north of FM 1431and west of U.S. Highway 281" (p. 8).

Comments:

The Market Analyst's PMA is approximately 2,218 square miles and completely encompasses two counties and a portion of a third county. The SMA is approximately 4,008 square miles and completely encompasses four counties and a portion of a fifth county. These market areas are extraordinarily large and are unlikely to portray realistic expectations. However, due to the time constraints and preoccupation with the significant financing obstacles present in this transaction, the Underwriter has not requested that the Market Analyst revise the market study.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
Kingsland Trails	04004	76	76	Creek View	07437	64	16	64
				Friendship Place	04008	76	19	76

Comments:

The Market Analyst did not include the 64 units from the Texas Housing Foundation's other proposed property Creek View Apartments (07437) that is located within the Secondary Market Area. Additionally, it appears that the Market Analyst has only included 57 of the units from Kingsland Trails (04004) and 71 units from Friendship Place (04008).

Vista Apartments (04410; 124 units) is located just outside of the Primary Market Area in Marble Falls and has not been considered in the inclusive capture rate. If these 124 units were included in the Underwriter's demand calculations, the inclusive capture rate would increase to 107% which is above the Department's maximum of 75% for rural transactions. Due to the time constraints and preoccupation with the significant financing obstacles present in this transaction, the Underwriter has not requested that the Market Analyst to consider these units. Moreover, the subject property is roughly 20 miles from Vista Apartments in Marble Falls.

INCOME LIMITS						
Llano						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	$20,400	$23,280	$26,220	$29,100	$31,440	$33,780

OVERALL DEMAND													
			Target Households		Household Size		Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER													
Market Analyst	p.	97	100%	15,211	100%	15,211	1%	213			35%	75	
Underwriter			100%	15,449	97%	14,955	24%	3,631	18%	659	35%	231	
PMA DEMAND from HOUSEHOLD GROWTH													
Market Analyst	p.	97			100%	397	1%	6			100%	6	
Underwriter					97%	317	24%	75	18%	14	100%	14	
SMA DEMAND from TURNOVER													
Market Analyst	p.	98	100%	28,973	100%	28,973	2%	438			35%	153	
Underwriter			100%	13,977	97%	13,530	16%	2,131	19%	413	35%	145	
DEMAND from OTHER SOURCES													
Market Analyst	p.	97							SMA	108	PMA	47	
Underwriter									SMA	0	PMA	0	

Comments:

The Market Analyst has included demand from other sources, including: PMA demand from rent overburdened households; PMA demand growth from rent overburdened households; SMA demand from rent overburdened households; SMA demand from household growth; and SMA demand from rent overburdened households growth. The Market Analyst provided very few calculations or demographic data in the body of the report to support the demand conclusions.

Moreover, demand from existing overburdened households is generally included in household turnover figures. It is unclear how the Market Analyst has segregated these into different categories. The growth from overburdened renter households is clearly already included in demand from household growth as the calculations effectively double up count demand from the same growth demographics.

In addition to these problems, the Secondary Market Area is inclusive of the Primary Market Area. Therefore, in order to avoid including the same households in both the PMA demand and SMA demand, the SMA demand calculations must exclude households from the PMA. It appears that the Market analyst has included households from the PMA in both the demand from the PMA and demand from the SMA.

Despite the above errors that generally overstate demand, the Market Analyst appears to have significantly understated the income-qualified renter household percentage for both the PMA and SMA. Although it is unclear how the calculations were done. The combined effect of the above errors results in an understatement of demand for the subject property when compared with the conclusions based on Department's standard methodology.

INCLUSIVE CAPTURE RATE								
			Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst	p.	97	64	57	17	138	185*	74.60%
Underwriter			64	76	35	175	280	62.42%

* The Market Analyst added incorrectly, which understates this figure by 7 units of demand.

Primary Market Occupancy Rates:

The Primary Market Area (PMA) occupany rates average 95%.

Absorption Projections:

".....we conservatively assume an absorption rate of five units per month; overall the absorption period is estimated to be approximately 12 months to reach a stabilized occupancy rate of 95 percent." (p. 69)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 750 SF 60%	$346	$467	$560	$467	$93
2 BR 1,000 SF 60%/LH	430	454	560	454	106
2 BR 1,000 SF 60%/HH	515	563	635	563	72
2 BR 1,000 SF 60%	515	563	635	563	72
3 BR 1,100 SF 60%/HH	587	646	700	646	54
3 BR 1,100 SF 60%	587	646	700	646	54

Market Impact:

"...Kingwood Trails, the only other LIHTC property for families located in the PMA, is expected to be fully stabilized prior to the Subject's market entry date of October 2008. As such, the Subject will be the only multifamily property in the PMA with little competition during the absorption period. In addition, the Subject will have the benefit of new construction and superior condition and quality when compared to existing market-rate and affordable properties in the PMA. Therefore, the potential impact on the existing affordable housing stock is anticipated to be minimal." (p. 92)

Comments:

Despite several deficiencies and/or errors in the original reports submitted to the Department, the Underwriter has been able reach a reasonable inclusive capture rate that is within the Department's guidelines.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 4 Date of Last Applicant Revision: 9/3/2007

The Applicant's projected rents collected per unit were calculated by subtracting expected tenant-paid utility allowances from the gross program rent limits; although it appears that the Applicant miscalculated the net rent for two-bedroom units. Subsequent to application submission, the Applicant provided energy efficient utility allowances. The originally provided utility allowances are between 43% and 54% higher than the energy efficient utility allowances.

This utility allowance difference translates to an $18.8K difference in annual potential gross income, which is vital for the viability of the transaction. This is particularly of concern because the Housing Authority (owner of the GP) controls utility allowances and the use of unrealistically low allowances will erode the affordability of the units and place the extra burden on the tenants.

However, the Applicant provided an actual utility allowance statement used in nearby Kingsland (in Llano County). Therefore, the Underwriter's rents are based upon the program gross rent limits less the energy efficient utility allowances provided. Tenants will be required to pay electric costs.

Estimates of secondary income and vacancy an losses are in line with TDHCA underwriting guidelines. The Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

At 5:40pm eight days prior to the September 13 TDHCA Board meeting, the Applicant submitted new eneregy efficient utility allowances for Johnson City and Llano ($81 for one-bedroom units, $95 for two-bedroom units, and $104 for three-bedroom units) . These allowances do not appear to be approved by the board of the housing authority or to be readily available for use by other developments. Additionally, the Llano utility allowances provided decreased by $9 to $16 per unit over the utility allowances used for the previous year. It is unlikely that actual utility costs or that utility allowances would reflect such a decrease. These allowances were not used in this analysis, but will be researched further and if affirmed, an addendum report will be completed.It should also be noted that utility allowances can only be updated once per year.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 9/3/2007

The Applicant's total annual operating expense projection of $3,270 per unit is within 5% of the Underwriter's estimate of $3,346, derived from the 2006 Owner's Financial Certifications for five other THF properties, the TDHCA database, and third party sources.

The Applicant and Underwriter have assumed the property will be eligible for a 100% property tax exemption due to the ownership structure. However, a 100% exemption typically requires a ground lease of the site from the housing authority to the partnership or an agreement with the taxing districts, which the Applicant has not provided. Therefore, receipt, review, and acceptance, by commitment, of a letter from the Applicant's legal counsel documenting how the property will qualify for a 100% property tax exemption is a condition of this report.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma will be used to evaluate the development's debt capacity and the debt coverage ratio. The Applicant's proforma adjusted for the actual debt service based on the lender's commitment, reflects a DCR above the Department's current maximum. Therefore, the recommended financing structure will reflect an increase in the permanent debt. This is discussed in detail in the "Recommended Financing Structure" section below.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized, and after necessary adjustments to the terms and/or amounts of the anticipated debt, the 30-year proforma with a revised debt structure reflects a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	16.9 acres	$132,770	Tax Year:	2006
One Acre:		$7,880	Valuation by:	Llano County
Land Only:	8.42 acres	$66,346	Tax Rate:	2.23

EVIDENCE of PROPERTY CONTROL

Type: Option to Purchase Acreage: 8.42

Contract Expiration: 11/15/2007 Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $250,000 Other:

Seller: Bartholomew & Deborah Gillan Related to Development Team? [ ] Yes [x] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 3 Date of Last Revision: 9/3/2007

Acquisition Value:

The Applicant has provided a purchase option indicating an acquisition price of $29,691 per acre or $3,906 per unit. The transfer of the property is considered an arms-length transaction; therefore, the purchase price is assumed to be acceptable.

Sitework Cost:

The Applicant has estimated sitework costs of $8,995 per unit which is within the Department's threshold. No additional third party substantiation is required.

Direct Construction Cost:

The Applicant's revised direct construction cost estimate is $444K or 14% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.
The design of the proposed property reflects one-story fourplex style buildings. The Underwriter very conservatively utilized the same costing mechanism that is used for more affordable two story garden style configurations to derive the underwritten direct construction cost estimate. Despite the Underwriter's conservative approach, the Applicant's direct construction cost estimate remains 14% lower than the Underwriter's estimate.

However, the Applicant has provided a fixed price contract corresponding to the Applicant's estimated costs. The agreement has been signed by the Applicant and General Contractor. The Applicant has indicated that Steve Nash, principal with Nash Builders, Ltd. (General Contractor), will serve as the Construction Contract guarantor as well as the Operating Deficiency guarantor.

Conclusion:

The Applicant's total development cost is not within 5% of the Underwriter's estimate. However, this difference is primarily the result of direct construction costs. The Applicant has provided a fixed price contract suggesting that the Applicant's very low direct construction cost estimate is achievable. Therefore, despite the significant difference between the Underwriter's total costs and Applicant's costs, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $5,266,062 supports annual tax credits of $247,821. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

The substantial cost difference is of serious concern for the Underwriter. The effects of understating the development costs for the proposed development are particularly acute due to the use of Private Activity Bonds. The bonds must exceed 50% of the depreciable basis plus land ("good costs"). Based upon the Applicant's projected costs and proforma, the Underwriter estimates the maximum NOI supported bonds amount to approximately 46.79% of "good costs." Based upon the Underwriter's costs, the maximum NOI supported bond amount is approximately 43.30% of "good costs."

Based upon the Applicant's proforma and the Applicant's development cost schedule, the bonds amount to just 46.79% of the development's depreciable basis plus land. The application is not eligible for an allocation of 4% tax credits and cannot be recommended for funding due to a failure to meet the 50% test.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 4 Date of Last Applicant Revision: 9/3/2007

Issuer: Capital Area Housing Finance Corp.

Source: PNC MultiFamily Capital Type: **Interim to Permanent Bond Financing**

Tax-Exempt: $2,145,700 Interest Rate: 6.05% [x] Fixed Term: 420 months

Comments:

The Underwriter has relied upon the most recently submitted financing commitment from PNC MultiFamily Capital for the underwriting of the subject transaction. Subsequent to the submission of this commitment, the Applicant proposed several hypothetical financing structures to improve the viability of the transaction and to meet the 50% test require to be eligible for the tax credits. However, the Applicant has provided no new commitments or other documentation from the lender to suggest that these hypothetical structures have been evaluated or accepted by the lender.

The PNC commitment indicates that the development will utilize bonds amounting to $2,145,700 structured with a fixed rate and a 35 year amortization. The Underwriter utilized the lender's underwritten interest rate of 6.05%, which includes a rate of 4.80% for the AAA-rated bonds plus 1.00% for guaranty and servicing and 0.25% for issuer and trustee fees. This letter was provided at the request of the Underwriter once the Applicant alerted the Department of substantial changes to the financing structure. This commitment indicates a substantial change from the previous structure from a different lender that included a USDA 538 guarantee on a portion of the bonds and completely different terms and amounts. The substantially changes are ongoing and no clear plan of action has been provided and though a revised sources and uses has been provided.

The Applicant's anticipated structure includes a bond amount of $3,000,000 and a variable rate structure with a $200,000 buy-down of the SWAP rate in order to increase the potential viability of the transaction. The Applicant has estimated the all-in SWAP rate plus issuer and trustee fees and guarantee and servicing fees to be 4.7% and an amortization period of 35 years. If the Applicant were able to produce this proposed structure, the development would be able to achieve viability for the long-term and meet the 50% bond test. However, the Applicant has been unable to get a lender's commitment or any other support for this structure since application in late May and appear to be hypothetical at this point.

The financing structure relied upon by the Underwriter was provided to the Department on August 28, 2007, which is less than 60-days prior to the September 13 TDHCA Board meeting at which the subject transaction will be considered. Moreover, the financing structure remains in flux with the Applicant's latest significant financing structure changes unsupported by lender commitments. Therefore, the subject application is not recommended for funding due to violation of the 60-day deadline.

Section 49.12(a)(2) of the 2007 QAP states, "Any outstanding documentation required under this section regardless of Priority must be submitted to the Department at least 60 days prior to the Board meeting at which the decision to issue a Determination Notice would be made unless a waiver is being requested."

Lender's commitment that are required as a result of substantial financing structure changes are required to be submitted prior to 60-days before the TDHCA Board meeting.

Source: Apollo Housing Capital — Type: **Syndication**

Proceeds: $2,343,238 — Syndication Rate: 95% — Anticipated HTC: $ 247,996

Comments:

The commitment indicates a minimum DCR of 1.15 and reserve for replacements of $250 per unit per year.

Amount: $382,468 — Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The proforma analysis, using the lender's committed first lien amount of $2,145,700 and terms, results in a debt coverage ratio above the Department's maximum guideline of 1.35. Additionally, the transaction does not meet the 50% bond test unless a larger amount of bonds is utilized. Therefore, in order to increase the likelihood of meeting the 50% test, the underwriting analysis assumes an increase in the permanent loan amount to $2,580,785 (at lender's terms) which results in the Department's minimum DCR 1.15. The maximum NOI supported bonds amount to 46.79%, which fails to meet the 50% test required for tax credit eligibility.

The Applicant's total development cost estimate less the maximum serviceable permanent loan of $2,580,785 and requested HOME award of $930,000 indicates the need for $2,716,032 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $285,927 annually would be required to fill this gap in financing. Should the Board choose to approve the application, of the three possible tax credit allocations, Applicant's request ($240,290), the gap-driven amount ($285,927), and eligible basis-derived estimate ($246,892), the eligible basis-derived estimate of $240,290 is recommended resulting in proceeds of $2,341,584 based on a syndication rate of 95%.

In addition, should the Board choose to approve the subject, a HOME award of $930,000 to be structured as a deferred forgivable loan at a 0% interest rate and a 15 year term is recommended. Based on the underwriting analysis, the transaction is very tight and it is highly unlikely that the property will generate sufficient cashflow to repay the requested HOME funds. For this reason a deferred forgivable loan would be recommended.

The Underwriter's recommended financing structure indicates the need for $445,606 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within 10 years of stabilized operation but would be prioritized ahead of the HOME loan.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

Return on Equity:

The cash-on-cash return on equity is unrealistically large due to the limited cash equity from the developer. The overall return on equity, based on this analysis, would be less than 2%.

Underwriter:	*Cameron Dorsey*	Date:	9/6/2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	9/6/2007

MULTIFAMILY COMPARATIVE ANALYSIS

Park Ridge Apartments, Llano, 4% HTC/HOME #07417

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 60%	12	1	1	750	$546	$467	$5,604	$0.62	$79.00	$77.00
TC 60%/LH	2	2	2	1,000	$546	454	908	0.45	92.00	80.00
TC 60%/HH	4	2	2	1,000	$655	563	2,252	0.56	92.00	80.00
TC 60%	22	2	2	1,000	$655	563	12,386	0.56	92.00	80.00
TC 60%/HH	4	3	2	1,100	$756	646	2,584	0.59	110.00	85.00
TC 60%	20	3	2	1,100	$756	646	12,920	0.59	110.00	85.00
TOTAL:	64		AVERAGE:	991		$573	$36,654	$0.58	$96.31	$81.31

INCOME	Total Net Rentable Sq Ft: 63,400			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$439,848	$436,584	Llano		7
Secondary Income		Per Unit Per Month:	$13.58	10,428	10,428	$13.58	Per Unit Per Month	
Other Support Income:				0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$450,276	$447,012			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(33,771)	(33,528)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$416,505	$413,484			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.31%	$411	0.41	$26,293	$21,800	$0.34	$341	5.27%
Management		5.00%	325	0.33	20,825	20,674	0.33	323	5.00%
Payroll & Payroll Tax		13.45%	875	0.88	56,000	53,820	0.85	841	13.02%
Repairs & Maintenance		7.12%	463	0.47	29,643	34,400	0.54	538	8.32%
Utilities		2.75%	179	0.18	11,443	12,800	0.20	200	3.10%
Water, Sewer, & Trash		6.23%	405	0.41	25,942	23,200	0.37	363	5.61%
Property Insurance		4.57%	297	0.30	19,020	17,600	0.28	275	4.26%
Property Tax	2.23000	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		3.84%	250	0.25	16,000	16,000	0.25	250	3.87%
TDHCA Compliance Fees		0.61%	40	0.04	2,560	2,560	0.04	40	0.62%
Other: Supportive Services		1.54%	100	0.10	6,400	6,400	0.10	100	1.55%
TOTAL EXPENSES		51.41%	$3,346	$3.38	$214,126	$209,254	$3.30	$3,270	50.61%
NET OPERATING INC		48.59%	$3,162	$3.19	$202,379	$204,230	$3.22	$3,191	49.39%
DEBT SERVICE									
PNC MultiFamily		41.98%	$2,732	$2.76	$174,859	$175,042	$2.76	$2,735	42.33%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
TDHCA HOME Loan		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		6.61%	$430	$0.43	$27,521	$29,188	$0.46	$456	7.06%
AGGREGATE DEBT COVERAGE RATIO					1.16	1.17			
RECOMMENDED DEBT COVERAGE RATIO						1.15			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.75%	$3,906	$3.94	$250,000	$250,000	$3.94	$3,906	4.01%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.63%	8,995	9.08	575,681	575,681	9.08	8,995	9.25%
Direct Construction		48.78%	50,848	51.33	3,254,294	2,810,034	44.32	43,907	45.13%
Contingency	4.42%	2.54%	2,645	2.67	169,286	169,286	2.67	2,645	2.72%
Contractor's Fees	12.38%	7.11%	7,406	7.48	474,000	474,000	7.48	7,406	7.61%
Indirect Construction		4.47%	4,659	4.70	298,190	298,190	4.70	4,659	4.79%
Ineligible Costs		8.93%	9,309	9.40	595,754	595,754	9.40	9,309	9.57%
Developer's Fees	13.67%	10.30%	10,732	10.83	686,878	686,878	10.83	10,732	11.03%
Interim Financing		3.78%	3,937	3.97	251,994	251,994	3.97	3,937	4.05%
Reserves		1.72%	1,797	1.81	115,000	115,000	1.81	1,797	1.85%
TOTAL COST		100.00%	$104,236	$105.22	$6,671,077	$6,226,817	$98.21	$97,294	100.00%
Construction Cost Recap		*67.05%*	*$69,895*	*$70.56*	*$4,473,261*	*$4,029,001*	*$63.55*	*$62,953*	*64.70%*

SOURCES OF FUNDS				TDHCA	APPLICANT	RECOMMENDED	
PNC MultiFamily	32.16%	$33,527	$33.84	$2,145,700	$3,000,000	$2,580,785	Developer Fee Available
TDHCA HOME Loan	13.94%	$14,531	$14.67	930,000	930,000	930,000	$686,878
HTC Syndication Proceeds	35.13%	$36,615	$36.96	2,343,328	2,343,328	2,270,426	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0	0	445,606	65%
Additional (Excess) Funds Req'd	18.77%	$19,563	$19.75	1,252,049	(46,511)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$6,671,077	$6,226,817	$6,226,817	$850,614

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Park Ridge Apartments, Llano, 4% HTC/HOME #07417

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$55.17	$3,497,750
Adjustments				
Exterior Wall Finish	6.00%		$3.31	$209,865
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.75%		2.07	131,166
Roofing			0.00	0
Subfloor			(2.47)	(156,598)
Floor Cover			2.43	154,062
Breezeways/Balconies	$21.65	7,851	2.68	169,974
Plumbing Fixtures	$805	150	1.90	120,750
Rough-ins	$400	128	0.81	51,200
Built-In Appliances	$1,850	64	1.87	118,400
Exterior Stairs	$1,800		0.00	0
Enclosed Corridors	$45.25		0.00	0
Heating/Cooling			1.90	120,460
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$63.50	4,670	4.68	296,522
Other: fire sprinkler	$1.95	0	0.00	0
SUBTOTAL			74.35	4,713,550
Current Cost Multiplier	0.98		(1.49)	(94,271)
Local Multiplier	0.87		(9.67)	(612,761)
TOTAL DIRECT CONSTRUCTION COSTS			$63.19	$4,006,517
Plans, specs, survy, bld prm	3.90%		($2.46)	($156,254)
Interim Construction Interest	3.38%		(2.13)	(135,220)
Contractor's OH & Profit	11.50%		(7.27)	(460,750)
NET DIRECT CONSTRUCTION COSTS			$51.33	$3,254,294

PAYMENT COMPUTATION

Primary	$3,000,000	Amort	420
Int Rate	4.700%	DCR	1.16

Secondary	$0	Amort	480
Int Rate		Subtotal DCR	1.16

Additional	$930,000	Amort	
Int Rate	1.00%	Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	$177,626
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$26,604

Primary	$2,680,785	Amort	420
Int Rate	6.050%	DCR	1.15

Secondary		Amort	
Int Rate	0.00%	Subtotal DCR	1.15

Additional	$930,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

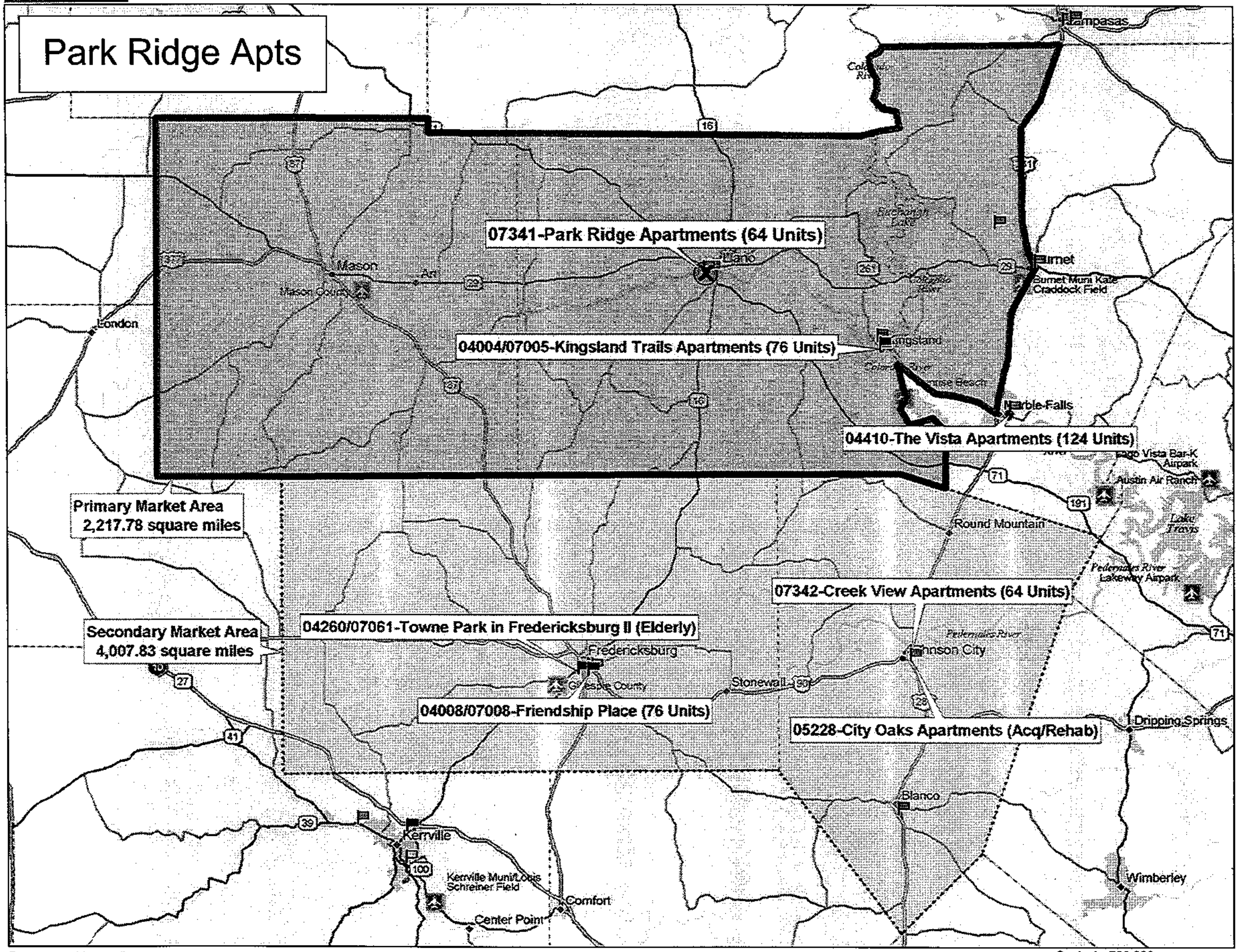
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$436,584	$449,682	$463,172	$477,067	$491,379	$569,643	$660,372	$765,553	$1,028,839
Secondary Income	10,428	10,741	11,063	11,395	11,737	13,606	15,773	18,286	24,574
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	447,012	460,422	474,235	488,462	503,116	583,249	676,146	783,838	1,053,413
Vacancy & Collection Loss	(33,528)	(34,532)	(35,568)	(36,635)	(37,734)	(43,744)	(50,711)	(58,788)	(79,006)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$413,484	$425,891	$438,667	$451,827	$465,382	$539,506	$625,435	$725,050	$974,407
EXPENSES at 4.00%									
General & Administrative	$21,800	$22,672	$23,579	$24,522	$25,503	$31,028	$37,751	$45,929	$67,987
Management	20,674	21,294	21,933	22,591	23,269	26,975	31,271	36,252	48,720
Payroll & Payroll Tax	53,820	55,973	58,212	60,540	62,962	76,603	93,199	113,391	167,846
Repairs & Maintenance	34,400	35,776	37,207	38,695	40,243	48,962	59,570	72,476	107,282
Utilities	12,800	13,312	13,844	14,398	14,974	18,218	22,165	26,968	39,919
Water, Sewer & Trash	23,200	24,128	25,093	26,097	27,141	33,021	40,175	48,879	72,353
Insurance	17,600	18,304	19,036	19,798	20,590	25,050	30,478	37,081	54,888
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
Other	6,400	6,656	6,922	7,199	7,487	9,109	11,083	13,484	19,959
TOTAL EXPENSES	$206,694	$214,755	$223,132	$231,838	$240,886	$291,739	$353,398	$428,168	$628,851
NET OPERATING INCOME	$206,790	$211,136	$215,535	$219,989	$224,496	$247,766	$272,037	$296,882	$345,556
DEBT SERVICE									
First Lien Financing	$177,626	$177,626	$177,626	$177,626	$177,626	$177,626	$177,626	$177,626	$177,626
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	$29,164	$33,510	$37,909	$42,364	$46,871	$70,141	$94,411	$119,257	$167,930
DEBT COVERAGE RATIO	1.16	1.19	1.21	1.24	1.26	1.39	1.53	1.67	1.95

HTC ALLOCATION ANALYSIS -Park Ridge Apartments, Llano, 4% HTC/HOME #07417

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$250,000	$250,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$575,681	$575,681	$575,681	$575,681
Construction Hard Costs	$2,810,034	$3,254,294	$2,810,034	$3,254,294
Contractor Fees	$474,000	$474,000	$474,000	$474,000
Contingencies	$169,286	$169,286	$169,286	$169,286
Eligible Indirect Fees	$298,190	$298,190	$298,190	$298,190
Eligible Financing Fees	$251,994	$251,994	$251,994	$251,994
All Ineligible Costs	$595,754	$595,754		
Developer Fees			$686,878	
Developer Fees	$686,878	$686,878		$686,878
Development Reserves	$115,000	$115,000		
TOTAL DEVELOPMENT COSTS	$6,226,817	$6,671,077	$5,266,062	$5,710,323

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		$5,266,062	$5,710,323
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$6,845,881	$7,423,420
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$6,845,881	$7,423,420
Applicable Percentage		3.62%	3.62%
TOTAL AMOUNT OF TAX CREDITS		$247,821	$268,728
Syndication Proceeds	**0.9449**	**$2,341,584**	**$2,539,126**
Total Tax Credits (Eligible Basis Method)		**$247,821**	**$268,728**
Syndication Proceeds		**$2,341,584**	**$2,539,126**
Requested Tax Credits		**$240,290**	
Syndication Proceeds		**$2,270,426**	
Gap of Syndication Proceeds Needed		**$2,716,032**	**$3,160,292**
Total Tax Credits (Gap Method)		**$287,451**	**$334,469**



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Scale 1 : 700,000

1" = 11.05 mi

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MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
September 13, 2007

Action Item

Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits associated with Mortgage Revenue Bond Transactions with other Issuers.

Requested Action

Approve, Amend or Deny the staff recommendation for Regency Park Apartments, #07443.

Summary of the Transaction

Background and General Information: The application was received on July 12, 2007. The Issuer for this transaction is Houston HFC with a reservation of allocation that expires on November 9, 2007. The development proposes the new construction of 252 total units targeting the general population. The development is proposed for the City of Houston, Harris County and 100% of the units are proposed to be restricted. There is no zoning required for the City of Houston.

Organizational Structure and Compliance: The Borrower is HFI Regency Park Apartments, LP and the General Partner is HFI Regency Park Development, LLC, of which Dwayne Henson Investments has 45% ownership interest, Resolution Real Estate Services, LLC has 45% ownership and JR Mitchell, LLC has 10% ownership. The Compliance Status Summary completed on August 31, 2007 reveals that the principals of the general partner have forty-two (42) properties that have been monitored by the Department. The bond priority for this transaction is:

☒ **Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits

Census Demographics: The development is to be located at approximately northeast corner of Beltway 8, Southdown Trace Trail and Conklin St. in Houston. Demographics for the census tract (3401) include AMFI of $64,932; the total population is 2,728; the percent of population that is minority is 39.44%; the percent of population that is below the poverty line is 4.98%; the number of owner occupied units is 404; the number of renter units is 912 and the number of vacant units is 57. The percentage of population that is minority for the entire City of Houston is 69% (Census information from FFIEC Geocoding for 2007).

Public Comment: The Department has received no letters of support or opposition.

Recommendation

Staff recommends the Board approve the issuance of a Determination Notice of $1,189,095 in Housing Tax Credits for Regency Park Apartments.

MULTIFAMILY FINANCE PRODUCTION DIVISION
September 13, 2007
Development Information, Public Input and Board Summary

Regency Park Apartments, TDHCA Number 07443

BASIC DEVELOPMENT INFORMATION

Site Address: NEC of Beltway 8 & Southdown Trace Trail

Development #: 07443

City: Houston

Region: 6

Population Served: Family

County: Harris

Zip Code: 77034

Allocation: Urban/Exurban

HOME Set Asides: ☐ CHDO ☐ Preservation ☐ General

Purpose/Activity: NC

Bond Issuer: Houston HFC

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner:	HFI Regency Park Apartments, L.P.	
Owner Contact and Phone	William D. Henson	(713) 334-5808
Developer:	HFI Regency Park Developers, L.L.C.	
Housing General Contractor:	HFI Regency Park Contractors, L.L.C.	
Architect:	Mucasey & Associates	
Market Analyst:	O' Connor & Associates	
Syndicator:	Boston Capital	
Supportive Services:	Texas Inter-Faith Housing Corp	
Consultant:	Lbk, Ltd.	

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	0	252	0	52	112	88	0	0

Type of Building:

☑ 4 units or more per building
☐ Duplex
☐ Detached Residence
☐ Triplex
☐ Single Room Occupancy
☐ Fourplex
☐ Transitional
☐ Townhome

Total Restricted Units:	252
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	252
Total Development Cost:	$28,879,280
Number of Residential Buildings:	19
HOME High Total Units:	0
HOME Low Total Units:	0

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$1,189,095	$1,189,095	0	0	0%
TDHCA Bond Allocation Amount:		$0	0	0	0%
HOME Activity Fund Amount:	$0	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

MULTIFAMILY FINANCE PRODUCTION DIVISION
September 13, 2007
Development Information, Public Input and Board Summary

Regency Park Apartments, TDHCA Number 07443

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Jackson, District 11 NC

US Representative: Lampson, District 22, NC

TX Representative: Talton, District 144 NC

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Bill White, Mayor, City of Houston - NC

Resolution of Support from Local Government ☐

Donald H. Sampley, Assistant Director, City of Houston - The proposed project for construction of affordable rental housing is consistent with the City of Houston's Consolidated Plan.

Individuals/Businesses: In Support: **0** In Opposition **0**

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and no letters of opposition.

CONDITIONS OF COMMITMENT

Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."

Receipt, review and acceptance, before commencement of construction, of determination by a qualified environmental analyst of the potential for excessive noise and the presence of radon.

Receipt, review and acceptance, by closing, of a CPA opinion verifying the eligibility of the $300,000 interest rate cap fee, or a downward adjustment to the eligible basis in a like amount and a reduction of $13, 848 in the recommended credit.

Should the terms or amount of the bonds or the terms and rates of the proposed syndication ultimately change the transaction should be reevaluated to ensure that the development still meets the Department's guidelines for feasibility, and an adjustment to the credit/allocation amount may be warranted.

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 13, 2007

Development Information, Public Input and Board Summary

Regency Park Apartments, TDHCA Number 07443

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

4% Housing Tax Credits: Credit Amount: $1,189,095

Recommendation: **Recommend approval of a Housing Tax Credit Allocation not to exceed $1,189,095 annually for ten years, subject to conditions.**

TDHCA Bond Issuance: Bond Amount: $0

Recommendation:

HOME Activity Funds: Loan Amount: $0

HOME CHDO Operating Expense Grant: Grant Amount: $0

Recommendation:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/05/07 PROGRAM: 4% HTC FILE NUMBER: **07443**

DEVELOPMENT

Regency Park Apartments

Location: NE Corner of Beltway 8, Southdown Trace Trail & Conklin St. Region: 6

City: Houston County: Harris Zip: 77034 [ ] QCT [X] DDA

Key Attributes: Multifamily, Urban/Exurban, New Construction, Family

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,189,095			**$1,189,095**		

CONDITIONS

1 Receipt, review, and acceptance, before commencement of construction, of determination by a qualified environmental analyst of the potential for excessive noise and the presence of radon.

2 Receipt, review, and acceptance, by closing, of a CPA opinion verifying the eligibility of the $300,000 interest rate cap fee, or a downward adjustment to the eligible basis in a like amount and a reduction of $13,848 in the recommended credit.

3 Should the terms or amount of the bonds or the terms and rates of the proposed syndication ultimately change the transaction should be reevaluated to ensure that the development still meets the Department's guidelines for feasibility, and an adjustment to the credit/allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	252

PROS

- The Developers in this transaction are quite experienced in the successful development and operation of affordable housing tax credit developments in Texas.

CONS

- The demand for 2 and 3 bedroom units may be saturated given that the Market Analyst's unit-specific capture rate is over 100%.
- The subject is only two miles from a similar development by the same developer which was recently approved for a 4% HTC allocation, but is located just outside the subject PMA.
- The Applicant will likely have to defer 100% of the developer fee and 32% of the related-party contractor fee.

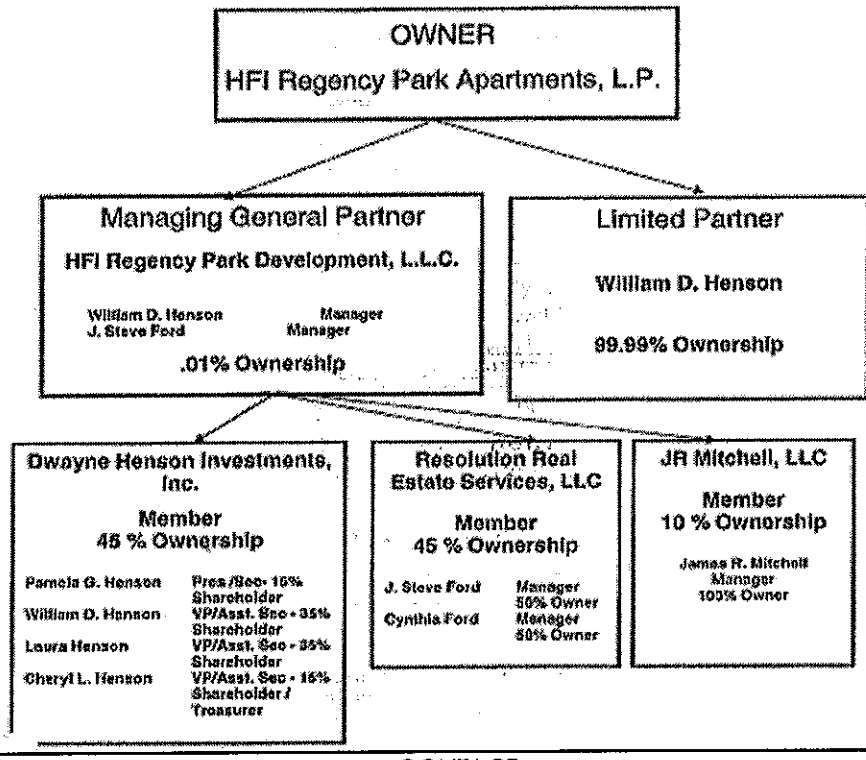
- Deferred fees may not be repayable within the typical 10 year time frame but are repayable within 15 years.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

HFI Regency Park Apartments, L.P. (Project Owner)

OWNERSHIP FLOW CHART



CONTACT

Contact: William D. Henson Phone: (713) 334-5808 Fax: (713) 334-5614
Email: Wd_henson@hotmail.com

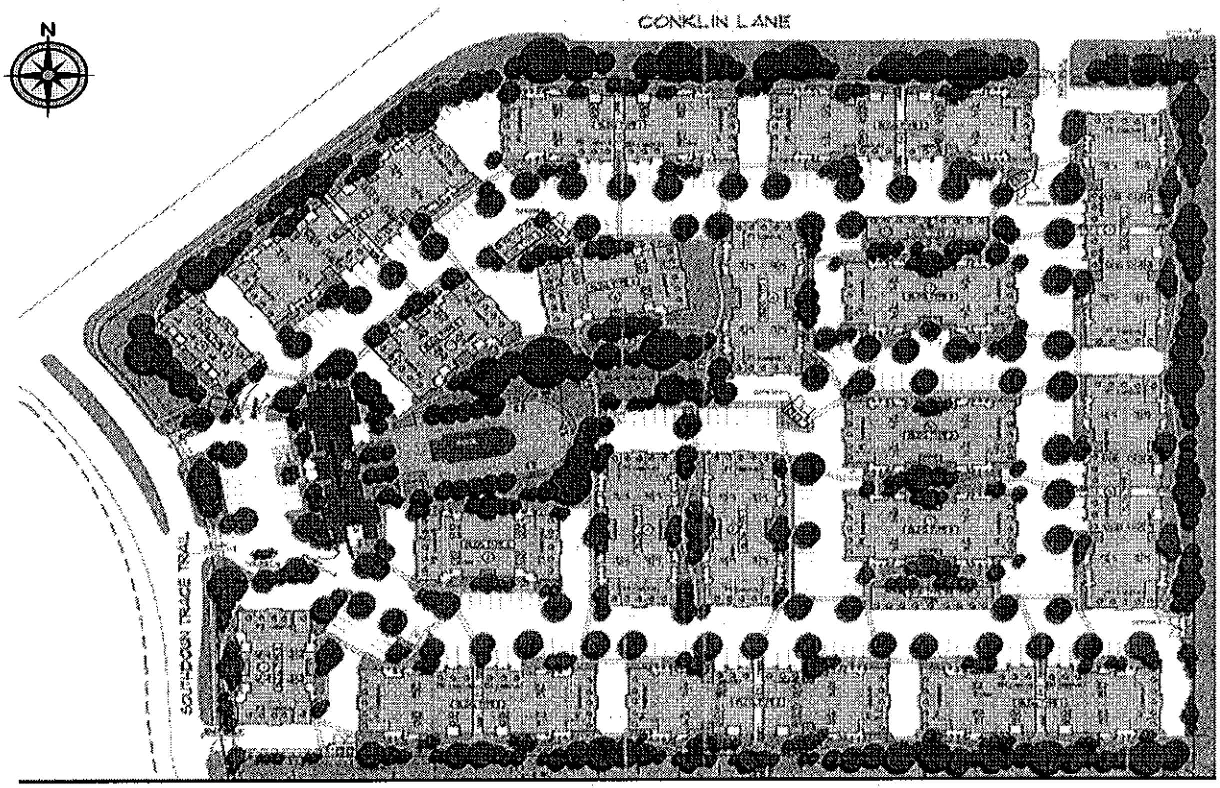
KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# Completed Developments
Dwayne Henson Investments, Inc	$13,152,430	Unclear	N/A
William D Henson	Confidential		24 LIHTC Developments in Texas
Pamela G Henson	Confidential		24 LIHTC Developments in Texas
Laura Henson	Confidential		24 LIHTC Developments in Texas
Cheryl L Henson	Confidential		24 LIHTC Developments in Texas
Resolution Real Estate Services, LLC	$3,845,000	$3,820,000	N/A
J Steve Ford	Confidential		34 LIHTC Developments in Texas
Cynthia Ford	Confidential		34 LIHTC Developments in Texas
JR Mitchell, LLC	$1,000	$1,000	N/A
James R Mitchell	Confidential		3 LIHTC Developments in Texas

[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST
▫ The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE
SITE PLAN



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BUILDING CONFIGURATION

Building Type	1	2	3	4	5	6					Total Buildings
Floors/Stories	2	3	2	2	2	2					
Number	3	5	6	2	2	1					**19**

BR/BA	SF	Units										Total Units	Total SF
1 / 1	727					2						4	2,908
1 / 1	765					2						4	3,060
1 / 1	772		4									20	15,440
1 / 1	773					4						8	6,184
1 / 1	780	2	2									16	12,480
2 / 2	962				2	2						8	7,696
2 / 2	956	2	2	2								28	26,768
2 / 2	982				2							4	3,928
2 / 2	989				2							4	3,956
2 / 2	999				2							4	3,996
2 / 2	1,008	2										6	6,048
2 / 2	1,009				2							4	4,036
2 / 2	1,025	4										12	12,300
2 / 2	1,037	2										6	6,222
2 / 2	1,079	2	2									16	17,264
2 / 2	1,186	2	2									16	18,976
2 / 2 1/2	1,209						4					4	4,836
3 / 2	1,217		2	2								22	26,774
3 / 2	1,246		2	2								22	27,412
3 / 2	1,249		3	4								39	48,711
3 / 2	1,300		1									5	6,500
Units per Building		16	20	10	10	10	4					**252**	**265,495**

SITE ISSUES

Total Size:	12.4641 acres	Scattered site?	☐ Yes	☒ No
Flood Zone:	X	Within 100-yr floodplain?	☐ Yes	☒ No
Zoning:	N / A	Needs to be re-zoned?	☐ Yes	☐ No ☒ N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 6/22/2007

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Beltway 8 and RR tracks East: residential, commercial

South: Rural Oak Street West: Beltway 8 and Southdown Trace Trail

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: The Murillo Company Date: 7/11/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

The TDHCA 2007 Real Estate Analysis Rules and Guidelines state that "In addition to ASTM Phase I ESA requirements, the report must:

- State if a noise study is recommended for a property in accordance with current HUD guidelines and identify its proximity to industrial zones, major highways, active rail lines, civil and military airfields, or other potential sources of excessive noise;
- Assess the potential for the presence of Radon on the property, and recommend specific testing if necessary.

Comments:

The ESA does not address the potential for excessive noise or the presence of radon; receipt, review, and acceptance, before commencement of construction, of determination by a qualified environmental analyst of the potential for excessive noise and the presence of radon, will be a requirement of this report.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 6/9/2007

Contact: Robert O. Coe Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: 0 Date of Last Applicant Revision: N / A

Primary Market Area (PMA): 39 square miles (3.5 miles radius)

"For the purposes of this analysis, the subject's neighborhood is generally defined as being bound by Zip Codes 77034, 77075, and 77089: Avenue N and Fuqua Street to the north; Shaver Road, Space Center Boulevard and FM 1959 to the east; Clear Creek to the south; and Mykawa Road and Airport Boulevard to the west." (p. 25)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Kensington Place	04426	216	216	N/A			
Windshire Apts (Outside PMA)	07620	252	252	N/A			

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	$25,620	$29,280	$32,940	$36,600	$39,540	$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 60% Rent Limit	178	-2		176	52	46	56%
2 BR/ 60% Rent Limit	138	-4		134	112	96	155%
3 BR/ 60% Rent Limit	159	-4		155	88	74	105%

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OVERALL DEMAND										
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 72	100%	33,382	93%	31,152	11% income/ tenure eligible			3,501	65%	2,276
Underwriter	100%	33,388	92%	30,820	20%	6,184	56%	3,462	65%	2,250
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 72			93%	689	11% income/ tenure eligible			77	100%	77
Underwriter			92%	490	20%	91	56%	51	100%	51
DEMAND from OTHER SOURCES										
Market Analyst p. 71										311
Underwriter										201

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 73	252	216	0	468	2,664	18%
Underwriter	252	216	0	468	2,502	19%
Underwriter w/Windshire	252	468	0	720	2,502	29%

Overall Demand:

The underwriting analysis determined a similar inclusive capture rate as did the Market Analyst (19% vs. 18%) using the same demographic data and Primary Market Area. However, the Market Analyst failed to consider The Windshire Apartments (TDHCA #07620), a recently approved 4% HTC family project by the same developer. Windshire is almost identical to the subject; it is located only 2 miles to the north, and on the opposite side of the street at the boundary of the PMA. While the underwriting rules give the Market Analyst discretion to determine an appropriate PMA, it is hard to imagine how Windshire can be ignored while the PMA extends 6 miles to the west. If the 252 units at Windshire are included in the unstable supply, the inclusive capture rate increases to 29%, exceeding the underwriting limit of 25% for family developments in urban areas.

Primary Market Occupancy Rates:

"The occupancy of the comparable rentals included in this study range from 90% to 98%, with an average of 94%. The average occupancy for comparable apartments in the Primary Market Area was reported at 85.94% in the most recent survey. According to the survey, occupancy in the PMA in March 2007 has decreased slightly from the prior quarter. Average occupancy in the PMA has remained in the upper to mid 80's, or higher, since September 1995. Based on our analysis of the market, moderate increases in occupancy are projected for this market. There are several complexes within the submarket which were built prior to 1980, and are considered inferior to the subject, which are experiencing low occupancy. These complexes bring down the overall occupancy within the submarket. The average occupancy of complexes built subsequent to 1985 is 93.75%, with 95.95% pre-leased." (p. 41)

Absorption Projections:

"There are six HTC projects within the PMA. There is one non-stabilized HTC project (Kensington Place), no project currently under construction, and no approved HTC project within the PMA. There are two HTC projects located within a two-mile radius of the subject (Kensington Place and Highland Meadow Village). Typically, HTC projects in the Greater Houston Area have achieved stabilized occupancy at a rapid pace, most likely due to the projects being new and superior compared to older multifamily projects. The subject should be able to reach a stabilized occupancy level within 12 months of completion." (p. 41)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 788 SF 60%	$599	$599	$800	599	$201
2 BR 1,008 SF 60%	$719	719	$945	719	$226
3 BR 1,249 SF 60%	$822	822	$1,155	822	$333

Market Impact:

"There are 16 projects with 10 units or higher in the PMA in which the rents are based on income or otherwise restricted (5 HTC, 11 Section 8), excluding the subject. The closest, recently-constructed HTC project to the subject, Kensington Place, which contains 216 units, all of which are rent-restricted, has a current occupancy of 98%. Longboat Key, a 272-unit Family PAB project with all units rent-restricted at 50% AMI, has a current occupancy of 90%; Sweetwater Point is a 260-unit HTC completed in 2004 and currently 95% occupied. The high occupancy rate of the affordable housing projects near the Primary Market Area suggests that there is strong demand in the area for quality affordable housing." (p. 45)

Comments:

While the inclusive capture rate including both the subject and the recently approved Windshire Apartments would exceed the Department's limit, the Market Analyst derived a Primary Market Area based on Zip Code boundaries which accurately excludes the Windshire site. Therefore the market study meets the Department's guidelines. It should be noted, however, that the Market Study provided for Windshire and conducted by the same Market Analyst for the same ownership team included a Primary Market Area that would have included the subject. Moreover, if the subject had priority over Windshire, the Windshire inclusive capture rate would have exceeded the Department's 25% limit.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N / A

The Applicant's projected income is based on maximum HTC program rents adjusted for utility cost estimates provided by Cirro Energy (electricity) and the Houston Housing Authority (water and sewer). (Units will be individually metered for water usage.) The Applicant's projections for secondary income ($15 per unit per month from vending, late fees, application fees, and forfeitures), and provision for losses due to vacancy and collection (equal to 7.5% of potential income), are consistent with underwriting guidelines. Overall, the Applicant's projected effective gross income is equivalent to the underwriting estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N / A

The Applicant's projected total annual operating expense is $3,923 per unit. This is 4% lower than the underwriting estimate of $4,105 per unit. Specific line items which vary significantly from the underwriting estimates include: general & administrative (the Applicant's projection is lower by $44K); management fees (the Applicant's projection is higher by $20K); repairs & maintenance (the Applicant's projection is higher by $19K); and utilities (the Applicant's projection for total utilities is lower by $54K).

Conclusion:

The Applicant's projected effective gross income, total annual operating expense, and net operating income (NOI), are each within 5% of the underwriting estimates; the Applicant's figures will therefore be used to determine debt capacity. Based on these figures and the Applicant's projected debt service, the first year debt coverage ratio (DCR) would be 1.14, below the underwriting minimum of 1.15. For this reason, the underwriting analysis will assume a reduced debt amount; this will be discussed further under Financing Structure below.

Feasibility:

The Applicant's projected income, operating expense, and NOI, combined with the recommended debt service, are used to create a 30-year underwriting proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and a DCR that remains above 1.15 throughout the proforma period. The development can therefore be considered financially feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 14.4 acres	$752,774	Tax Year:	2006
Assessed value per acre:	$52,272	Valuation by:	Harris County CAD
pro rata 12.4651 acres:	$651,576	Tax Rate:	3.84664

EVIDENCE of PROPERTY CONTROL

Type: Earnest Money Contract - Commercial Unimproved Property Acreage: 12.4651

Contract Expiration: 11/30/2007 Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $2,100,000 Other:

Seller: Meador Partners, Inc. Related to Development Team? [ ] Yes [X] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N / A

Acquisition Value:

The acquisition cost of $2,100,000, or $168K per acre, is assumed to be reasonable as the purchase is an arm's length transaction.

Sitework Cost:

The Applicant's claimed sitework cost of $9,712 per unit exceeds the maximum underwriting guideline of $9,000; the Applicant provided certification by an architect and a CPA of the validity and eligibility of these costs.

Direct Construction Cost:

The Applicant's projected direct construction cost of $13.7M is within 1% of the underwriting estimate.

Interim Interest Expense:

The Applicant claimed $3.2M in total financing fees, with $1.9M eligible for tax credits. The eligible amount includes $130,000 in brokerage fees to a 45% Member of the General Partner; the Underwriter excluded this fee from financing costs and included it under developer fees. The eligible amount also includes a $300,000 interest rate cap fee; as this seems to be related to permanent financing, it is doubtful that this fee is eligible for tax credits. Receipt, review, and acceptance of an opinion from a CPA verifying the eligibility of this fee, or a downward adjustment to the eligible basis in a like amount and a reduction of $13,848 in the recommended credit, is a condition of this report.

Contingency & Fees:

The Applicant included $30K for contingency under indirect construction costs; the Underwriter added this amount to total contingency costs. The projected total developer fees (including the $130K broker fee) exceeds the eligibility maximum by $196K. In addition, contractor fees exceed the eligibility limit by $3,500. These amounts have been excluded from eligible basis, and added to ineligible costs.

Conclusion:

The Applicant's projected total development cost of $28.9M is within 5% of the underwriting estimate; the Applicant's total will therefore be used to determine eligible basis and the need for permanent financing. The calculated eligible basis of $25,068,108 is increased by 30% because Harris County has been designated a Difficult Development Area; the resulting adjusted basis of $32,588,540 supports an annual tax credit allocation of $1,189,482. This amount will be compared to the Applicant's requested amount, and the allocation determined by the gap in financing; the minimum of the three will be the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N / A

Issuer: Houston Housing Finance Corporation

Source: Citibank Municipal Securities Division Type: **Interim to Permanent Bond Financing**

Tax-Exempt: $14,000,000 Interest Rate: 6.00% ☐ Fixed Amort: 420 months

Comments:

Citibank intends to provide permanent credit enhancement for the tax-exempt bonds; security during construction to be provided by a Letter of Credit from a financial institution acceptable to Citibank and Fannie Mae; the permanent loan will be for a 30-year term, amortized over 35 years, at a weekly variable interest rate (underwritten at 6.00%).

Source: Boston Capital Type: **Syndication**

Proceeds: $10,938,578 Syndication Rate: 92% Anticipated HTC: $ 1,189,095

Amount: $3,940,704 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. Therefore, the current underwriting analysis assumes a decrease in the permanent loan amount to $13,927,803 based on the terms reflected in the application materials. As a result the development's gap in financing will increase. The Applicant's total development cost estimate less the recommended permanent loan indicates the need for $14,951,477 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,625,323 annually would be required to fill this gap in financing. The three possible allocation amounts are:

Applicant's Requested Allocation:	**$1,189,095**
Tax Credits Determined by Eligible Basis:	$1,189,482
Tax Credits Determined by Gap in Financing:	$1,625,323

The Applicant's requested allocation of $1,189,095 is recommended as it is the minimum of the three. An allocation of this amount annually for ten years results in total proceeds of $10,938,578 at a syndication rate of 92%. The Underwriter's recommended financing structure indicates the need for $4,012,899 in additional permanent funds. This results in the Applicant deferring 100% of their developer fee and 32% of their related-party contractor fee. Deferred developer and contractor fees in this amount do not appear to be repayable in 10 years based upon the fixed underwritten interest rate but do appear to be repayable from development cash flow within 15 years of stabilized operation. Moreover it is likely that the repayment will be accelerated as long as the actual all-in variable interest rate remains below the underwritten rate.

Underwriter: ______________________ Date: September 5, 2007

Thomas Cavanagh

Director of Real Estate Analysis: ______________________ Date: September 5, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Regency Park Apartments, Houston, 4% HTC #07443

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash
TC 60%	4	1	1	727	$686	$599	$2,396	$0.82	$87.00	$13.31
TC 60%	4	1	1	765	$686	599	2,396	0.78	87.00	13.31
TC 60%	20	1	1	772	$686	599	11,980	0.78	87.00	13.31
TC 60%	8	1	1	773	$686	599	4,792	0.77	87.00	13.31
TC 60%	16	1	1	780	$686	599	9,584	0.77	87.00	13.31
TC 60%	8	2	2	962	$823	719	5,752	0.75	104.00	13.31
TC 60%	28	2	2	956	$823	719	20,132	0.75	104.00	13.31
TC 60%	4	2	2	982	$823	719	2,876	0.73	104.00	13.31
TC 60%	4	2	2	989	$823	719	2,876	0.73	104.00	13.31
TC 60%	4	2	2	999	$823	719	2,876	0.72	104.00	13.31
TC 60%	6	2	2	1,008	$823	719	4,314	0.71	104.00	13.31
TC 60%	4	2	2	1,009	$823	719	2,876	0.71	104.00	13.31
TC 60%	12	2	2	1,025	$823	719	8,628	0.70	104.00	13.31
TC 60%	6	2	2	1,037	$823	719	4,314	0.69	104.00	13.31
TC 60%	16	2	2	1,079	$823	719	11,504	0.67	104.00	13.31
TC 60%	16	2	2	1,186	$823	719	11,504	0.61	104.00	13.31
TC 60%	4	2	2 1/2	1,209	$823	719	2,876	0.59	104.00	13.31
TC 60%	22	3	2	1,217	$951	822	18,084	0.68	129.00	13.31
TC 60%	22	3	2	1,246	$951	822	18,084	0.66	129.00	13.31
TC 60%	39	3	2	1,249	$951	822	32,058	0.66	129.00	13.31
TC 60%	5	3	2	1,300	$951	822	4,110	0.63	129.00	13.31
TOTAL:	252		AVERAGE:	1,054		$730	$184,012	$0.69	$109.22	$13.31

INCOME	Total Net Rentable Sq Ft: 265,495			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$2,208,144	$2,208,144	Harris	Houston	6
Secondary Income	Per Unit Per Month:	$15.00		45,360	45,360	$15.00	Per Unit Per Month	
Other Support Income:				0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$2,253,504	$2,253,504			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(169,013)	(169,008)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$2,084,491	$2,084,496			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.51%	$456	0.43	$114,879	$70,500	$0.27	$280	3.38%
Management	4.01%	331	0.31	83,531	104,225	0.39	414	5.00%
Payroll & Payroll Tax	11.68%	966	0.92	243,393	238,620	0.90	947	11.45%
Repairs & Maintenance	5.44%	450	0.43	113,419	131,965	0.50	524	6.33%
Utilities	2.83%	234	0.22	58,968	27,740	0.10	110	1.33%
Water, Sewer, & Trash	3.06%	253	0.24	63,853	40,000	0.15	159	1.92%
Property Insurance	3.57%	296	0.28	74,482	79,700	0.30	316	3.82%
Property Tax 3.84664	9.00%	744	0.71	187,592	201,600	0.76	800	9.67%
Reserve for Replacements	3.02%	250	0.24	63,000	63,000	0.24	250	3.02%
TDHCA Compliance Fees	0.48%	40	0.04	10,080	10,080	0.04	40	0.48%
Other:	1.02%	84	0.08	21,168	21,168	0.08	84	1.02%
TOTAL EXPENSES	49.62%	$4,105	$3.90	$1,034,365	$988,598	$3.72	$3,923	47.43%
NET OPERATING INC	50.38%	$4,167	$3.96	$1,050,126	$1,095,898	$4.13	$4,349	52.57%
DEBT SERVICE								
Citigroup	45.95%	$3,801	$3.61	$957,919	$952,000	$3.59	$3,778	45.67%
NET CASH FLOW	4.42%	$366	$0.35	$92,207	$143,898	$0.54	$571	6.90%
AGGREGATE DEBT COVERAGE RATIO				1.10	1.15			
RECOMMENDED DEBT COVERAGE RATIO					1.15			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		7.34%	$8,333	$7.91	$2,100,000	$2,100,000	$7.91	$8,333	7.27%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.55%	9,712	9.22	2,447,500	2,447,500	9.22	9,712	8.47%
Direct Construction		47.55%	54,007	51.26	13,609,771	13,733,689	51.73	54,499	47.56%
Contingency	3.30%	1.85%	2,103	2.00	530,000	530,000	2.00	2,103	1.84%
Contractor's Fees	14.00%	7.85%	8,921	8.47	2,248,018	2,268,866	8.55	9,003	7.86%
Indirect Construction		3.77%	4,278	4.06	1,078,000	1,078,000	4.06	4,278	3.73%
Ineligible Costs		4.58%	5,205	4.94	1,311,648	1,311,648	4.94	5,205	4.54%
Developer's Fees	15.00%	11.35%	12,891	12.24	3,248,563	3,465,778	13.05	13,753	12.00%
Interim Financing		6.09%	6,920	6.57	1,743,799	1,743,799	6.57	6,920	6.04%
Reserves		1.06%	1,200	1.14	302,418	200,000	0.75	794	0.69%
TOTAL COST		100.00%	$113,570	$107.80	$28,619,717	$28,879,280	$108.78	$114,600	100.00%
Construction Cost Recap		*65.81%*	*$74,743*	*$70.94*	*$18,835,289*	*$18,980,055*	*$71.49*	*$75,318*	*65.72%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
Citigroup	48.92%	$55,556	$52.73	$14,000,000	$14,000,000	$13,927,603	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0		0	$3,269,753
HTC Syndication Proceeds	38.22%	$43,407	$41.20	10,938,578	10,938,578	10,938,578	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0		4,012,899	123%
Additional (Excess) Funds Req'd	12.86%	$14,608	$13.87	3,681,139	3,940,702	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$28,619,717	$28,879,280	$28,879,280	$4,699,323

Regency Park Apartments, Houston, 4% HTC #07443

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$53.80	$14,283,682
Adjustments				
Exterior Wall Finish	2.40%		$1.29	$342,808
family			0.00	0
9-Ft. Ceilings	1.22%		0.66	174,404
Roofing			0.00	0
Subfloor			(1.24)	(327,888)
Floor Cover			2.43	645,153
Breezeways/Balconies	$22.18	23,022	1.92	510,542
Plumbing Fixtures	$805	695	2.11	559,475
Rough-ins	$400	504	0.76	201,600
Built-In Appliances	$1,850	252	1.76	466,200
Exterior Stairs	$1,800	23	0.16	41,400
Interior Stairs	$1,350	152	0.77	205,200
Heating/Cooling			1.90	504,441
Garages (attached)	$26.72	46,400	4.67	1,239,808
Comm &/or Aux Bldgs	$63.50	5,019	1.20	318,681
Garages (detached)	$21.33	4,400	0.35	93,852
SUBTOTAL			72.54	19,259,360
Current Cost Multiplier	0.98		(1.45)	(385,187)
Local Multiplier	0.89		(7.98)	(2,118,530)
TOTAL DIRECT CONSTRUCTION COSTS			$63.11	$16,755,643
Plans, specs, survy, bld pm	3.90%		($2.46)	($653,470)
Interim Construction Interes	3.38%		(2.13)	(565,503)
Contractor's OH & Profit	11.50%		(7.26)	(1,926,899)
NET DIRECT CONSTRUCTION COSTS			$51.26	$13,609,771

PAYMENT COMPUTATION

Primary	$14,000,000	Amort	420
Int Rate	6.00%	DCR	1.10

Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.10

Additional	$10,938,578	Amort	
Int Rate		Aggregate DCR	1.10

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	$952,979
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$142,919

Primary	$13,927,803	Amort	420
Int Rate	6.00%	DCR	1.15

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15

Additional	$10,938,578	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

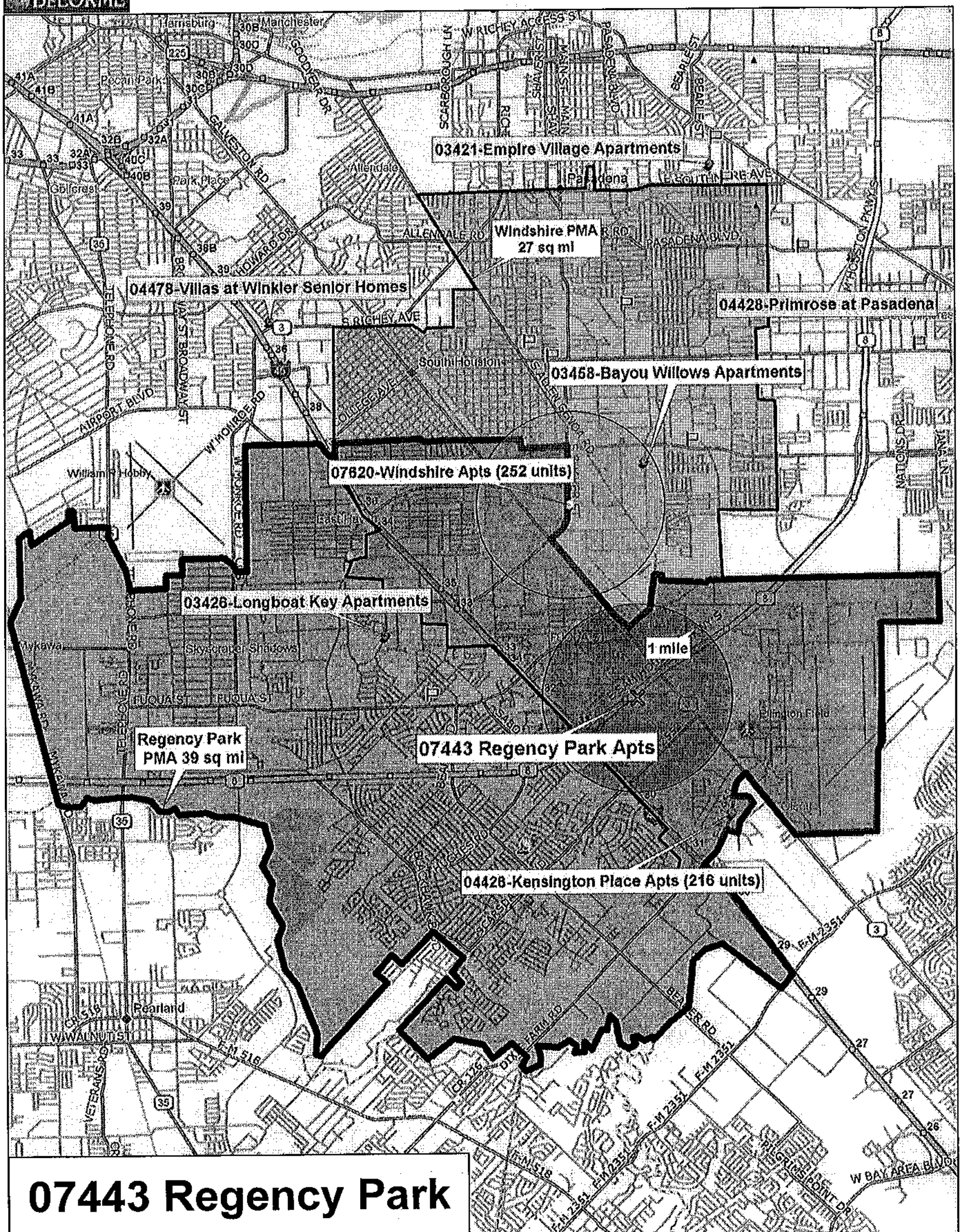
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,208,144	$2,274,388	$2,342,620	$2,412,899	$2,485,286	$2,881,127	$3,340,016	$3,871,994	$5,203,636
Secondary Income	45,360	46,721	48,122	49,566	51,053	59,185	68,611	79,539	106,894
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,253,504	2,321,109	2,390,742	2,462,465	2,536,339	2,940,312	3,408,627	3,951,533	5,310,530
Vacancy & Collection Loss	(169,008)	(174,083)	(179,305)	(184,685)	(190,226)	(220,523)	(255,647)	(296,365)	(398,290)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,084,496	$2,147,026	$2,211,437	$2,277,780	$2,346,113	$2,719,768	$3,152,980	$3,655,168	$4,912,240
EXPENSES at 4.00%									
General & Administrative	$70,500	$73,320	$76,253	$79,303	$82,475	$100,343	$122,083	$148,533	$219,865
Management	104,225	107,352	110,572	113,889	117,306	135,990	157,649	182,759	245,612
Payroll & Payroll Tax	238,620	248,165	258,091	268,415	279,152	339,631	413,213	502,736	744,173
Repairs & Maintenance	131,965	137,244	142,733	148,443	154,380	187,827	228,521	278,030	411,553
Utilities	27,740	28,850	30,004	31,204	32,452	39,483	48,037	58,444	86,511
Water, Sewer & Trash	40,000	41,600	43,264	44,995	46,794	56,932	69,267	84,274	124,746
Insurance	79,700	82,888	86,204	89,652	93,238	113,438	138,015	167,916	248,557
Property Tax	201,600	209,664	218,051	226,773	235,843	286,940	349,106	424,741	628,720
Reserve for Replacements	63,000	65,520	68,141	70,866	73,701	89,669	109,096	132,731	196,475
Other	31,248	32,498	33,798	35,150	36,556	44,476	54,111	65,835	97,452
TOTAL EXPENSES	$988,598	$1,027,099	$1,067,110	$1,108,689	$1,151,897	$1,394,728	$1,689,097	$2,045,999	$3,003,684
NET OPERATING INCOME	$1,095,898	$1,119,927	$1,144,327	$1,169,091	$1,194,216	$1,325,060	$1,463,883	$1,609,169	$1,908,576
DEBT SERVICE									
First Lien Financing	$952,979	$952,979	$952,979	$952,979	$952,979	$952,979	$952,979	$952,979	$952,979
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	$142,919	$166,948	$191,348	$216,112	$241,237	$372,081	$510,904	$656,190	$955,598
DEBT COVERAGE RATIO	1.15	1.18	1.20	1.23	1.25	1.39	1.54	1.69	2.00

HTC ALLOCATION ANALYSIS -Regency Park Apartments, Houston, 4% HTC #07443

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$2,100,000	$2,100,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$2,447,500	$2,447,500	$2,447,500	$2,447,500
Construction Hard Costs	$13,733,689	$13,609,771	$13,733,689	$13,609,771
Contractor Fees	$2,268,866	$2,248,018	$2,265,366	$2,248,018
Contingencies	$530,000	$530,000	$530,000	$530,000
Eligible Indirect Fees	$1,078,000	$1,078,000	$1,078,000	$1,078,000
Eligible Financing Fees	$1,743,799	$1,743,799	$1,743,799	$1,743,799
All Ineligible Costs	$1,311,648	$1,311,648		
Developer Fees			$3,269,753	
Developer Fees	$3,465,778	$3,248,563		$3,248,563
Development Reserves	$200,000	$302,418		
TOTAL DEVELOPMENT COSTS	$28,879,280	$28,619,717	$25,068,108	$24,905,651

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		$25,068,108	$24,905,651
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$32,588,540	$32,377,347
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$32,588,540	$32,377,347
Applicable Percentage		3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS		$1,189,482	$1,181,773
Syndication Proceeds	**0.9199**	**$10,942,135**	**$10,871,224**
Total Tax Credits (Eligible Basis Method)		**$1,189,482**	**$1,181,773**
Syndication Proceeds		**$10,942,135**	**$10,871,224**
Requested Tax Credits		**$1,189,095**	
Syndication Proceeds		**$10,938,578**	
Gap of Syndication Proceeds Needed		**$14,951,477**	
Total Tax Credits (Gap Method)		**$1,625,323**	



Scale 1 : 87,500

1" = 1.38 mi

Data Zoom 11-2

07445 Lakeside Apartments

Pulled from Agenda

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
September 13, 2007

Action Item

Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits associated with Mortgage Revenue Bond Transactions with other Issuers.

Requested Action

Approve, Amend or Deny the staff recommendation for Runnymede Apartments, #07446.

Summary of the Transaction

Background and General Information: The application was received on June 18, 2007. The Issuer for this transaction is Austin HFC with a reservation of allocation that expires on November 17, 2007. The development proposes the acquisition and rehabilitation of 252 total units targeting the general population. The development is located in the City of Austin and 100% of the units are proposed to be restricted. The site is currently zoned for such a development.

Organizational Structure and Compliance: The Borrower is SAAHC Runnymede Apartments, LP and the General Partner is SAAHC Runnymede Apartments GP, LLC, of which the San Antonio Alternative Housing Corporation has 100% ownership interest. The Compliance Status Summary completed on August 31, 2007 reveals that the principals of the general partner have a total of five (5) properties that have been monitored with no material non-compliance. The bond priority for this transaction is:

☒ **Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits

Census Demographics: The development will be located at 1101 Rutland Dr. in Austin. Demographics for the census tract (0018.19) include AMFI of $37,609; the total population is 3,814; the percent of population that is minority is 72.08%; the percent of population that is below the poverty line is 14.07%; the number of owner occupied units is 333; the number of renter units is 1,039 and the number of vacant units is 367. The percentage of population that is minority for the entire City of Austin is 47% (Census information from FFIEC Geocoding for 2007).

Public Comment: The Department has received one letter in opposition and no letters of support.

Recommendation

Staff recommends the Board approve the issuance of a Determination Notice of $488,042 in Housing Tax Credits for Runnymede Apartments.

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 13, 2007

Development Information, Public Input and Board Summary

Runnymede Apartments, TDHCA Number 07446

BASIC DEVELOPMENT INFORMATION

Site Address:	1101 Rutland Dr.			Development #:	07446
City:	Austin	Region:	7	Population Served:	Family
County:	Travis	Zip Code:	78758	Allocation:	Urban/Exurban
				Purpose/Activity:	RH

HOME Set Asides: ☐ CHDO ☐ Preservation ☐ General

Bond Issuer: Austin HFC

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner:	SAAHC Runnymede Apartments, LP	
Owner Contact and Phone	Rod Radle	(210) 224-2349
Developer:	San Antonio Alternative Housing Corporation	
Housing General Contractor:	Concept Builders	
Architect:	Hardy & Associates	
Market Analyst:	Integra Realty Resources	
Syndicator:	WNC	
Supportive Services:	San Antonio Alternative Housing Corporation	
Consultant:	Not Utilized	

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	0	252	0	108	84	60	0	0

Type of Building:

- ☑ 4 units or more per building
- ☐ Duplex
- ☐ Triplex
- ☐ Fourplex
- ☐ Detached Residence
- ☐ Single Room Occupancy
- ☐ Transitional
- ☐ Townhome

Total Restricted Units:	252
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	252
Total Development Cost:	$16,816,424
Number of Residential Buildings:	21
HOME High Total Units:	0
HOME Low Total Units:	0

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$488,042	$488,042	0	0	0%
TDHCA Bond Allocation Amount:	$0	$0	0	0	0%
HOME Activity Fund Amount:	$0	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 13, 2007

Development Information, Public Input and Board Summary

Runnymede Apartments, TDHCA Number 07446

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Watson, District 14 NC

US Representative: McCaul, District 10, NC

TX Representative: Dukes, District 46 NC

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Will Wynn, Mayor, City of Austin - NC

Resolution of Support from Local Government ☐

Paul Hilgers, Director Neighborhood Housing and Community Development: "This project is consistent with the needs and strategies outlined in the Consolidated Plan for the City of Austin".

Individuals/Businesses: In Support: 0 In Opposition 0

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and no letters of opposition.

CONDITIONS OF COMMITMENT

Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."

Receipt, review and acceptance, by commitment, of updated surveys indicating all pipeline easements and a letter from the surveyor verifying that there are not setback violations (Schedule B, Items 13-19 of the title commitment).

Receipt, review and acceptance, by commitment of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a survey and testing for asbestos and PCB containing materials.

Should the terms and rates of the proposed debt or syndication change, the transaction should be reevaluated and an adjustment to the credit allocation amount may be warranted.

MULTIFAMILY FINANCE PRODUCTION DIVISION
September 13, 2007
Development Information, Public Input and Board Summary

Runnymede Apartments, TDHCA Number 07446

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

4% Housing Tax Credits:		Credit Amount:	$488,042

Recommendation: **Recommend approval of a Housing Tax Credit Allocation not to exceed $488,042 annually for ten years, subject to conditions.**

TDHCA Bond Issuance:		Bond Amount:	$0

Recommendation:

HOME Activity Funds:		Loan Amount:	$0
HOME CHDO Operating Expense Grant:		Grant Amount:	$0

Recommendation:

MA-

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 09/06/07 PROGRAM: 4% HTC FILE NUMBER: **07446**

DEVELOPMENT

Runnymede Apartments

Location: 1101 Rutland Dr. Region: 7

City: Austin County: Travis Zip: 78758 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Family, Urban/Exurban, Acquisition/Rehab

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$488,042 [1]			**$488,042**		

[1] Request reduced from $508,803 on August 31, 2007.

CONDITIONS

1 Receipt, review, and acceptance, by commitment, of updated surveys indicating all pipeline easements and a letter from the surveyor verifying that there are no setback violations (Schedule B, Items 13-19 of the title commitment).

2 Receipt, review, and acceptance by commitment of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a survey and testing for asbestos and PCB containing materials.

3 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	**50% of AMI**	252

PROS

- The development will have a competitive price advantage over other typical tax credit properties in the area since it can serve up to 60% households with 50% rents.
- The economics of the transaction work with rents restricted to the 50% level.

CONS

- The originally proposed rents and Market Analyst's concluded market rents for 60% units were below the 50% calculated rent reflecting limited need for additional units at 60% in this market.
-

PREVIOUS UNDERWRITING REPORTS

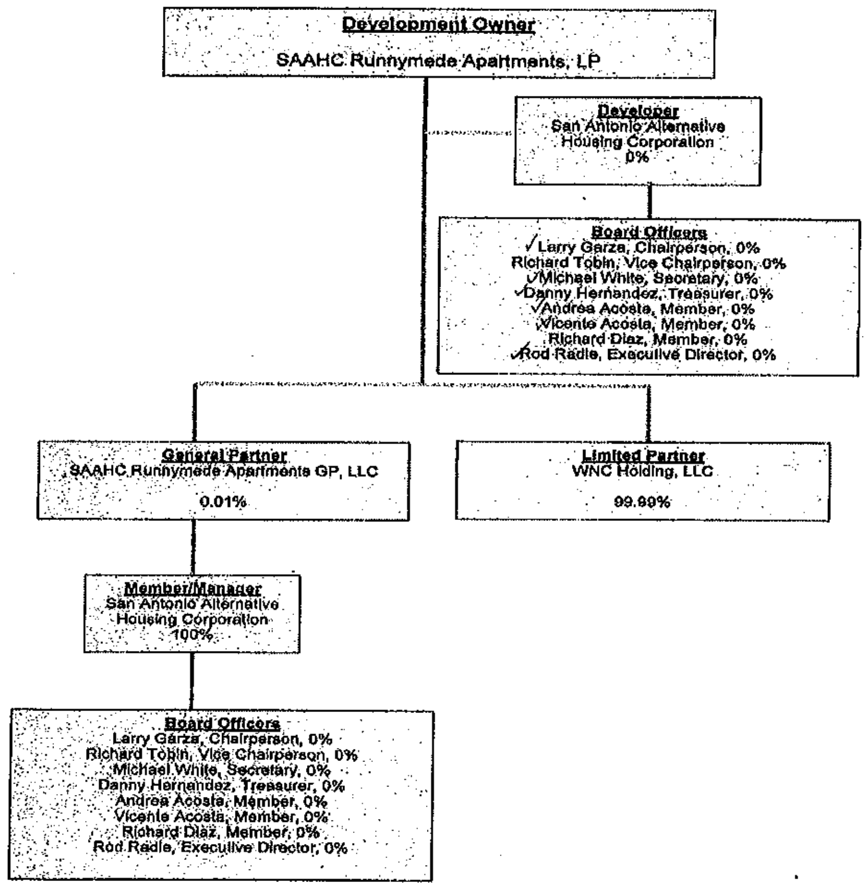
No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

TDHCA File # TBD

Applicant and Developer Ownership Chart



CONTACT

Contact: Rod Radle   Phone: (210) 224-2349   Fax: (210) 224-9686

Email: rodr@saahc.org

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments
SAAHC	$9,064,864	$3,469,635	6

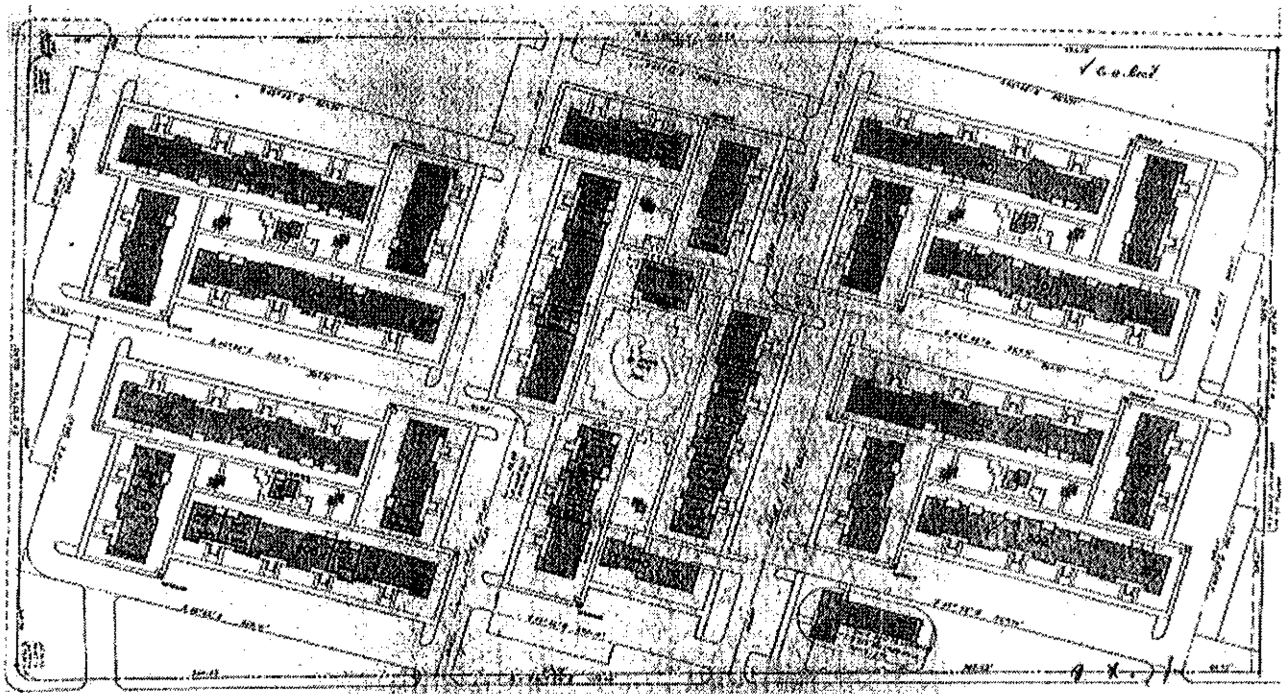
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D							Total Buildings
Floors/Stories	2	2	2	2							
Number	10	1	5	5							**21**

BR/BA	SF	Units										Total Units	Total SF
1/1	600	4		1	2							55	33,000
1/1	604		6	2	1							21	12,684
1/1	605			1	2							15	9,075
1/1	612		2	2	1							17	10,404
2/1	765	2		1	4							45	34,425
2/1	768			1								5	3,840
2/1.5	769		4	4	1							29	22,301
2/1.5	779				1							5	3,895
3/2	955			4								20	19,100
3/2	956	2			4							40	38,240
Units per Building		8	12	16	16							**252**	**186,964**

SITE ISSUES

Total Size:	14.5 acres	Scattered site?	[ ]	Yes	[x]	No	
Flood Zone:	Zone X	Within 100-yr floodplain?	[ ]	Yes	[x]	No	
Zoning:	MF-2 NP	Needs to be re-zoned?	[ ]	Yes	[x]	No	[ ] N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 8/7/2007

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Rutland Drive and vacant land

South: Rundberg Lane and residential uses

East: Mearns Meadow Blvd, vacant land and residential uses

West: Residential uses

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: AMEC Earth & Environmental, Inc. Date: 6/1/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "No screening for the presence of asbestos-containing building materials (ACMs) or lead-based paint was conducted during this assessment. Based on a construction date of 1973 for the complex, it is reasonable to believe that ACM's may exist in some building elements." (p. 8)
- "It is recommended that each unit in service without NON-PCB labeling and previous units stored on the Subject Property be tested to determine if the units are PCB containing. Additionally, wipe samples from the stained transformer pad and the immediately adjacent soil should be collected and analyzed for PCB content. As a result, the stained concrete and transformer units are considered a recognized environmental condition (REC)." (p. 9)

Receipt, review, and acceptance by commitment of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a survey and testing for asbestos and PCB containing materials is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources Date: 7/6/2007

Contact: Kevin Watkins & Walter Jenkins Phone: (512) 459-3440 Fax: (512) 459-4423

Number of Revisions: 1 Date of Last Applicant Revision: 9/4/2007

Primary Market Area (PMA):

"For the purpose of this study, the Subject's Primary Market Area (PMA) is the area bound by West Parmer Lane to the north, Interstate 35 to the east, U.S. Highway 183 to the south and Loop 1 to the west." (p.12)

Secondary Market Area (SMA):

"The secondary market area (SMA) is defined at the Austin, Round Rock, TX MSA." (p. 12)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
None				None			

INCOME LIMITS						
Travis						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	$29,880	$34,140	$38,400	$42,660	$46,080	$49,500

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate

1 BR/50% Rent Limit	1,889		1,889	104		5.51%
2 BR/50% Rent Limit	1,879		1,879	80		4.26%
3 BR/50% Rent Limit	809		809	56		6.92%

OVERALL DEMAND					
	Target Households	Household Size	Income Eligible	Tenure	Demand
PMA DEMAND from TURNOVER					
Market Analyst p. 68	25,223	100% 25,223	29% 7,340	72% 5,285	25% 1,323
Underwriter	100% 25,924	100% 25,924	28% 7,168	69% 4,927	25% 1,232
PMA DEMAND from HOUSEHOLD GROWTH					
Market Analyst p. 68		350	29% 102	72% 74	100% 74
Underwriter		100% 359	28% 99	69% 68	100% 68

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 68	252	0	0	252	1,397	18.04%
Underwriter	252	0	0	252	1,300	19.38%

Primary Market Occupancy Rates:

"The overall vacancy rate for the comparable properties is 5.7 percent... It is anticipated that the Subject's renovation and superior condition as compared to the comparables will allow it to outperform the market. Thus, we have estimated the Subject's stabilized occupancy rate after renovation to be 95 percent." (p.38)

Absorption Projections:

"The subject property is currently 92.3 percent occupied. Once the property is renovated, the Subject will be able to pool potential income qualified tenants from current residents. The absorption process should be aided by the superior quality and condition of the Subject once the renovations are completed (p.37)."

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 600 SF 50%	$645	$594	$625	$625	$0
1 BR 604 SF 50%	$645	$594	$625	$625	$0
1 BR 605 SF 50%	$660	$594	$625	$625	$0
1 BR 612 SF 50%	$660	$594	$625	$625	$0
2 BR 765 SF 50%	$760	$701	$800	$800	$0
2 BR 768 SF 50%	$760	$701	$800	$800	$0
2 BR 769 SF 50%	$745	$701	$800	$800	$0
2 BR 779 SF 50%	$745	$701	$800	$800	$0
3 BR 955 SF 50%	$850	$805	$910	$910	$0
3 BR 956 SF 50%	$865	$805	$910	$910	$0

Market Impact:

The Market Analyst does not explicitly comment on the impact the proposed development will have on the market area.

Comments:

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

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 8/31/2007

The Applicant's projected rents collected per unit do not appear to be based on current HTC rent limits, or the market rent conclusions indicated in the Market Study. For each unit type, the Underwriter utilized the lesser of the Market Analyst's market rent conclusion or since the development will be an all-bills paid structure, the 2007 program gross rent limits without any adjustments. The Applicant's proposed rents for the 1 bedroom units appear to be slightly higher, and proposed rents for the two and three bedroom units appear to be slightly lower than the underwritten rents.

The Applicant's vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines; however, secondary income assumptions are not, as the Applicant included an additional $5 per unit over the $15 guideline. The Applicant indicated that this revenue would be from laundry, fees, damage and reserve interest income and provided little documentation to support these additional amounts. The Underwriter's secondary income amount does not exceed the Department maximum of $15 per unit. Despite the differences in secondary income and rents, effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at $4,922 per unit is within 5% of the Underwriter's estimate of $5,132, derived from actual operating history of the development, the TDHCA database, and third-party data sources. The Applicant's budget shows repairs & maintenance to be $23.5K lower than the Underwriter's estimate. The Underwriter considered historical operating expenses for the development from December 2004 to December 2006.
The Applicant's reserve for replacement's figure is $256 per unit, as required by the syndiactor, while the Underwriter has used reserves of $300 per in accordance with Department standards.

Conclusion:

The Applicant's effective gross income, operating expenses, and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proforma and estimated debt service result in a debt coverage ratio (DCR) below the current underwriting minimum guideline of 1.15. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the ***Applicant's*** base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Integra Realty Resources Date: 7/6/2007

Number of Revisions:		0	Date of Last Applicant Revision:	N/A
Land Only:	14.5 acres	$1,310,000	As of:	7/6/2007
Existing Buildings: (as-is)		$6,790,000	As of:	7/6/2007
Total Development: (as-is)		$8,100,000	As of:	7/6/2007

ASSESSED VALUE

Land Only:	14.5 acres	$1,896,168	Tax Year:	2007
Existing Buildings:		$5,578,232	Valuation by:	Travis CAD
Total Assessed Value:		$7,474,400	Tax Rate:	2.5254

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Agreement — Acreage: 14.51

Contract Expiration: 9/29/2007 — Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $8,100,000 — Other:

Seller: Runnymede Associates — Related to Development Team? [ ] Yes [x] No

TITLE

Comments:

The title commitment lists a number of easements and/or setbacks that appear to be shown on the survey as proposing parking spaces on them. Therefore, receipt, review, and acceptance, by commitment, of updated surveys indicating all pipeline easements and a letter from the surveyor verifying that there are no setback violations (Schedule B, Items 13-19 of the title commitment) is a condition of this report.

Finally, Schedule C of the title commitment indicates a Deed of Trust executed by the current owner, Runnymede Associates to Jon Opert, securing the payment of one note of even date therewith payable to Patrician Financial Company Ltd. Partnership, in the original principal amount of $5,000,000. There does not appear to be a payoff of these liens but the new financing is also to be provided by RJW Financial Investors, LC and therefore a payoff of this cross collateral debt in order to obtain additional debt does not appear likely to be required.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 9/4/2007

Acquisition Value:

The site cost of $558,236 per acre or $32,143 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of $1,212 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is consistent with the estimate provided in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value.

Contingency & Fees:

The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines; however, the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by $93,917 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $13,731,634 supports annual tax credits of $499,172. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 8/31/2007

Issuer: Austin HFC

Source: WNC & Associates, Inc. Type: **Interim to Permanent Bond Financing**

Tax-Exempt:	$10,825,000	Interest Rate:	6.00%	x	Fixed	Amort: 480	months
Subordinate Lien:	$11,415,000	Interest Rate:	8.50%	x	Fixed	Amort: 240	months

Source: WNC & Associates Type: **Syndication**

Proceeds: $4,943,615 Syndication Rate: 98% Anticipated HTC: $ 501,890

Amount: $686,759 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. The current underwriting analysis assumes a decrease in the permanent loan amount to $11,194,121 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

The Underwriter's total development cost estimate less the adjusted permanent loan of $11,194,121 indicates the need for $5,714,495 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $580,152 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request ($488,042), the gap-driven amount ($580,152), and eligible basis-derived estimate ($499,172), the Applicant's revised request of $488,042 is recommended resulting in proceeds of $4,807,212 based on a syndication rate of 98%.

The Underwriter's recommended financing structure indicates the need for $815,090 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within ten years of stabilized operation.

Underwriter:	*Diamond Unique Thompson*	Date:	September 6, 2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	September 6, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Runnymede Apartments, Austin, 4% HTC #07446

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Utilities	WS&T
TC50%r60%i	55	1	1	600	$666	$625	$34,375	$1.04	$72.00	$50.00
TC50%r60%i	21	1	1	604	$666	625	13,125	1.03	72.00	50.00
TC50%r60%i	15	1	1	605	$666	625	9,375	1.03	72.00	50.00
TC50%r60%i	17	1	1	612	$666	625	10,625	1.02	72.00	50.00
TC50%r60%i	45	2	1	765	$800	800	36,000	1.05	99.00	57.00
TC50%r60%i	5	2	1	768	$800	800	4,000	1.04	99.00	57.00
TC50%r60%i	29	2	1.5	769	$800	800	23,200	1.04	99.00	57.00
TC50%r60%i	5	2	1.5	779	$800	800	4,000	1.03	99.00	57.00
TC60%r60%i	20	3	2	955	$924	910	18,200	0.95	119.00	84.00
TC60%r60%i	40	3	2	956	$924	910	36,400	0.95	119.00	84.00
TOTAL:	252		AVERAGE:	742		$751	$189,300	$1.01	$92.19	$60.43

INCOME	Total Net Rentable Sq Ft: 186,964				TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
							Travis	Austin	7
POTENTIAL GROSS RENT					$2,271,600	$2,215,872			
Secondary Income		Per Unit Per Month:		$15.00	45,360	61,428	$20.31	Per Unit Per Month	
Other Support Income:					0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$2,316,960	$2,277,300			
Vacancy & Collection Loss		% of Potential Gross Income:		-7.50%	(173,772)	(170,796)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$2,143,188	$2,106,504			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		1.95%	$166	0.22	$41,882	$35,104	$0.19	$139	1.67%
Management		3.44%	293	0.39	73,736	83,800	0.45	333	3.98%
Payroll & Payroll Tax		10.08%	857	1.16	215,992	206,500	1.10	819	9.80%
Repairs & Maintenance		5.16%	439	0.59	110,513	87,000	0.47	345	4.13%
Utilities		16.26%	1,383	1.86	348,480	334,000	1.79	1,325	15.86%
Water, Sewer, & Trash		12.57%	1,069	1.44	269,313	263,800	1.41	1,047	12.52%
Property Insurance		2.45%	208	0.28	52,421	58,970	0.32	234	2.80%
Property Tax	2.5264	3.30%	281	0.38	70,785	72,000	0.39	286	3.42%
Reserve for Replacements		3.53%	300	0.40	75,600	64,512	0.35	256	3.06%
TDHCA Compliance Fees		0.47%	40	0.05	10,080	10,080	0.05	40	0.48%
Other: Supportive Services		1.14%	97	0.13	24,500	24,500	0.13	97	1.16%
TOTAL EXPENSES		60.34%	$5,132	$6.92	$1,293,302	$1,240,266	$6.63	$4,922	58.88%
NET OPERATING INC		39.66%	$3,373	$4.55	$849,886	$866,238	$4.63	$3,437	41.12%
DEBT SERVICE									
First Lien Mortgage		33.35%	$2,836	$3.82	$714,728	$687,398	$3.68	$2,728	32.63%
Additional Financing		2.87%	$244	$0.33	61,442		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		3.44%	$293	$0.39	$73,717	$178,840	$0.96	$710	8.49%
AGGREGATE DEBT COVERAGE RATIO					1.09	1.26			
RECOMMENDED DEBT COVERAGE RATIO						1.15			

CONSTRUCTION COST Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		48.17%	$32,143	$43.32	$8,100,000	$8,100,000	$43.32	$32,143	47.90%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.81%	1,210	1.63	305,000	305,336	1.63	1,212	1.81%
Direct Construction		21.64%	14,440	19.46	3,639,000	3,637,164	19.45	14,433	21.51%
Contingency	9.25%	2.17%	1,448	1.95	365,000	365,000	1.95	1,448	2.16%
Contractor's Fees	13.99%	3.28%	2,190	2.95	551,800	551,800	2.95	2,190	3.26%
Indirect Construction		1.87%	1,246	1.68	313,971	313,971	1.68	1,246	1.86%
Ineligible Costs		4.23%	2,825	3.81	711,897	711,897	3.81	2,825	4.21%
Developer's Fees	15.00%	10.65%	7,108	9.58	1,791,308	1,885,000	10.08	7,480	11.15%
Interim Financing		3.35%	2,236	3.01	563,448	563,448	3.01	2,236	3.33%
Reserves		2.82%	1,885	2.54	475,000	475,000	2.54	1,885	2.81%
TOTAL COST		100.00%	$66,732	$89.94	$16,816,424	$16,908,616	$90.44	$67,098	100.00%
Construction Cost Recap		*28.91%*	*$19,289*	*$26.00*	*$4,860,800*	*$4,859,300*	*$25.99*	*$19,283*	*28.74%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	67.88%	$45,298	$61.06	$11,415,000	$10,825,000	$11,194,121	Developer Fee Available
Additional Financing	0.00%	$0	$0.00		590,000		$1,791,083
HTC Syndication Proceeds	29.40%	$19,618	$26.44	4,943,615	4,806,856	4,807,212	% of Dev. Fee Deferred
Deferred Developer Fees	4.08%	$2,725	$3.67	686,759	686,759	815,090	46%
Additional (Excess) Funds Req'd	-1.36%	($909)	($1.22)	(228,950)	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$16,816,424	$16,908,616	$16,816,424	$3,094,688

PAYMENT COMPUTATION

Primary	$10,825,000	Amort	480
Int Rate	6.00%	DCR	1.19

Secondary	$590,000	Amort	240
Int Rate	8.50%	Subtotal DCR	1.09

Additional	$4,806,856	Amort	
Int Rate		Aggregate DCR	1.09

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	$714,728
Secondary Debt Service	38,440
Additional Debt Service	0
NET CASH FLOW	$113,071

Primary	$10,825,000	Amort	480
Int Rate	6.00%	DCR	1.21

Secondary	$369,121	Amort	240
Int Rate	8.50%	Subtotal DCR	1.15

Additional	$4,806,856	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,215,872	$2,282,348	$2,350,819	$2,421,343	$2,493,983	$2,891,210	$3,351,705	$3,885,545	$5,221,848
Secondary Income	61,428	63,271	65,169	67,124	69,138	80,150	92,915	107,714	144,759
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,277,300	2,345,619	2,415,988	2,488,467	2,563,121	2,971,360	3,444,621	3,993,259	5,366,607
Vacancy & Collection Loss	(170,796)	(175,921)	(181,199)	(186,635)	(192,234)	(222,852)	(258,347)	(299,494)	(402,495)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,106,504	$2,169,698	$2,234,789	$2,301,832	$2,370,887	$2,748,508	$3,186,274	$3,693,765	$4,964,111
EXPENSES at 4.00%									
General & Administrative	$35,104	$36,508	$37,968	$39,487	$41,067	$49,964	$60,789	$73,959	$109,477
Management	83,800	86,314	88,903	91,570	94,318	109,340	126,755	146,944	197,480
Payroll & Payroll Tax	206,500	214,760	223,350	232,284	241,576	293,914	357,591	435,064	644,002
Repairs & Maintenance	87,000	90,480	94,099	97,863	101,778	123,828	150,656	183,296	271,323
Utilities	334,000	347,360	361,254	375,705	390,733	475,386	578,380	703,688	1,041,630
Water, Sewer & Trash	263,800	274,352	285,326	296,739	308,609	375,470	456,816	555,787	822,700
Insurance	58,970	61,329	63,782	66,333	68,987	83,933	102,117	124,241	183,907
Property Tax	72,000	74,880	77,875	80,990	84,230	102,478	124,681	151,693	224,543
Reserve for Replacements	64,512	67,092	69,776	72,567	75,470	91,821	111,714	135,917	201,190
Other	34,580	35,963	37,402	38,898	40,454	49,218	59,881	72,855	107,843
TOTAL EXPENSES	$1,240,266	$1,289,039	$1,339,737	$1,392,437	$1,447,219	$1,755,352	$2,129,380	$2,583,443	$3,804,094
NET OPERATING INCOME	$866,238	$880,659	$895,052	$909,395	$923,668	$993,156	$1,056,894	$1,110,322	$1,160,017
DEBT SERVICE									
First Lien Financing	$714,728	$714,728	$714,728	$714,728	$714,728	$714,728	$714,728	$714,728	$714,728
Second Lien	38,440	38,440	38,440	38,440	38,440	38,440	38,440	38,440	38,440
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$113,071	$127,492	$141,884	$156,227	$170,501	$239,989	$303,727	$357,154	$406,849
DEBT COVERAGE RATIO	1.15	1.17	1.19	1.21	1.23	1.32	1.40	1.47	1.54

HTC ALLOCATION ANALYSIS -Runnymede Apartments, Austin, 4% HTC #07446

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	$1,896,168	$1,896,168				
Purchase of buildings	$6,203,832	$6,203,832	$6,203,832	$6,203,832		
Off-Site Improvements						
Sitework	$305,336	$305,000			$305,336	$305,000
Construction Hard Costs	$3,637,164	$3,639,000			$3,637,164	$3,639,000
Contractor Fees	$551,800	$551,800			$551,800	$551,800
Contingencies	$365,000	$365,000			$365,000	$365,000
Eligible Indirect Fees	$313,971	$313,971			$313,971	$313,971
Eligible Financing Fees	$563,448	$563,448			$563,448	$563,448
All Ineligible Costs	$711,897	$711,897				
Developer Fees			$930,575	$930,575	$860,508	$860,733
Developer Fees	$1,885,000	$1,791,308				
Development Reserves	$475,000	$475,000				
TOTAL DEVELOPMENT COSTS	$16,908,616	$16,816,424	$7,134,407	$7,134,407	$6,597,227	$6,598,952

Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			$7,134,407	$7,134,407	$6,597,227	$6,598,952
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			$7,134,407	$7,134,407	$6,597,227	$6,598,952
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$7,134,407	$7,134,407	$6,597,227	$6,598,952
Applicable Percentage			3.64%	3.64%	3.63%	3.63%
TOTAL AMOUNT OF TAX CREDITS			$259,692	$259,692	$239,479	$239,542
Syndication Proceeds		**0.9850**	**$2,557,969**	**$2,557,969**	**$2,358,871**	**$2,359,488**

Total Tax Credits (Eligible Basis Method)	**$499,172**	**$499,234**
Syndication Proceeds	**$4,916,840**	**$4,917,457**
Requested Tax Credits	**$488,042**	
Syndication Proceeds	**$4,807,212**	
Gap of Syndication Proceeds Needed	**$5,714,495**	**$5,622,302**
Total Tax Credits (Gap Method)	**$580,152**	**$570,792**

None at this time

THIS ITEM HAS BEEN PULLED FROM THE AGENDA

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 13, 2007

Action Items

Presentation, Discussion and Possible Action of a Housing Tax Credit Amendment Policy.

Required Action

Approve, amend or deny the Housing Tax Credit Amendment Policy as recommended by staff.

Background

As requested recently by the Board, staff is providing a document to clarify the approval process for Housing Tax Credit (HTC) Amendments. The proposed policy is a product of key staff in the Multifamily Finance, Real Estate Analysis and Portfolio Management and Compliance divisions. This collaborative product is provided to the Board after careful consideration of previous Board actions and requests, §2306 Texas Government Code (Department statute), the Qualified Allocation Plan and Rules (QAP), and previous input from the public. This policy is designed to clarify which amendments will be presented to the Board and which HTC amendments will be processed administratively.

Recommendation

Staff recommends approval of attached Amendment Process Policy.

Texas Department of Housing and Community Affairs
Multifamily Finance Division
Housing Tax Credit Amendment Process Policy

I. Introduction

Housing Tax Credit (HTC) Amendments are governed by §2306 of the Texas Government Code and the Qualified Allocation Plan and Rules (QAP). §2306.6712 requires the Board to hear certain requests seeking amendments as have been outlined below. To best use the Board's time at meetings, staff is seeking board approval to administratively handle issues that are considered to be routine or non-material. Part of this document will also reflect items that are considered material based on prior Board actions and comments. The purpose of this policy is to have the Executive Director process administratively all other requests for amendments on tax credit properties.

The Staff currently uses judgment in what to bring to the Board based on prior acts and this policy formalizes that process. In general, upon the completion of a development, the final review by staff includes an evaluation of the original representations in the application about physical features, rent structure, threshold items, scoring items and representations reflected in the Department's underwriting report in comparison to the development as built. Any deviation from the representations of the application's specifications and amenities, rent schedule, threshold requirements, scoring representations, and construction plans would typically be viewed as an issue requiring approval. Changes in the ownership, developer membership and financing structure are generally not subject to the amendment process unless the original scoring would be negatively affected (§2306.6712(d)(3)), although they may be subject to the ownership transfer process as detailed in §2306 and the QAP.

II. Policy on Substitutes

It is expected that any modification that requires the approval of an amendment must be presented with an acceptable substitute. The substitute will replace the feature that has been eliminated or any eliminated aspect of a feature. Substitutes for physical features of a development do not, necessarily, need to be physical features of the development; substitutes may be additional services. Any amenity, feature or item of equipment that was not proposed to be in the development in any part of the application but that was, in fact, built into the development, may be used as a substitute for an amenity, feature or item that was or will be omitted or diminished. For staff to recommend an amendment for approval to the Board or Executive Director, the substitute must be viewed by the Department as being an item or quality that would be an acceptable or equivalent substitute to the eliminated or diminished feature that was represented and provides the tenants of the property a like benefit.

Acceptable substitutes must be equivalent to the aspects of the development that are to be replaced. If appropriate to evaluate equivalency, the substitutes will be evaluated with respect to their cost and usefulness to the development and the benefit to the tenants. Other factors that might be considered include the impact on the overall operation of the development.

III. Amendments that Require Approval by the Board

The amendments that qualify under §2306.6712 as "material alterations" may not be handled administratively. Pursuant to §2306.6712, the Board is required to review the following amendments:

1. Amendments that would materially alter the development in a negative manner; and
2. Amendments that would have adversely affected the selection of the application in the application round.

Material alteration of a development as stated in §2306.6712 includes:

1. A significant modification of the site plan;
2. A modification of the number of units or bedroom mix of units;
3. A substantive modification of the scope of tenant services;
4. A reduction of three percent or more in the square footage of the units or common areas;
5. A significant modification of the architectural design of the development; a modification of the residential density of the development of at least five percent; and
6. Any other modification considered significant by the Board.

Additional amendments that are considered material alterations based on prior Board actions include:

1. Modifications to rent and income restrictions that are increasing the levels required of tenants;
2. Transfers of ownership specific to the special treatment of Historically Underutilized Businesses and nonprofit organizations;
3. Changes in which equivalent substitutes are not proposed;
4. Changes from original plans that are significant, i.e. two bedroom two bath to two bedroom one bath;
5. Changes deemed to be significantly negative, controversial or otherwise of a nature indicating that reservation for the Board's decision is most appropriate;
6. Changes in building types;
7. Any amendment in which penalties of any type are recommended; or
8. Any amendment at the discretion of the Executive Director.

IV. Administrative Amendments

Amendments that are not listed above will be processed administratively. Such amendments could include but are not limited to, parking variances that meet code, equivalent selection, threshold or amenity changes that are interchangeable at the discretion of the Executive Director, administrative clarifications or conflicts between parts of an application or other routine matters.

The list of possible amenities for both common and unit amenities may change from year to year but will based on the applicable QAP when the amendment is requested for comparison between items. Additional amenities could be evaluated by staff and approved to be included as substitutions.

V. Appeal

Any staff decision may be appealed to the Board pursuant to the appeal process detailed in the Department rules in place at the time governing Board is to hear the appeal.

VI. Quarterly Reporting to the Board

Department staff will prepare quarterly reports to apprise the Board of the amendments being processed administratively by the Executive Director.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
September 13, 2007

Action Item

Presentation, Discussion and Possible Action for Housing Tax Credit Amendments.

Requested Action

Approve, deny or approve with amendments the requests for amendments related to housing tax credit properties.

Background and Recommendations

§2306.6712, Texas Government Code, indicates that the Board should determine the disposition of a requested amendment if the amendment is a "material alteration," would materially alter the development in a negative manner or would have adversely affected the selection of the application in the application round. The statute identifies certain changes as material alterations and the requests presented below include material alterations.

The requests and pertinent facts about the affected developments are summarized below. The recommendation of staff is included at the end of each write-up.

Limitations on the Approval of Amendment Requests

The approval of a request to amend an application does not exempt a development from the requirements of Section 504 of the Rehabilitation Act of 1973, fair housing laws, local and state building codes or other statutory requirements that are not within the Board's purview. Notwithstanding information that the Department may provide as assistance, the development owner retains the ultimate responsibility for determining and implementing the courses of action that will satisfy applicable regulations.

Penalties for Amendment Requests

§49.9(c), 2007 Qualified Allocation Plan and Rules, entitled, "Adherence to Obligations," states in part:

> Effective December 1, 2006, if a Development Owner does not produce the Development as represented in the Application and in any amendments approved by the Department subsequent to the Application, or does not provide the necessary evidence for any points received by the required deadline:
>
> (1) the Development Owner must provide a plan to the Department, for approval and subsequent implementation, that incorporates additional amenities to compensate for the non-conforming components; and
>
> (2) the Board will opt either to terminate the Application and rescind the Commitment Notice, Determination Notice or Carryover Allocation Agreement as applicable or the Department must:
>
> (A) reduce the score for Applications for tax credits that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development by ten points for the two Application Rounds concurrent to, or following, the date that the non-conforming aspect, or lack of financing, was identified by the Department; and
>
> (B) prohibit eligibility to apply for tax credits for a Tax-Exempt Bond Development that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development for 12 months from the date that the non-conforming aspect, or lack of financing, was identified by the Department.

HTC No. 04118, Churchill at Commerce Apartment Community

Summary of Request: This amendment was presented at the August 23rd Board meeting and was postponed because the Board wanted to know if the Board had the legal ability to reduce the penalty to a number of points less than the points indicated in the QAP. The Department's general counsel has determined that based on the QAP's waiver authority and the discretion provided to the Board in state and federal law to administer the tax credit program, it is permissible for good cause to alter the penalties under §49.22 of the QAP.

The owner requests approval for a change in the common area, site plan, and in the number of residential buildings from seven to nine. The development's common area was stated in the application as 3,544 square feet, including a 3,208 square foot office and clubhouse and a separate 336 square foot building that was to have contained a laundry room and mailroom. However, only the 3,208 square foot clubhouse was included by the Department in underwriting the development. Subsequent to the August 23, 2007 Board meeting, the owner has proposed an additional 443 square foot community building to compensate for the reduction of the original community space. The owner stated that the decrease in size was a result of eliminating wasted space to increase energy efficiency and specified that all of the amenities that the common area was originally proposed to contain, were included in the final space.

Regarding the increase in residential buildings from seven to nine, the owner stated that the original seven two-story buildings were replaced by five two-story buildings and four one-story buildings. The owner stated that the change was to create diversity in the design of the development and to increase the convenience of access from parking areas by bringing the parking spaces closer to the buildings. The owner noted that the revised design was more expensive than the original. The final site plan spreads the buildings over 8.206 acres instead of 6.918 of a total site area of 11.135 acres. The final development site included the entire 11.135 acres that were purchased.

In addition, the owner has added a 1.5 acre soccer field, children's playground, microwave ovens and R-15 wall systems and R-30 ceiling systems. The owner stated the cost of the additional amenities as about $45,000.

The owner requests that any penalty that might otherwise result from the changes be waived. It should be noted, the development community was put on notice of the adherence to obligations and penalties in the 2006 Qualified Allocation Plan and Rules (QAP), to be effective December 1, 2006. The 2007 QAP §49.9(c) officially made the penalties effective. This owner had over a year to request this amendment without any penalty. Other amendments with other developments related to this developer have been requested and approved in the past two years without penalty.

Governing Law:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a significant modification of the site plan, reduction of three percent or more in the square footage of the units or common areas, significant modification of the architectural design and any other modification considered significant by the board.
Owner:	Commerce Family Community, L.P.
General Partner:	LifeNet-Commerce G.P., LLC
Developers:	Churchill Residential, Inc. (CRI); LifeNet Community Behavioral Healthcare
Principals/Interested Parties:	LifeNet Community Behavioral Healthcare (NP); Brad Forslund (CRI)
Syndicator:	MMA Financial Bond Warehousing, LLC
Construction Lender:	MMA Financial, LLC
Permanent Lender:	MMA Financial, LLC
Other Funding:	Federal Home Loan Bank of Dallas

City/County:	Commerce/Hunt
Set-Aside:	Nonprofit
Type of Area:	Rural
Type of Development:	New Construction
Population Served:	General Population
Units:	90 HTC units and 10 market rate units
2004 Allocation:	$727,212 (Original allocation)
Allocation per HTC Unit:	$8,080
Prior Board Actions:	7/04 – Approved award of tax credits
Underwriting Reevaluation:	REA acknowledged that the owner spent more on the development than originally underwritten and recommended no change in the amount of the award of tax credits.
Staff Recommendation:	**Staff recommends approving the request because the substitute features and design change appear to be acceptable. The changes would have had no effect on scoring or on the award of tax credits. Staff does not intend this recommendation to be viewed as support for the owner's action in eliminating a part of the development's common area or other changes made without the Department's prior approval.**
Penalty Assessment:	**Staff recommends the penalty assessment (the QAP language was presented on the first page of this write up) because the amendment was requested after the implementation of the changes and the development features substantially changed without prior notice to the Department.**

HTC No. 99005, The Homes of Parker Commons (forward commitment to HTC No. 98169)

Relevant Background Information: The application was approved in 1998 as a forward commitment of allocation from the 1999 State Housing Tax Credit (HTC) ceiling. The applicant/owner was Sphinx Development with Jay Oji as principal of the general partner. M. Myers Development, Inc. was approved to join the development team in December 1998 as co-general partner and general contractor of the development. Additionally in 1998, a change was approved in the unit mix, which reduced the number of three bedroom units (the original application received eight (8) points for the larger units). At that time, the development team change and the unit mix changes were approved by the former Manager of the HTC program, Cherno Njie. The carryover allocation for this development was executed in December 1999 and all buildings were placed in service between June and September of 2001. In July 2004, the general partner was replaced with Affordable Housing GP 668, L.L.C., an affiliate of the syndicator AIG, at the request of the AIG Retirement Services, Inc (the syndicator). The Department approved the replacement of the general partner which eliminated the Historically Underutilized Business (HUB) (the original application received five (5) points for the HUB) from the general partner. The cost certification was submitted on July 12, 2005.

The current letter of request from the owner's counsel states that the syndicator contributed $2.8 million more to the development than originally anticipated and the Department furnished $11.3 million in tax credits. As of September 6, 2007, documentation for additional costs have not been submitted by the owner. The differences in costs are shown in the underwriting addendum between the original costs submitted at the time of application and the costs submitted at the time of cost certification. The largest differences are in sitework and direct construction costs (for which there is no documentation). In addition, the request letter states that Sphinx Development, the original applicant, and M. Myers Development, Inc., who joined the ownership after the award, were mutually removed from participation. The syndicator installed an organization with widespread national participation as the replacement general partner. The new replacement general partner is now requesting the following amendments in an effort to receive the IRS Forms 8609.

Summary of Requests:

Unit Mix Changes: The application file contains six references to the unit mix of the development each with a different unit mix reflected. The August 1998 and August 2001 changes were approved by the previous manager of the HTC program, however, the changes approved only reference the number of bedrooms and do not address the number of bathrooms or rentable area. The completed development omitted one bathroom in 26 of the two-bedroom units.

Rentable Area and Common Area: Despite increasing the unit count from 168 to 192 (which was approved by Department staff), the development is cost certifying to 160,808 square feet of rentable area, not the 192,878 square feet underwritten. The 16.6% reduction is a material alteration of the application. Essentially, all units were designed smaller than originally proposed.

Rent Targeting: The owner's current request does not mention that their request to reduce the number of 50% units in the development would conflict with a scoring representation of the application that has since been incorporated into the LURA. The development was awarded and has been consistently reviewed since the award under the expectation that at least 126 tax credit units would be produced, with at least 38 units being restricted for tenants at 50% of area gross median income. The owner is requesting that 2 units be changed from 50% to 60%.

Daycare Facility: This amenity was another check-box item in the Specifications and Amenities section. A daycare facility was not a threshold requirement however it was an item that could have been selected as threshold by the applicant. The applicant requested that this requirement be waived and proposed no substitute.

Covered Parking and Garages: The architect's certification provided in the application as Exhibit 101, indicated that the development would contain covered parking as did the Cost Breakdown provided as Exhibit 102 and indicating a cost for this feature of $462,000. The Specifications and Amenities exhibit in the application specified that the development would contain 34 carports and 120 garages. The underwriting report acknowledged these same numbers in its text and, consistently, included $438,205 for parking garages in the cost schedule upon which the amount of the award was based. The owner's counsel states it was not physically or financially feasible to include garages in the development. The applicant requested that this requirement be waived and proposed no substitute.

Playground: The owner's counsel states that the site is covered with buildings and parking lots. Consequently, it was not physically feasible to construct a playground on the property. This feature was proposed in the Specifications and Amenities section of the application, in the architect's certification provided as Exhibit 101, in the architect's drawing of the site plan, and appears to be referenced in the Cost Breakdown provided as Exhibit 102 ("Athletic courts and/or playgrounds were estimated at $52,080). The underwriting report included the feature in its list of amenities. This item was not a threshold requirement however it was an item that could have been selected as threshold by the applicant. The applicant requested that this requirement be waived and proposed no substitute.

Energy Saving Devices: The design firm certified that five of the six features in Exhibit 206A of the 1998 QAP would be installed but upon completion, only two of the six were installed. The owner stated that these omissions were necessitated by the unique nature of the property.

Volleyball Court: The owner's counsel states that the site is covered with buildings and parking lots. Consequently, it was not physically feasible to construct a volleyball court. The Specifications and Amenities exhibit and underwriting report included this feature as an amenity. This item was not a threshold requirement however it was an item that could have been selected as threshold by the applicant. The applicant requested that this requirement be waived and proposed no substitute.

In addition to the above mentioned amendment requests, two other items were omitted amenities, microwave ovens and a public telephone. These amenities were not threshold requirements and the owner is not proposing any substitute for the omission.

The present general partner was approved by the Department on July 13, 2004, after the development was placed in service. The application of a penalty to the current general partner remains under consideration pending the resolution of the issues at hand.

Governing Law:	§2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a modification of the number of units or bedroom mix of units, a significant modification of the site plan, a substantive modification of the scope of tenant services, a reduction of three percent or more in the square footage of the units or common areas, a modification of the residential density of the development of at least five percent, and any other modification that is considered significant by the board.
Owner:	Parker Commons, Ltd.
General Partner:	Affordable Housing GP 668, L.L.C. (Current GP is an affiliate of McCormack Baron Salazar, an organization installed by the syndicator.)
Developers:	Sphinx Development; M. Myers Development, Inc.; SunAmerica, Inc. (Jay Oji was original applicant; Marvin Myers was brought into the development for experience after the award was made. Both have been removed according to AIG)
Principals/Interested Parties:	SunAmerica, Inc.
Syndicator:	SunAmerica, Inc.
Construction Lender:	SunAmerica Investments, Inc.

Permanent Lender:	American Property Financing, Inc.
Other Funding:	NA
City/County:	Fort Worth/Tarrant
Set-Aside:	General
Type of Area:	Urban
Type of Development:	Adaptive Reuse of a Historic School Building and New Construction
Population Served:	General Population
Units:	126 HTC units and 42 market rate units (See Tables 1 & 2)
1999 Allocation:	$1,129,568
Allocation per HTC Unit:	$8,965
Prior Board Actions:	7/98 – Approved forward commitment from 1999 credit ceiling
Underwriting Reevaluation:	The changes appear to have no negative impact on the feasibility of the development and no change to the original award of tax credits is recommended prior to final review of the cost certification, however, REA recommends the owner be responsible for substituting acceptable amenities for those significant amenities that were omitted (i.e. microwave ovens, daycare facility, community/recreational facility, playground equipment, swimming pool and spa and covered parking).
Staff Recommendation:	**Staff recommends that the Board deny the amendments as presented and have the syndicator provide adequate substitutions for the omissions of the application because the syndicator had a responsibility to make sure the development was built according to the representations in the application.**
Penalty Assessment:	**If the Board approves the amendments as requested by the syndicator, staff recommends the penalties under 49.9(c), (the QAP language was presented on the first page of this write up) and 49.17(d)(8) relating to income targeting which states that the approved amendment will carry a penalty that prohibits the Applicant and all persons or entities with any ownership interest in the Application (excluding any tax credit purchaser/syndicator), from participation in the Housing Tax Credit Program (for both the Competitive Housing Tax Credit Developments and Tax-Exempt Bond Developments) for 12 months from the time that the amendment is approved. The penalties should be assessed (stated earlier in this presentation) to the previous owner, Sphinx Development and M. Myers Development, Inc. for having developed the property inconsistent with the application.**

04118

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Ben Sheppard, Multifamily Finance Production

From: Raquel Morales, Real Estate Analysis

cc: File

Date: July 2, 2007

Re: Amendment Request for Churchill at Commerce, #04118

I have reviewed the amendment request for the above reference property and in particular reviewed the material effects of the following changes to the development: decrease in the total square footage of the common area, the deletion of one non-residential building and a decrease in the number of residential buildings.

The common area square footage decreased by 11% from 3,208 square feet as proposed and underwritten to 2,834 square feet as built. Along the same efforts to eliminate unused and awkward space in the original design and make the development more energy efficient, the 336 square foot proposed mail and laundry building was also eliminated. The mail and laundry function has been included within the 2,834 square foot community building as built. The number of residential buildings increased from seven proposed and underwritten to nine residential buildings. According to the owner a change in the design of some of the buildings was made in order to provide diversity and variety in the horizontal lines of the buildings.

As part of the cost certification review process, the total estimated development cost was re-evaluated using current *Marshall & Swift* Residential Cost Handbook information in order to compare the Underwriter's revised estimate with the owner's actual cost of constructing the development. It appears that the owner's final site work and direct construction costs increased by more than 15% from that estimated by the owner at application. The Underwriter's current total development cost estimate is less than 1% lower than the owner's final certified costs.

As a result of the information presented, the changes made to the development do not appear to have a negative impact on the financial feasibility of this development. No change to the credit amount is recommended prior to final review of the cost certification.

Churchill
RESIDENTIAL

September 5, 2007

Mr. Michael Gerber
Executive Director
TDHCA
221 East 11th Street
Austin, TX 78701

RE: **Churchill at Commerce Apartment Community**
TDHCA File No: 04118
Application for Amendment

Dear Mr. Gerber:

At its August 23rd meeting, the TDHCA Board considered and tabled our request for an amendment to the 9% Housing Tax Credit application for Churchill at Commerce Apartment Community. The request is now scheduled to be considered at the September 13th Board Meeting. Prior to that meeting we would like to reach agreement with staff concerning a method of curing the primary issue, which we believe to be the reduction in the area of the Club Building by 374 square feet. Our purpose is to find a solution to this matter which will be acceptable to the TDHCA staff so that a recommendation can be made to the Board that penalties for failure to adhere to obligations be waived.

Enclosed are architectural drawings of a proposed additional community building which contains 443 square feet of space (384 sf "flex" area and 59 sf porch area) which we offer to build on site to increase the amount of common area to exceed that shown in the original application. The building would be available for meetings, classes, parties, and recreational activities.

We believe that the construction of the proposed additional community building will fulfill the requirements of the common area contained in the original application. The anticipated cost of this additional building will be $30,000. We sincerely hope that both the TDHCA staff and the Board will see this proposal as a gesture of good faith to do our best to carry out the representations made in the original application for tax credits.

In the alternative, if the TDHCA agrees with us that the existing community building on the site is completely adequate for all purposes discussed in the application, and that the proposed additional community building is not necessary for the development, then we are willing to make a donation to the TDHCA's Housing Trust Fund of $30,000 in lieu of constructing the additional community building.

A second matter is included in the pending application, and that is the modification of the design of four residential buildings on site from two-story to one-story buildings. We would like to point out that this change was obviously not motivated by cost cutting, since units in one-story buildings are more expensive to build than are units in multi-story buildings. The change was an effort to respond to the preference of our intended tenant community for single story living. Churchill at Commerce is a family development, and many tenants favor single story housing in family developments because it is quieter than stacked apartments. In order to meet our tenants' expectations and preferences, we altered our design to produce more single story residential buildings on the site. The change in design benefited the development by providing enhanced accessibility for handicapped residents. It also contributed to a more pleasing mixture of elevations that gives the site diversity in line and space. The site plan did not suffer from the change because we were using a site which already had 4.22 acres in excess of the area utilized for housing and parking. Although the development only received tax credits for the acquisition cost of 6.918 acres, the application showed that 11.138 acres were included within the development.

Please note that there was absolutely no incentive to change the two-story buildings to one-story buildings other than to improve the development. The design change resulted in higher cost of development. Tax credits had already been awarded, and we were aware that the additional cost of more single story buildings would not translate into more tax credit equity. The only motivation for changing two two-story buildings to four one-story buildings was to make Churchill at Commerce a better place to live.

We hope that you will agree that our good faith effort to restore the full amount of common area space to the development through building an additional $30,000 community building, or to make an equivalent donation to the Housing Trust Fund, plus the numerous extra amenities that we provided for the development that were not included in the application (1.5 acre soccer field; children's playground with equipment; microwave ovens; Energy Star Kitchen Appliances; and insulation at R-15 for walls and R-30 for ceilings) more than compensate for the delay in seeking Board approval for changes to the project that only benefit the residents. We ask your support in requesting that the Board waive adherence to obligations penalties in connection with the amendment request scheduled to be decided at the next Board meeting.

Please review and provide any comments on the proposed additional community building at your earliest convenience, along with confirmation that constructing this building on site will cure the issue with regard to too little common area space. Alternatively, please advise whether the TDHCA prefers that we donate $30,000 to the Housing Trust Fund in lieu of constructing an unnecessary building.

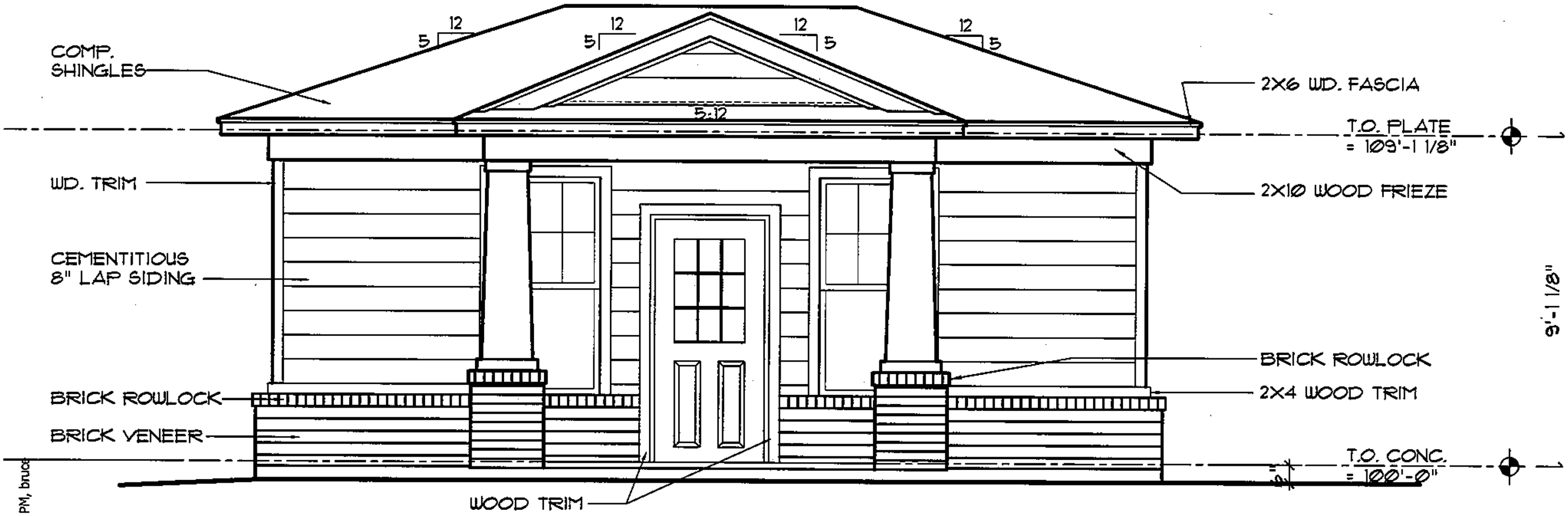
Please do not hesitate to call me at 972-550-7800 extension 222, should you have any questions. Thank you.

Sincerely,

Bradley E. Forslund

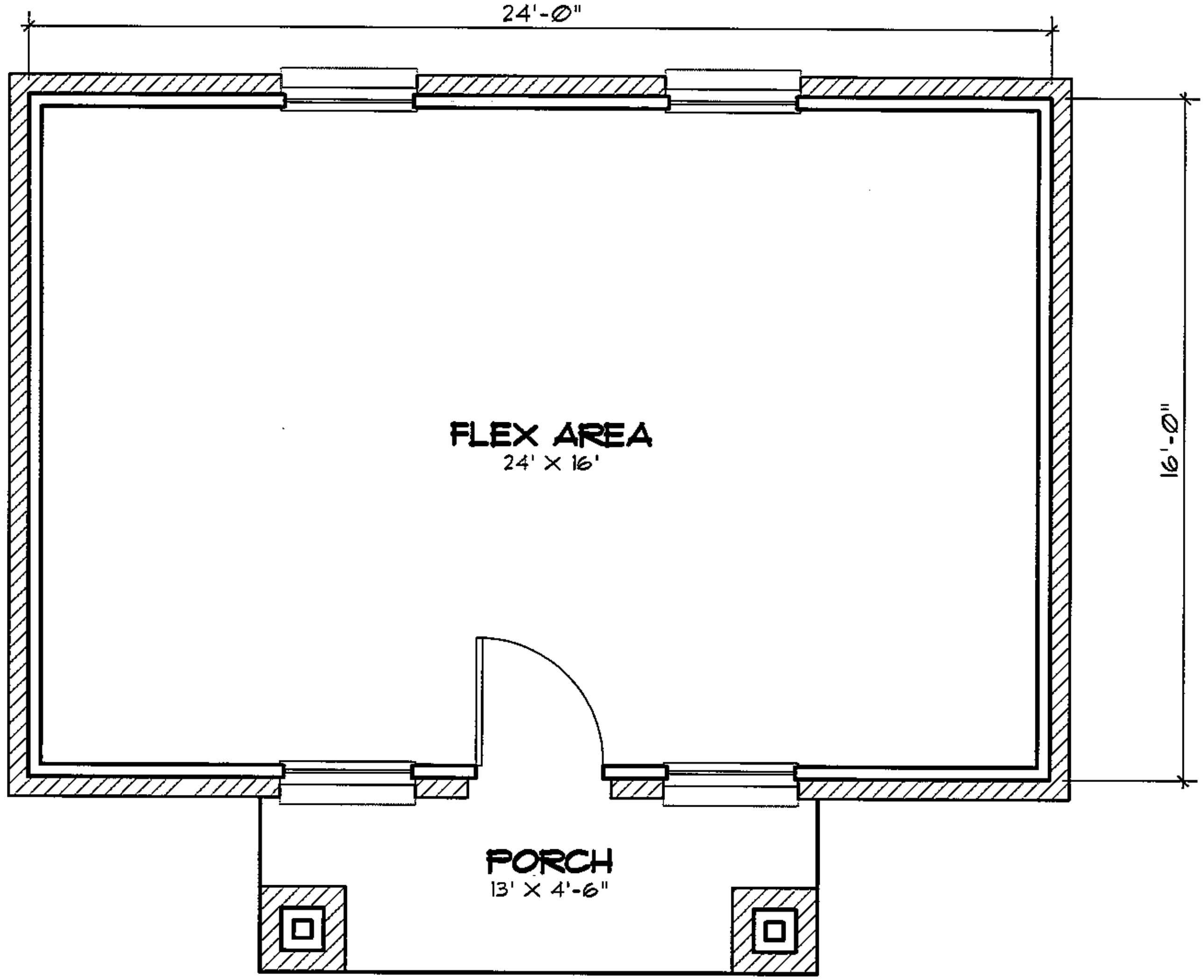
Enclosures

cc: Robbye Meyer
Brooke Boston
Barry Palmer



FRONT ELEVATION

SCALE: 1/4"=1'-0"



R:\Churchill\03004\FLEX BUILDING.dwg, 8/29/2007 6:01:35 PM, bruce

FLOOR PLAN

SCALE: 1/4"=1'-0"

FLEX AREA = 384 S.F.
PORCH AREA = 59 S.F.
TOTAL AREA = 443 S.F.

04118

LIFENET™

Community Behavioral Healthcare

July 11, 2007

TDHCA
Attn: Ben Sheppard
221 East 11th
Austin, TX 78701

RE: **Churchill at Commerce Apartment Community**
TDHCA File No: 04118
Application Amendment Plan

Dear Mr. Sheppard:

This letter requests an amendment to the 9% Housing Tax Credit Application for Churchill at Commerce Apartment Community (the "Community") that was submitted in 2004. The request for an amendment is being made in response to two Cost Certification – Request for Information letters, both dated May 21, 2007. One letter points out that common area square footage decreased in the Community by more than 11 percent from the common area submitted in the Application. The other letter notes that the number of residential buildings in the Community changed from seven to nine.

Decrease in Common Area and Elimination of One Non-Residential Building:

In the Application, Total Common Area as shown on Exhibit 3 – Activity Overview, Part B – Square Footage and Applicable Fraction Calculation was shown as a total of **3,544** square feet, being primarily the community building at **3,208** square feet, plus one additional common area building at **336** square feet which was designated as a mail and laundry building *(Exhibit 1)*. The TDHCA's Multifamily Underwriting Analysis done at the time of the award indicates only 3,208 square feet in common area, (i.e. the clubhouse), and that this community building would include an activity room, management offices, fitness and maintenance facilities, a kitchen, restrooms, and a computer/business center.

The community building, as built, has **2,834** square feet. All of the amenities originally proposed for the community building are included in the building, as built. The difference in the square footage of 374 square feet comes from some value engineering that was done to eliminate unused and awkward space in the original design and in an effort to make the community building more energy-efficient.

The **336** square foot nonresidential building intended for mail and laundry was eliminated, and that function has been included within the community building. This redesign was for the convenience of our family households, because parents can do laundry while keeping an eye on their children who are using the computers in the computer/business center, or playing on the children's playground. Since all of the anticipated amenities are included in the community building and only wasted space and a small nonresidential building have been eliminated, we request that this change to the original Application be approved.

Increase in Number of Residential Buildings:

The Application originally anticipated seven residential buildings, each being two stories in height. A change was made to take two of the buildings and convert them to four one-story buildings, to provide design diversity and variety in the horizontal lines of the buildings. The change in design did not result

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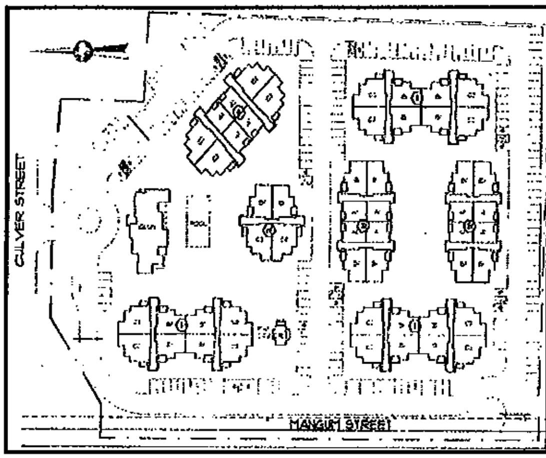
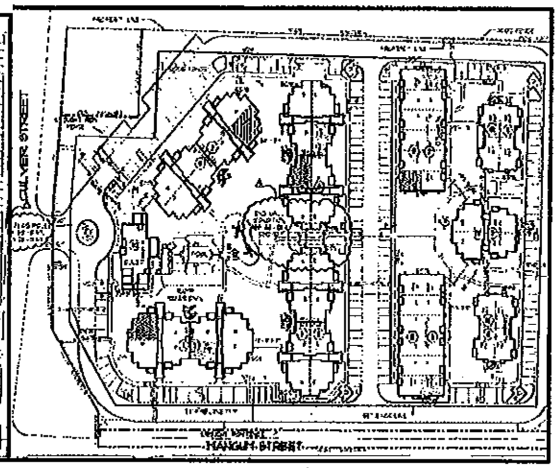
Community Behavioral Healthcare

in any change in the number or the size of units, and did not result in any change in net rentable area of the Community. Although the cost of building single-story buildings is higher than for two-story buildings, we feel the change was worth the extra cost. The design modification resulted in a more visually appealing community with enhanced accessibility for handicapped tenants. Perimeter fencing with limited access gates keeps the increased number of first floor apartments safe, and the inconveniences of stacked family apartment housing are reduced.

Initial Site Plan



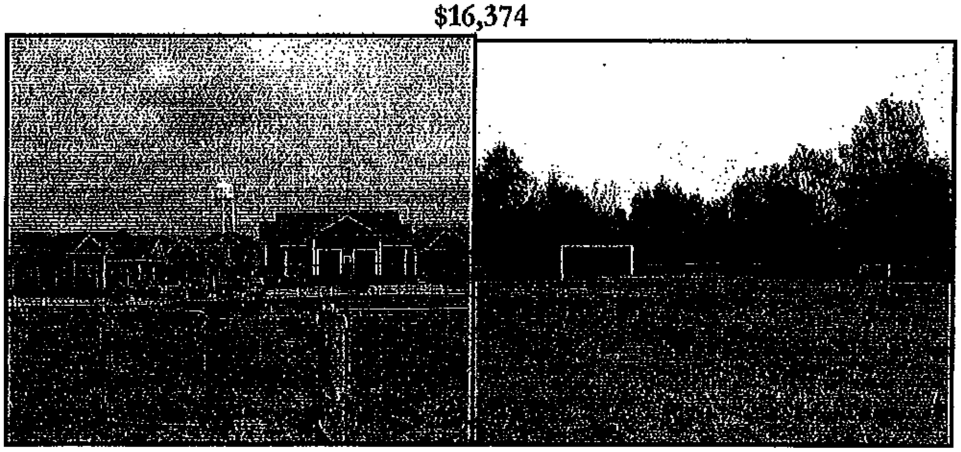
Final Site Plan



Please note the Application provided 11.135 acres with an original contract purchase price of $400,000 and a final cost at $300,000. The Department's underwriting report only gives credit for 6.918 acres at $248,447.

1.5 acres of the additional land mentioned above was used to construct a fenced soccer field for the tenants' recreational use at a cost of $16,374.

Recreation Facilities – Fenced Soccer Field
$16,374

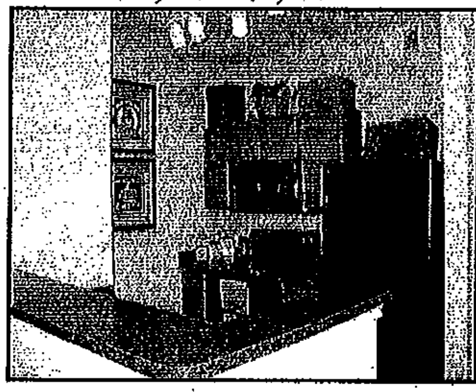


Additionally, the Community now boasts a children's playground with equipment that was not included in the original Application; cost $10,000. Other amenities that were added to the Community post-Application include built-in microwave ovens, cost $16,500, Energy Star Kitchen Appliances, incremental cost $2,500, and insulation of R-15 wall systems and R-30 ceiling systems. **Total cost for the Additional Amenities was over $45,000.**

LIFENET™
Community Behavioral Healthcare

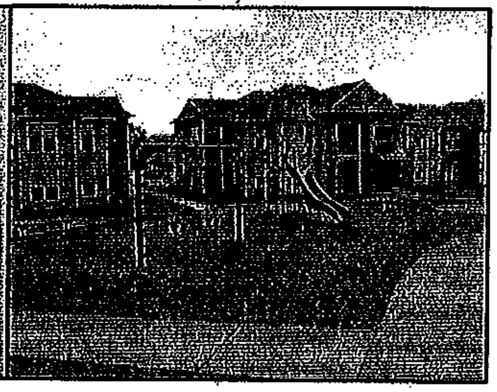
- **Built-In Microwave Ovens**
- **Energy Star or equivalently rated Kitchen Appliances**

$16,500 + $2,500



Designated Playground & Equipment

$10,000



In addition, please consider the additional square footage provided to other Churchill Residential developments. Outlined below is an exhaustive list that illustrates that on all other tax credit communities developed by Churchill Residential an aggregate of 2,891 square feet of additional space has been provided. This is well in excess of the 374 square foot reduction at Churchill at Commerce which was made for energy efficiency and tenant convenience purposes.

CHURCHILL AT LONGVIEW	Application	Cost Cert	RSF	Common	
Rentable SF	153,680	153,680	0		
Common SF	4,724	5,000		276	
EVERGREEN AT MESQUITE	Application	Cost Cert			
Rentable SF	170,288	170,288	0		
Common SF	5,788	6,650		862	
EVERGREEN AT KELLER	Application	Cost Cert			
Rentable SF	203,800	203,800	0		
Common SF	7,500	7,500		0	
EVERGREEN AT LEWISVILLE	Application	Cost Cert			
Rentable SF	180,975	182,075	1,100		
Common SF	8,635	8,646		11	
EVERGREEN AT PLANO	Application	Cost Cert			
Rentable SF	206,250	206,000	-250		
Common SF	8,700	9,335		635	
CHURCHILL AT PINNACLE PARK	Application	Cost Cert			
Rentable SF	192,192	192,192	0		
Common SF	4,408	4,665		257	
LONGVIEW SENIOR	Application	Cost Cert			
Rentable SF	85,400	85,400	0		
Common SF	3,735	3,735		0	
SUBTOTAL			850	2041	**2,891**
CHURCHILL AT COMMERCE	Underwriting Report	Cost Cert			
Rentable SF	98,228	98,298	70		
Common SF	3,208	2,834		-374	
TOTAL			920	1667	**2,587**

04118

LIFENET
Community Behavioral Healthcare

It is our understanding that under the terms of the 2007 QAP, this request for an amendment to the 9% Application might subject the Developer, Project Owner and related parties to a penalty for failing to adhere to obligations. **We respectfully ask that this penalty, if applicable, be waived.** We think that the penalty should not be applicable because the changes to the Community did not affect the Unit Amenities or the Common Amenities that were agreed to be provided in order to make the Community competitive. In this case, the variations from the original Application benefited the Community by providing a more thoughtfully and efficiently designed community building with all the promised amenities, and a site plan that provides a blend of one and two story buildings. The use of one-story buildings also lessens noise issues that can be a problem with stacked apartment designs. The Community has numerous amenities that were not promised under the Application.

While it is true that this amendment request is being made "after the fact", the TDHCA should recognize that until recently, "after the fact" amendments were the norm, and were even encouraged to avoid multiple trips to the TDHCA Board for amendments as the need became apparent. In view of all of this, we request that no penalty be imposed as a result of this amendment request.

As requested, attached is the check for $2,500 to process the amendment.

If this amendment is required to go before the TDHCA Board, we request that it be heard at the Board Meeting scheduled for August 23, 2007.

Please do not hesitate to call me at 214.932.1937 should you have any questions. Thank you.

Sincerely,

Liam Mulvaney
Managing Member of GP

Enclosures

04118

Exhibit 1

EXHIBIT 3: ACTIVITY OVERVIEW

PART 6. SQUARE FOOTAGE AND APPLICABLE FRACTION CALCULATION

SECTION 1. AREAS INCLUDED IN THE TOTAL DEVELOPMENT AREA

All area calculations should be calculated as the sum of the areas of the floors of the building, measured from the exterior face of exterior studs to the centerline of interior walls or common walls.

Gross Building Area (GBA) GBA includes interior corridors, lobbies, basements, mezzanines, utility chases, and elevator shafts. The GBA includes community rooms, swimming pool bathhouses, mechanical rooms, maintenance shops, and storage rooms so long as such spaces are fully enclosed and available for use by or for the benefit of all tenants. These spaces are typically heated and cooled by mechanical HVAC systems. The GBA does not include architectural projections, breezeways, exterior terraces, exterior steps, eaves, areas that are not enclosed by permanent interior walls, or any area that is not covered by a roof. Paved or finished covered areas that are not substantially enclosed by exterior walls on all sides, such as open porches or other unenclosed roofed areas, are also to be excluded from the calculation of GBA.

Net Rentable Area (NRA) To qualify as NRA the space must be available exclusively to the tenant and is typically heated and cooled by a mechanical HVAC system. NRA does not include common hallways, stairwells, elevator shafts, janitor closets, electrical closets, balconies, porches, patios, or other areas not actually available to the tenants for their furnishings, nor does NRA include the enclosing walls of such areas.

1) Gross Building Area Calculation	# of Units	Sq. Footage		
a) Total Development Area[18]	100	101,772		
b) – Commercial Area				
= Gross Building Area		101,772		
2) Total Common Area Calculation	**# of Units**	**Sq. Footage**	**Describe Functions**	
a) Employee Occupied Residential Space				
b) + Owner Occupied Residential Space				
c) + Clubhouse		2908		
d) + Supportive service facilities		300		
e) + Laundries (heated and cooled)		336		
f) + Maintenance shops (heated and cooled)				
g) + Mechanical and storage rooms				
h) + Other heated and cooled areas.				
= Total Common Area		3544		
3) Net Rentable Area Calculation	**# of Units**	**Sq. Footage**	**% of NRA (Units)**	**% of NRA (Sq. Ft.)**
Rent Restricted Rentable Area[19]	90	88,431	90 %	90 %
a) Total Number of HTC Units[20]	90			
b) Total Number of HOME Units				
c) Total # of Project Based Assisted Units				
d) Total Number of "Other" Restricted Units				
+ Market Rate Rentable Area[21]	10	9,797	10 %	10 %
= Net Rentable Area (NRA)[22]	100	98,228		
4) Applicable Fraction (Lesser of "Rent Restricted Rentable Area" "% of NRA (Units)" or "% of NRA (Sq. Ft.)"				90 %

[18] "Total Development Area" must equal "Commercial Area" + "Total Common Area" + "Net Rentable Area".
[19] "Rent Restricted Rentable Area" must equal "Rent Restricted Total" from Section 10, Rent Schedule.
[20] For each unit type, indicate the total number of units that qualify under the listed program.
[21] "Market Rate Rentable Area" must equal "Market Rate Total" from Section 10, Rent Schedule.
[22] "Net Rentable Area" must equal "Rent Restricted Rentable Area" + "Market Rate Rentable Area". Net Rentable Area does not include Owner/Employee Occupied square footage or units.

EXHIBIT 3: ACTIVITY OVERVIEW

Part 6. Square Footage and Applicable Fraction Calculation

SECTION 2. AREAS EXCLUDED FROM THE TOTAL DEVELOPMENT AREA

Provide a description of these additional areas that are excluded from Total Development Area but which may significantly impact the Total Development Cost.

Description	Square Ft.
Porches, patios, balconies, decks, breezeways, and walkways that are covered by a roof	27,530
Porches, patios, balconies, decks that are not covered by a roof	
Carports	
Attached garages	
Detached garages	
Other Areas Excluded from Gross Building Area. Describe:	765

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TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS ADDENDUM

DATE: August 29, 2007 **PROGRAM:** LIHTC **FILE NUMBER:** 98169 FC99005

DEVELOPMENT NAME

Homes of Parker Commons

APPLICANT

Name:	Parker Commons, Ltd. ("Owner")	**Type:**	☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other
Address:	1 Sun America Center, Century City	**City:**	Los Angeles **State:** CA
Zip:	90067 **Contact:** Ray Abeyta	**Phone:**	(310) 772-6000 **Fax:** (310) 772-6050

PRINCIPALS of the APPLICANT

Name:	Affordable Housing GP 668, LLC	**(%):**		**Title:**	Managing General Partner
Name:	Sun America/AIG	**(%):**	100	**Title:**	Syndicator/Investor

GENERAL PARTNER

Name:	Affordable Housing GP 668, LLC	**Type:**	☒ For Profit ☐ Non-Profit ☐ Municipal ☐ Other
Address:	1 Sun America Center, Century City	**City:**	Los Angeles **State:** CA
Zip:	90067 **Contact:** Ray Abeyta	**Phone:**	(310) 772-6000 **Fax:** (310) 772-6050

PROPERTY LOCATION

Location: 1015 South Jennings Avenue ☒ **QCT** ☐ **DDA**

City: Fort Worth **County:** Tarrant **Zip:** 76104

REQUEST

Amount	Interest Rate	Amortization	Term
$1,129,568	n/a	n/a	n/a

Other Requested Terms: Annual LIHTC Allocation- awarded as a 1999 Forward Commitment

Proposed Use of Funds: Acquisition & Rehab. **Set-Aside:** ☒ General ☐ Rural ☐ Non-Profit

RECOMMENDATION

☒ RECOMMEND MAINTENANCE OF A HOUSING TAX CREDIT ALLOCATION AND ISSUANCE OF 8609'S NOT TO EXCEED $1,129,568, SUBJECT TO CONDITIONS:

1) Completion of all outstanding pledges included in the original application and receipt, review and acceptance of documentation of same regarding: the completion of the laundry room and picnic areas, addition of microwaves, daycare facility, community/recreational facility, playground equipment, 24 hour public phone access, swimming pool and spa, volleyball court and covered parking or acceptable alternatives as determined by staff and approved the TDHCA Board.

ADDENDUM

The Homes of Parker Commons was originally underwritten during the 1998 HTC cycle and was awarded a forward commitment of 1999 housing tax credits in the annual amount of $1,129,568. The original HTC application for Homes of Parker Commons was submitted by Sphinx Development Corporation (Jay Oji) and proposed significant and complicated rehabilitation of a historic school building and new construction. The development was modified during the application review period but was ultimately underwritten and approved to have 174 total units consisting of the following unit mix:

Type of Unit	Number	Bedrooms	Baths	Unit Size
60%	57	1	1	959
Market	19	1	1	959
60%	10	2	2	1,269
Market	4	2	2	1,269
60%	36	2	2	1,130
Market	12	2	2	1,130
50%	20	3	2	1,333
60%	7	3	2	1,333
Market	9	3	2	1,333
Total	174			192,244

The application was approved by the TDHCA Board with the condition that a more experienced developer be incorporated into the development team. As a result, M. Myers Development, Inc. became a member of the ownership structure. In August 2001, Mr. Myers requested approval to change the total number of units and unit mix due to requirements that had to be met to satisfy Fort Worth building codes, zoning ordinances, historic preservation requirements and neighborhood groups. Mr. Myers also indicated that prior to construction it was determined that additional market rate units would be a more prudent use of the property to create a better mix of incomes. It should be noted that Mr. Myer's request did not specify a change to the number of bathrooms and so the original number of bathrooms for each unit type were assumed to not have changed. The changes to the unit mix requested that were identified are reflected below:

Type of Unit	Number	Bedrooms	Baths	Unit Size
50%	20	1	1	-
60%	68	1	1	-
Market	24	1	1	-
50%	18	2	2	-
60%	14	2	2	-
Market	34	2	2	-
60%	6	3	2	-
Market	8	3	2	-
Total	192			160,876

The letter did not specify the unit sizes for each unit type but instead indicated a total net rentable square footage of 160,876 a decrease of 16% from that approved originally as a result of the shift from larger three-bedroom units to smaller one-bedroom units. As is noted above, the owner's requested changes results in the addition of 36 one-bedroom units, the addition of four two-bedroom units and the reduction of 22 three-bedroom units. According to Mr. Myer's request the reduction in the number of three-bedroom units was a result of limitations in the design and floor plan of the units in the existing buildings as well as a demand from Fort Worth South that the development have an "urban feel" to cater to the needs of the Fort Worth hospital district and other employees in the area. It is also worth noting that the application originally received points for restricting 75% of the total units as low income units; with the requested changes the fraction would decrease to 65% (126 LI units/192 total units). In a letter dated August 23, 2001 the Department approved the requested modifications to the total number of units and the unit mix.

In July 2004, both Sphinx Development Corporation and M. Myers Development, Inc. were removed from the ownership structure at the request of the syndicator and a replacement general partner, an affiliate of AIG, was substituted. The current general partner and syndicator are currently working to resolve outstanding issues related to the final construction inspection and Cost Certification in order to receive the IRS Forms 8609 for this development. In conjunction with review of the developments final Cost Certification it has been revealed that additional changes were made to the development that were not approved in August 2001 and have not previously been approved at any other time by the Department. Additionally, the final construction inspection conducted by Department staff also revealed inconsistencies. Therefore, a re-analysis of the development as-built has been conducted in order to determine the impact of the changes made. This analysis will only evaluate the changes made to the development after the Department's August 2001 approval.

Unit Mix: While the overall number of units and the bedroom size mix is consistent with that last approved in August 2001, it appears that the development was completed with 28 of the two bedroom units having only one bathroom. Originally (and through the August 2001 revisions), this development proposed that all two-bedroom units would have two-bathrooms. It appears that of the total 66 two bedroom units built only 38 of those units contain two bathrooms. The Owner indicated that this change was required when working with the historical structure, limited space and local regulations.

It should also be noted that the initial Cost Certification documentation included an error in the number of units restricted to 50% rents. This development was originally approved to have a total of 38 units at 50% rents but the rent schedules provided included only 36. After discussions with the Owner about this change revised documentation was provided and a rent roll for the property as of May 2007 confirmed that the property currently is restricting 38 units to 50% rents.

Development Costs: As part of the cost certification review process the Underwriter re-evaluates the cost for new construction developments using updated Marshall & Swift information. In this case, the original proposal called for the rehabilitation of an existing historical school building and the demolition and new construction of two 3-story buildings. The original underwriting analysis included a Marshall & Swift *Residential Cost Handbook*-derived cost estimate for the new construction costs and reliance upon the Applicant's rehabilitation cost estimate for the rest of the direct costs associated with this development. Correspondence from the Owner confirmed that the 82-unit Parker building and the 24-unit Hogg building are existing buildings that were rehabilitated. The 86-unit Commons building is the one newly constructed building in the development. However, the Owner was unable to provide the requested breakout of direct costs associated with the new construction vs. rehabilitation stating that records allowing the break out these costs were not available. Since the documentation in the Cost Certification did not clearly delineate the costs between the two types of construction the Underwriter relied upon the final total costs as audited and certified by the Owner's CPA and as required by the Cost Certification Procedures Manual. It should be noted that these final CPA audited costs are 11% higher than the applicant's original estimate but 6% higher than the original underwriting estimate though both these initial estimates were based on very different redevelopment plans.

Amenities: In a letter to the Department dated March 19, 1998, the former owner, Jay Oji, provided a letter from the development architect specifying the amenities to be provided at this development. Of the amenities listed as pledged to be completed, the following have not been certified by the current development architect: dual pane insulating windows, insulation which exceeds code for walls and ceilings, gas heating system with a minimum 80% flue efficiency, community laundry room and individual laundry hook-ups in each living unit, furnished recreation and community room, swimming pool and spa, designated playground and equipment, 24-hour public telephone and covered parking. These amenities appear to have gone beyond the minimum threshold requirement but were a pledge of the original developer that has not been fulfilled. It should be noted that the Owner has indicated that all but two of the units do have washer-dryer hook ups and this alone would satisfy the threshold requirement. However, the Owner has begun construction of the laundry room to correct this deficiency and has committed to providing documentation to the Department upon completion of this amenity. Amenities represented in other areas of the application to be available at the development but ultimately not provided included: microwave ovens, picnic area, daycare facility and volleyball court. The Owner has proposed to install a picnic area if the Department requires it and will provide documentation upon completion of this amenity. As stated previously, the Underwriter relied upon the total development costs certified by the Owner's auditor and such costs exceeded the amount of eligible basis necessary to claim the originally allocated credits. Because of the complex nature of an adaptive reuse and new construction development and because the construction costs for each were combined, it is impossible for the Underwriter to further evaluate the reasonableness of these costs and the impact of the missing amenities. This addendum and the issuance of 8609's however, should be conditioned upon the completion of the laundry room and picnic areas, addition of microwaves, daycare facility, community/recreational facility, playground equipment, 24 hour public phone access, swimming pool and spa, volleyball court and covered parking or acceptable alternatives as determined by staff and approved the TDHCA Board.

Financial Feasibility of the Development: The Underwriter utilized information from the Cost Certification and the Department's data sources in order to estimate the property's income and expenses. Based on the average rent collected for each unit type per the rent roll (as of May 2007), the Underwriter's income estimate is within 5% of the Owner's estimate. Actual operating statements for 2005 and 2006 were provided and heavily relied upon in estimating the annual operating expenses for this development. As a result, the Underwriter's estimate is within 5% of the Owner's estimate. In both the Underwriter's and the Owner's proformas, there is sufficient cash flow to fund the first lien permanent loan at a DCR that is above the Department's maximum guideline of 1.35. The Owner's final financing structure includes a first lien permanent loan amount of $5,695,000 which is $1,643,000 less than originally anticipated. The Cost Certification Documentation provided includes $933,800 more in syndication proceeds (about $0.10 per credit) more than originally forecast and two other sources of funds provided as GP loans funded by the syndicator in the amount of $1,826,806 and 3,391,766. These two loans were used to fund the permanent loan gap and operating deficits and are to be paid out of available cash flow. At present there is insufficient cash flow to support the repayment of these two additional sources of funds and even if they were at 0% interest it is estimated that it would take over 20 years for them to be amortized and paid out of projected cash flow. It is not clear if the $2.1M developer fee included in the cost certification was paid to the original development partners but it is likely that this fee or a substantial portion of it was paid out. Moreover the two GP loans from the investor are at risk of being an unrecoverable loss to the investor. These loans are not considered deferred developer fee and therefore the longer payout term does not limit the staff's recommendation to maintain the allocation or issue the 8609's.

The CPA audited total development costs provide sufficient eligible basis to support the requested tax credits. Failure to ultimately issue the 8609's will result in the loss of over $9M in tax credit derived equity for this development and will likely lead to a foreclosure sale by the secondary lien holders to recover the limited equity value might exist without tax credit restrictions. In the case of foreclosure the tax credit land use restriction agreement (LURA) would likely be terminated and the existing low income tenants displaced over a three year period. More importantly, tax credit investors' confidence in properties developed in the State of Texas would be diminished as such foreclosures are rare across the country and rarer still in Texas. The Underwriter recommends that the Board authorize the Executive Director to negotiate and achieve a resolution to the commitments provided by the Developer and accepted by the investor that most closely resembles the original expectations for the property.

Underwriter:	*Raquel Morales*	**Date:**	August 29, 2007
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	August 29, 2007

COST CERTIFICATION COMPARATIVE ANALYSIS

Parker Commons, Fort Worth, HTC#99005
Reviewed by: Raquel Morales
Date: August 2007

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	UW Net Rent	CC Net Rent	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
60	2	1	1	531	$713	$438	$526	$644	875	0.82	$69.00	$22.00
60	18	1	1	607	713	$508	$526	$644	9,152	0.84	69.00	22.00
50	2	1	1	630	594	$523		$525	1,045	0.83	69.00	22.00
60	8	1	1	644	713	$554	$526	$644	4,434	0.86	69.00	22.00
50	17	1	1	671	594	$463		$525	7,879	0.69	69.00	22.00
60	23	1	1	671	713	$559	$526	$644	12,847	0.83	69.00	22.00
50	12	2	1	748	713	$560		$629	6,725	0.75	84.00	24.00
60	14	1	1	754	713	$551	$526	$644	7,707	0.73	69.00	22.00
50	1	1	1	829	594	$533		$525	533	0.64	69.00	22.00
60	3	1	1	829	713	$635	$526	$644	1,904	0.77	69.00	22.00
MR	2	1	1	846		$748	$640	$820	1,495	0.88	69.00	22.00
MR	12	1	1	863		$813	$640	$875	9,752	0.94	69.00	22.00
50	6	2	1	933	713	$511		$629	3,065	0.55	84.00	24.00
60	8	2	1	933	856	$674	$631	$772	5,389	0.72	84.00	24.00
MR	2	2	1	933		$842	$775	$885	1,684	0.90	84.00	24.00
MR	10	1	1	956		$792	$640	$915	7,923	0.83	69.00	22.00
60	4	2	2	986	856	$717	$631	$772	2,869	0.73	84.00	24.00
MR	12	2	2	986		$717	$775	$775	8,609	0.73	84.00	24.00
MR	4	2	2	988		$857	$775	$900	3,428	0.87	84.00	24.00
60	2	2	2	1,066	856	$780	$631	$772	1,560	0.73	84.00	24.00
MR	14	2	2	1,066		$870	$775	$926	12,182	0.82	84.00	24.00
MR	2	2	2	1,068		$708	$775	$875	1,416	0.66	84.00	24.00
60	6	3	2	1,238	989	$802	$732	$893	4,812	0.65	96.00	28.00
MR	8	3	2	1,238		$850	$860	$925	6,798	0.69	96.00	28.00
TOTAL:	192		AVERAGE:	838	$475	$646			$124,083	$0.77	$76.13	$23.13
	112	60										

					TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT			
INCOME	Total Net Rentable Sq Ft:	160,876								Comptroller's Region	3
POTENTIAL GROSS RENT					$1,488,996	$1,358,022	$1,295,380	$1,506,024		IREM Region	Fort Worth
Secondary Income			Per Unit Per Month:	$20.00	46,080	20,820	38,861	43,776	$19.00	Per Unit Per Month	
Other Support Income: (describe)					0		138,499		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$1,535,076	$1,378,842	$1,472,740	$1,549,800			
Vacancy & Collection Loss			% of Potential Gross Income:	-7.50%	(115,131)	(103,413)	(110,456)	(116,232)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0						
EFFECTIVE GROSS INCOME					$1,419,945	$1,275,429	$1,362,284	$1,433,568			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative		8.76%	$648	0.77	$124,348	$49,650	$66,572	$112,451	$0.70	$586	7.84%
Management		4.47%	331	0.39	63,517	63,771	68,114	72,073	0.45	375	5.03%
Payroll & Payroll Tax		12.26%	907	1.08	174,054	121,424	100,868	220,241	1.37	1,147	15.36%
Repairs & Maintenance		4.93%	365	0.44	70,018	69,400	121,041	62,516	0.39	326	4.36%
Utilities		3.88%	287	0.34	55,109	35,084	46,394	37,430	0.23	195	2.61%
Water, Sewer, & Trash		4.55%	336	0.40	64,602	33,954	34,300	67,763	0.42	353	4.73%
Property Insurance		2.34%	173	0.21	33,184	30,759	26,226	24,621	0.15	128	1.72%
Property Tax	2.5	11.35%	839	1.00	161,101	101,726	80,694	174,391	1.08	908	12.16%
Reserve for Replacements		2.70%	200	0.24	38,400	39,038	40,347	40,704	0.25	212	2.84%
Other: compl fees		3.85%	285	0.34	54,625		0	46,945	0.29	245	3.27%
TOTAL EXPENSES		59.08%	$4,370	$5.21	$838,958	$544,806	$584,556	$859,135	$5.34	$4,475	59.93%
NET OPERATING INC		40.92%	$3,026	$3.61	$580,987	$730,623	$777,728	$574,433	$3.57	$2,992	40.07%
DEBT SERVICE											
American Property Financing, inc.		28.61%	$2,116	$2.53	$406,224	$708,518	$681,730	$406,224	$2.53	$2,116	28.34%
Sun America- cash flow loan		0.00%	$0	$0.00	0				$0.00	$0	0.00%
NET CASH FLOW		12.31%	$910	$1.09	$174,762	$22,105	$95,998	$168,209	$1.05	$876	11.73%
AGGREGATE DEBT COVERAGE RATIO					1.43	1.03	1.14	1.41			
RECOMMENDED DEBT COVERAGE RATIO								1.41			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		6.36%	$6,760	$8.07	$1,297,859	$1,100,000	$1,100,000	$1,297,859	$8.07	$6,760	6.42%
Sitework		10.90%	11,579	13.82	2,223,179	913,500	913,500	2,223,179	13.82	11,579	11.00%
Direct Construction-Rehab		0.00%	0	0.00	0	3,387,131	5,095,068	0	0.00	0	0.00%
Direct Construction-New		55.50%	58,955	70.36	11,319,450	6,746,836	4,535,832	11,319,450	70.36	58,955	56.00%
Contingency						210,888	210,888				
General Req'ts	6.00%	3.98%	4,232	5.05	812,558	632,664	632,664	812,968	5.05	4,234	4.02%
Contractor's G & A	1.80%	1.00%	1,061	1.27	203,616	210,888	210,888	203,616	1.27	1,061	1.01%
Contractor's Profit	1.64%	0.91%	967	1.15	185,642	632,664	632,664	185,642	1.15	967	0.92%
Indirect Construction		3.54%	3,764	4.49	722,774	551,810	551,810	722,774	4.49	3,764	3.58%
Ineligible Costs		1.39%	1,474	1.76	283,077	567,592	567,592	283,077	1.76	1,474	1.40%
Developer's G & A	1.66%	1.16%	1,248	1.49	239,704	264,061	572,979		0.00	0	0.00%
Developer's Profit	13.00%	9.12%	9,689	11.56	1,860,296	1,716,399	1,575,692	2,100,000	13.05	10,938	10.39%
Interim Financing		5.23%	5,552	6.63	1,065,928	963,960	963,960	1,065,928	6.63	5,552	5.27%
Reserves		0.89%	945	1.13	181,440	234,900	234,900	0	0.00	0	0.00%
TOTAL COST		100.00%	$106,227	$126.78	$20,395,523	$18,133,293	$17,798,437	$20,214,493	$125.65	$105,284	100.00%
Construction Cost Recap		*61.39%*	*$65,215*	*$77.83*	*$12,521,266*	*$11,821,071*	*$11,318,004*	*$12,521,676*	*$77.83*	*$65,217*	*61.94%*
					106%			*111%*			

SOURCES OF FUNDS

				TDHCA-CC	TDHCA-UW	APPLICATION	COST CERT	RECOMMENDED	
American Property Financing, inc.	27.92%	$29,661	$35.40	$5,695,000	$7,338,000	$7,338,000	$5,695,000	$5,695,000	Developer Fee Available
Sun America- cash flow loan	8.96%	$9,515	$11.36	1,826,806	579,389	579,389	1,826,806	1,826,806	$2,100,000
Sun America- cash flow loan	16.63%	$17,665	$21.08	3,391,766	579,389	579,389	3,391,766	3,391,766	
HTC Syndication Proceeds	45.60%	$48,442	$57.81	9,300,921	8,367,121	8,367,121	9,300,921	9,300,921	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0	1,082,000	1,082,000			0%
Additional (Excess) Funds Req'd	0.89%	$943	$1.13	181,030	187,394	(147,462)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$20,395,523	$18,133,293	$17,798,437	$20,214,493	$20,214,493	$3,423,176

Date: August 2007

DIRECT CONSTRUCTION COST ESTIMATE- COMMONS BLDG

Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$24.51	$3,942,932
Adjustments				
Exterior Wall Finish	3.05%		0.74699279	$120,173
Elderly/9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(0.56)	(90,493)
Floor Cover			1.81	291,186
Porches/Balconies	$20.33		0.00	0
Plumbing	$680	96	0.41	65,280
Built-In Appliances	$1,675	86	0.90	144,050
Stairs/Fireplaces			0.00	0
Enclosed Corridors	$14.59		0.00	0
Heating/Cooling			1.78	286,359
Garages/Carports			0.00	0
Comm &/or Aux Bldgs			0.00	0
Other: Elevators	$62,000	1	0.39	62,000
SUBTOTAL			29.97	4,821,488
Current Cost Multiplier	0.98		(0.60)	(96,430)
Local Multiplier	0.90		(3.00)	(482,149)
TOTAL DIRECT CONSTRUCTION COSTS			$26.37	$4,242,909
Plans, specs, survy, bld prr	3.90%		($1.03)	($165,473)
Interim Construction Interes	3.38%		(0.89)	(143,198)
Contractor's OH & Profit	11.50%		(3.03)	(487,935)
NET DIRECT CONSTRUCTION COSTS			$21.42	$3,446,303

66,628	Parker
72,640	Commons
21,608	Hogg
160,876	

PAYMENT COMPUTATION

Primary	$5,695,000	Amort	360
Int Rate	5.92%	DCR	1.43

Secondary	$1,826,806	Amort	0
Int Rate	5.92%	Subtotal DCR	1.43

Additional	$3,391,766	Amort	
Int Rate	5.92%	Aggregate DCR	1.43

RECOMMENDED FINANCING STRUCTURE APPLICANT'S !

Primary Debt Service	$406,224
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$168,209

Primary	$5,695,000	Amort	360
Int Rate	5.92%	DCR	1.41

Secondary	$1,826,806	Amort	
Int Rate	5.92%	Subtotal DCR	1.41

Additional	$3,391,766	Amort	
Int Rate	5.92%	Aggregate DCR	1.41

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	$1,506,024	$1,551,205	$1,597,741	$1,645,673	$1,695,043	$1,965,020	$2,277,996	$2,640,822	$3,549,044
Secondary Income	43,776	45,089	46,442	47,835	49,270	57,118	66,215	76,761	103,161
Other Support Income: (descr	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,549,800	1,596,294	1,644,183	1,693,508	1,744,314	2,022,137	2,344,212	2,717,584	3,652,205
Vacancy & Collection Loss	(116,232)	(119,722)	(123,314)	(127,013)	(130,824)	(151,660)	(175,816)	(203,819)	(273,915)
Employee or Other Non-Rent	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,433,568	$1,476,572	$1,520,869	$1,566,495	$1,613,490	$1,870,477	$2,168,396	$2,513,765	$3,378,290
EXPENSES at 4.00%									
General & Administrative	$112,451	$116,949	$121,627	$126,492	$131,552	$160,053	$194,729	$236,917	$350,695
Management	72,073	74235.03465	76462.08569	78755.94826	81118.62671	94038.72088	109016.6511	126380.1773	169844.3903
Payroll & Payroll Tax	220,241	229,051	238,213	247,741	257,651	313,472	381,386	464,015	686,855
Repairs & Maintenance	62,516	65,017	67,617	70,322	73,135	88,980	108,257	131,712	194,966
Utilities	37,430	38,927	40,484	42,104	43,788	53,275	64,817	78,859	116,731
Water, Sewer & Trash	67,763	70,474	73,292	76,224	79,273	96,448	117,344	142,766	211,329
Insurance	24,621	25,606	26,630	27,695	28,803	35,043	42,636	51,873	76,784
Property Tax	174,391	181,367	188,621	196,166	204,013	248,213	301,989	367,416	543,865
Reserve for Replacements	40,704	42,332	44,025	45,786	47,618	57,934	70,486	85,757	126,942
Other	46,945	48,823	50,776	52,807	54,919	66,817	81,294	98,906	146,405
TOTAL EXPENSES	$859,135	$892,780	$927,748	$964,094	$1,001,870	$1,214,273	$1,471,953	$1,784,601	$2,624,416
NET OPERATING INCOME	$574,433	$583,792	$593,121	$602,402	$611,620	$656,204	$696,442	$729,164	$753,873
DEBT SERVICE									
First Lien Financing	$406,224	$406,224	$406,224	$406,224	$406,224	$406,224	$406,224	$406,224	$406,224
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	$168,209	$177,568	$186,896	$196,177	$205,396	$249,979	$290,218	$322,939	$347,649
DEBT COVERAGE RATIO	1.41	1.44	1.46	1.48	1.51	1.62	1.71	1.79	1.86

LOCKE LIDDELL & SAPP PLLC
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September 6, 2007

Ms. Robbye Meyers
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: The Homes of Parker Commons (the "**Property**")
TDHCA No. 99005

Dear Robbye:

Below is information in response to your request for more detail regarding the $2.8 Million in funds advanced to complete the renovation of *The Homes at Parker Commons*. **These items represent either improvements of to the Property beyond the initial construction plans or substantial unforeseen costs after the historic renovation commenced**:

- **Improved Windows**—Cost was excessive related to satisfying the Historic Commission's requirement of the historically accurate new wood windows;
- **Improved Framing—**Increased cost from the City of Fort Worth requirement that the new building be framed with metal framing instead of wood framing, which greatly increased the costs of drywall, stucco, MEP, fire sprinkler and fire alarm systems;
- **Hazardous Materials Abatement—**The cost associated with the abatement of Lead Based Paint and Asbestos was much higher than anticipated;
- **Concrete Structural Damage**—Damage was more extensive than originally estimated due to the amount of time the buildings sat unoccupied and the extent of the interior water damage was revealed;
- **Complete Redesign of the Interior Spaces and MEP—**The Historic Commission ultimately required the finished interiors of the renovated buildings to retain as much of the old school floors, classrooms and hallways as possible, which forced the complete and very costly redesign of the interior spaces and MEP systems; and
- **Exterior Brick Repair**—The exterior brick repair was also substantially more expensive than anticipated.

Please feel free to e-mail or call me if you have further questions. Thank you for your continued assistance with the amendment request for this Property.

Sincerely,

Cynthia L. Bast

Cynthia L. Bast

cc: Michael Gerber
Farzaneh Azouri
Lee Stevens

LOCKE LIDDELL & SAPP LLP
ATTORNEYS & COUNSELORS

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Received

June 22, 2007 JUN 27 2007

COPY

Ms. Raquel Morales
Real Estate Analysis Division
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: The Homes of Parker Commons (the "**Property**")
TDHCA No. 99005

Dear Raquel:

We have been engaged to assist Parker Commons, Ltd. ("**Owner**"), which owns the Property. Owner submitted its cost certification package and request for Forms 8609 for the Property. Upon inspection, certain discrepancies were found by the Portfolio Management and Compliance Division, as described in the letter from Kimbal Thompson, described on Attachment A. We responded to his letter with the letter described on Attachment B. In response, we received letters from Mr. Thompson and Lisa Vecchietti, described on Attachment C.

The exchange with the Portfolio Management and Compliance Division created the need for an amendment request to the Multifamily Finance Production Division. That amendment request was submitted to Ben Sheppard, and a copy is attached as Attachment D.

On May 22, 2007, we received a letter from you, requesting additional information about the Property. On May 29, 2007, you sent an email to our client, with three additional requests for information. The purpose of this letter is to respond to your various requests.

LETTER

I will respond to each item in your letter by subheading reference:

1. **Amendment Request**: The Property Management and Compliance Division previously identified certain features that were indicated in the tax credit application but not included in the Property. Some of those features were addressed or corrected, in accordance with the correspondence

described on Attachments B and C. Others were incapable of correction and became the subject of an amendment request, attached as Attachment D.

You have now identified additional discrepancies between the tax credit application and the completed Property, which were not previously noted by the Property Management and Compliance Division. They are as follows:

- **Dual pane insulating windows, insulation which exceeds code for wall and ceilings, and gas heating with a minimum of 80% flue efficiency.**

Response: Exhibit 206A of the 1998 Qualified Allocation Plan (the "**QAP**") awarded 3 points to any applicant that committed to provide at least four of six energy-saving devices for new construction units. Exhibit 206B of the QAP awarded 3 points to any applicant with a rehabilitation project that conducted an energy audit and exceeded local building code standards for energy efficiency. Note that the Property consists of both new construction and rehabilitation. Nonetheless, Owner chose to take the points only under the new construction category. Owner did not take points under the rehabilitation category. The design firm certified that five of the six features would be installed. Upon completion, only two of the six features were installed. Like the other changes made by Owner, these omissions were necessitated by the unique nature of the Property. To the extent an amendment approval is required to clear this item, we ask that this item be added to our previous amendment request, attached as Exhibit D.

- **Storage area in each unit.**

Response: In order to meet the threshold criteria of Exhibit 101 of the QAP, each property was required to have four of the following: limited access security fence, playground, laundry room, community room, recreational facilities, public telephone, daycare facility, storage areas, or covered parking. Owner's architect improperly certified that the Property would have storage areas in each unit. This was an error. Nonetheless, the Property does have storage areas and satisfies the threshold requirements of Exhibit 101 of the QAP.

You also found some discrepancies in the unit mix, as follows:

- **Two additional one-bedroom/one bath units**
- **Omission of one bath for 26 two-bedroom units**
- **A change/reduction in the applicable fraction from 65% to 58.9%**
- **A change/reduction in the number of units restricted to 50% rents from 38 at application to 36 at cost certification**

Response: As discussed at our meeting several weeks ago and evidenced by the Attachments hereto, the Property does have 38 units restricted to 50% rents. The indication to the contrary in the cost certification was an error. With regard to the other matters, the Property does have two additional one-bedroom units and two fewer two-bedroom units. The Property does have a mix of two-bedroom/two-bathroom units. Again, these changes were necessitated as Owner worked with the historical structure, the limited space, and local regulations to develop the best possible affordable housing complex for the area. To the extent an amendment approval is required to clear this item, we ask that this item be added to our previous amendment request, attached as Attachment D.

2. **Exhibit 9A, Placement in Service**: A revised exhibit is attached behind Attachment E.

3. **Exhibit 11A, Rent Schedule**: A revised exhibit is attached behind Attachment E.

4. **Exhibit 12A, Actual Operating Statements**: These are attached behind Attachment E.

5. **Exhibit 12B, Rent Roll**: This is attached behind Attachment E.

6. **Exhibit 13A, Sources of Funds Summary**: A revised exhibit is attached behind Attachment E. In our meeting several weeks ago, we advised that the Property did not receive historic tax credits.

7. **Exhibit 15, Multifamily Note**: A copy is attached behind Attachment E.

8. **LURA:** We trust the Department will draft and provide an amendment to the LURA that is necessary, after this Property is fully reviewed.

EMAIL

You asked the following:

1. **Is there any way you can break down the costs to identify those associated with the new construction portion and those associated with the rehabilitation? The AIA document doesn't really do this, and they normally don't. However, since this transaction is unique in that way anything you can provide to me to identify the different costs would be helpful.**

Response: I believe our client has already indicated that there are no records that would allow them to break down the costs as you requested.

2. **Which of the three buildings is the newly constructed one?**

Response: I believe this question was answered in our meeting several weeks ago.

3. **Since this is a 1999 transaction, I'm curious as to whether credits have been claimed on this deal up to this point? If so, would you share a copy of your estimated 8609s and let me know how long these have been submitted?**

Response: The investor limited partner began taking credits in 2002 and suspended taking them in 2005, due to the lack of Forms 8609. To date, the credits taken with respect to the Property total $3,202,147.

In our meeting several weeks ago, we promised to submit additional information about the background of this unique project and its development challenges. That letter is forthcoming.

Our client is anxious to move forward with this process and achieve issuance of the Forms 8609 for the Property. If you require anything further, please let me know. Thank you for your persistence in working through these issues.

Sincerely,

Cynthia L. Bast

Cynthia L. Bast

cc: SunAmerica Affordable Housing Partners
McCormack Baron Salazar, Inc.

Robbye Meyer
Ben Sheppard
Kimbal Thompson
TDHCA

Attachment A – Deficiency Letter from TDHCA
Attachment B – Response to Deficiency Letter from LLS
Attachment C – Responses from TDHCA
Attachment D – Amendment Request
Attachment E – Revised Exhibits

Exhibit A

Deficiency Letter from TDHCA

RECEIVED
... 0 7 2006
McCORMACK BARON SALAZAR

to: ro
cc: R.
Fi

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

November 29, 2006

Exhibit A p.1 of 4

Homes of Parker Commons Ltd
Hillary Zimmerman
1415 Olive Street Suite 310
St Louis MO 63103

RE: Final Development Inspection conducted on October 17, 2006
Homes of Parker Commons – TDHCA File No: 99005 – CMTS: 2061

Dear Ms. Zimmerman:

The Portfolio Management and Compliance Division (the Department) is responsible for ensuring compliance with program and accessibility requirements during the construction phase.

The attached inspection letter has been prepared to explain the deficiencies observed during the inspection process and to detail the required corrective action. Please supply all requested documentation no later than January 30, 2007 (the corrective action deadline). The documentation should be sent in as a single response. The Department will then determine whether or not the submitted material sufficiently corrects the deficiencies or concerns.

If it is not possible to provide the requested documentation by the corrective action deadline, please submit a corrective action plan detailing how and when the issues identified will be resolved. It will be the sole responsibility of the owner to inform the Department when and if the finding is corrected and submit the appropriate documentation. No further requests will be made by TDHCA for corrective action documentation.

Note that if construction is not properly completed, including provision of all committed features and compliance with accessibility requirements, the finalization of this process may be delayed.

If you have any questions regarding the inspection report, please feel free to contact me directly at (512) 475-3887, toll free in Texas at (800) 643-8204 or through email at kimbal.thompson@tdhca.state.tx.us.

Sincerely,

Kimbal Thompson
Inspections Specialist

cc: Inspection File
TDHCA Real Estate Analysis Division

Attachments

Exhibit A p. ~ U

Final Development Inspection Report
Homes of Parker Commons – TDHCA File No: 99005 – CMTS: 2061

The Texas Department of Housing and Community Affairs performed a Final Development inspection of the above mentioned property. Pam Green conducted the inspection for the Department and Samantha French represented the Development Owner.

Application Deficiencies – Corrective action required by January 30, 2007

- **Deficiency # 1:** The application indicated that the unit mix of the Development would consist of the unit types, totals and sizes shown in the left column below. The inspection report indicated the on-site representative stated the development consists of the unit types, totals and sizes shown on the right column below. Note the Unit Type, Unit Type Total, Area Per Unit Type, Total Number of Units, and the Total Area discrepancies.

Units Committed	Units Provided
76 1-bdrm/1-bath units at 959 sq. ft.	2 1-bdrm/1-bath units at 531 sq. ft. 18 1-bdrm/1-bath units at 607sq. ft. 8 1-bdrm/1-bath units at 644 sq. ft. 2 1-bdrm/1-bath units at 630 sq. ft. 40 1-bdrm/1-bath units at 671 sq. ft. 14 1-bdrm/1-bath units at 754 sq. ft. 4 1-bdrm/1-bath units at 829 sq. ft. 12 1-bdrm/1-bath units at 863 sq. ft. 10 1-bdrm/1-bath units at 956 sq. ft. 2 1-bdrm/1-bath units at 846 sq. ft.
	16 2-bdrm/1-bath units at 933 sq. ft. 12 2-bdrm/1-bath units at 748 sq. ft. 4 2-bdrm/1-bath units at 988 sq. ft.
14 2-bdrm/2-bath units at 1269 sq. ft. 48 2-bdrm/2-bath units at 1130 sq. ft.	16 2-bdrm/2-bath units at 986 sq. ft. 16 2-bdrm/2-bath units at 1066 sq. ft. 2 2-bdrm/2-bath units at 1068 sq. ft.
36 3-bdrm/2-bath units at 133 sq. ft.	14 3-bdrm/2-bath units at 1238 sq. ft.
174 Total units at 192,878 sq. ft.	192 Total units at 160,876 sq. ft.

  - **Corrective Action** – Please respond with the appropriate Corrective Action Response listed below for the discrepancies underlined above.

- **Deficiency # 2:** The application identified Microwave ovens as one of the amenities to be included in the development. At inspection, the amenity was reported as not observed.
- **Deficiency # 3:** The application identified Picnic area as one of the amenities to be included in the development. At inspection, a picnic table was reported as not observed.
- **Deficiency # 4:** The application identified Day care facility as one of the amenities to be included in the development. At inspection, the amenity was reported as not observed.

- **Deficiency # 5:** The application identified Laundry room as one of the amenities to be included in the development. At inspection, the amenity was reported as not observed.
- **Deficiency # 6:** The application identified 34 covered parking spaces as one of the amenities to be included in the development. At inspection, the amenity was reported as not observed.
- **Deficiency # 7:** The application identified 120 garage parking spaces as one of the amenities to be included in the development. At inspection, the amenity was reported as not observed.
- **Deficiency # 8:** The application identified public telephone as one of the amenities to be included in the development. At inspection, the amenity was reported as not observed.
- **Deficiency # 9:** The application identified play area and playground equipment as one of the amenities to be included in the development. At inspection, the amenity was reported as not observed.
- **Deficiency # 10:** The application identified Volleyball court as one of the amenities to be included in the development. At inspection, the amenity was reported as not observed.
  - **Corrective Action** – Please respond with the appropriate Corrective Action Response listed below for each amenity deficiency cited above:

Corrective Action Responses

1. If the application representation or amenity was provided as committed and you believe the inspection report to be in error, provide the Department with written certification of this and, if an amenity deficiency, provide photographic evidence.
2. If the amenity is not yet installed, complete the work and submit a copy of the completed work order with photographic evidence of the installation.
3. If the deficiency is a change from a feature represented in the application and approval of the change has been received in writing from the Department, submit a copy of the approval notification.
4. If the deficiency is a change from a feature represented in the application and written approval was not received from the Department, it may be necessary to request an amendment to the application. Please contact Ben Sheppard in Multi-Family Finance and Production at (512) 475-2122 with any questions regarding this process. Attached is the process and instructions to formally request an amendment. A copy of the request should be submitted as corrective action.

Accessibility Deficiencies – Corrective action required by January 30, 2007

- **Deficiency #11:** *(ANSI reference 4.33.3.4.5)* Unit 2114, designated as "fully" wheelchair accessible, is reported to not have an accessible shower head.
  - **Corrective Action** – Install a shower spray unit with a hose at least 60" long that can be used as a fixed shower head or as a hand-held shower. If an adjustable-height shower head mounted on a vertical bar is used, the bar shall be installed so as not o obstruct the use of grab bars. A copy of the completed work order must be provided with photographic evidence of the corrected condition.

- **Deficiency #12:** *(ANSI reference 4.33.3.2)* The Development Owner representative identified unit 2114 as a unit designated as "fully" wheelchair accessible. The distance between the toilet and the wall at the side is reported to be 20½"" measured from the centerline of the toilet to the wall. The distance should be 18".
  - **Corrective Action:** The owner should determine what action is necessary to bring the bathroom into compliance with the 18" requirement from toilet centerline to wall. A copy of the completed work order must be provided with photographic evidence of the corrected condition.

Comments:

- **Comment #1:** The accessibility deficiencies noted above were a result of the inspection of only "1" of the required dwellings designated as "fully" accessible. The Owner should ensure that all units designed to meet this threshold requirement do not have the deficiencies noted above. If the deficiencies exist then the Owner should bring all those units into compliance. It is the Developer's responsibility to ensure that all units required to be "accessible" in accordance with the technical specifications of the American National Standards (ANSI 117.1 '92) are in full compliance.

Exhibit B

Response to Deficiency Letter from Locke Liddell & Sapp LLP

Exh B p.1 of 5

LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE
Suite 300
Austin, Texas 78701-4042

AUSTIN • DALLAS • HOUSTON • NEW ORLEANS • WASHINGTON, D.C.

(512) 305-4700
Fax: (512) 305-4800
www.lockeliddell.com

Direct Number: (512) 305-4707
email: cbast@lockeliddell.com

January 30, 2007

Mr. Kimbal Thompson
Inspections Specialist
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: The Homes of Parker Commons (the "**Property**")
TDHCA No. 99005

Dear Kimbal:

We have been engaged to assist Parker Commons, Ltd. ("**Owner**") for matters outlined in your letter dated November 29, 2006 with respect to TDHCA's final development inspection of the Property. The purpose of this letter is respond to the deficiencies noted by the inspection and present the plan for correction of those items that require correction.

Background Information

This project was originally proposed in March 1998 by Sphinx Development. The plan was to redevelop several historic school buildings in Fort Worth as the Homes of Parker Commons. An affiliate of SunAmerica Affordable Housing Partners ("**SunAmerica**") agreed to provide equity financing for the Property as the investor limited partner. When the tax credits were awarded, TDHCA required that Sphinx Development bring in a partner with a more experienced development company, so M. Myers Development, Inc. became part of the development team. As an uncommon and historic property, the redevelopment project overcame numerous barriers as it worked its way through approval with the Fort Worth Planning and Zoning Commission, the Fort Worth City Council, the Fort Worth historic preservation organization, and the nearby neighborhood organization. The mandates of these various bodies, along with the unique configuration of the site, led to changes in the site plan. These changes were presented to TDHCA, as described below. The changes also increased the cost of completion. As a result, although not obligated to do so, SunAmerica has made an additional capital contribution of approximately $2.8 million more than originally anticipated. These costs are proven up by the cost certification package that has been submitted to TDHCA.

Over time, both Sphinx Development and M. Myers Development, Inc. were removed from the Property's ownership structure, and a replacement general partner was substituted. This replacement

Exh B p.2 of 5

general partner and SunAmerica are moving forward with a Property that is well-occupied and serving its community.

Application Deficiencies

Deficiency #1: Unit Mix. As mentioned above, Owner previously notified TDHCA that the unit mix for the Property had changed. Please see the attached letter from M. Myers Development, Inc. delivered to Mr. Cherno Njie of TDHCA on August 22, 2001. Note that it is marked "Approved by Cherno 8-23-01". The letter verifies that TDHCA was notified as to the change in unit mix and approved that change six years ago. (This was prior to the amendment procedures that are currently employed by TDHCA staff.) Moreover, TDHCA staff executed a Land Use Restriction Agreement for the Property, which recited 192 total units on the Property.[1]

Because TDHCA was previously notified of the change in unit mix and the change was approved by Multifamily Division staff, we believe nothing further is needed with regard to this deficiency item.

Deficiency #2: Microwaves. Based on our review of the tax credit application, microwave ovens were neither a threshold item nor a selection item for this Property. Rather, the applicant merely checked a box on page 14 of the application, indicating that microwave ovens would be provided. Since microwave ovens were neither a threshold nor a selection item, we believe they should not be required.[2] Cost for this item would be approximately $29,000. Given that SunAmerica has already invested approximately $2.8 million in excess funds in this Property, we ask that this requirement be waived.

Deficiency #3: Picnic Area. Based on our review of the tax credit application, a picnic area was neither a threshold item nor a selection item for this Property. Further, a picnic area was not included in the architect's certification as to amenities in Exhibit 101A of the tax credit application[3]. Again, the applicant merely checked a box on page 14, indicating that a picnic area would be provided. Given that a picnic area was neither a threshold nor a selection item and was not included in the architect's certification, we believe that it should not be required.[4] Nonetheless, Owner is willing to install a picnic area. This installation will cost Owner approximately $8,000. The installation will be

[1] See, for example, the site plan amendment request for Coronado Apartments (TDHCA No. 00002), wherein TDHCA recognized that it had prior notice of a site plan change and had effectively contracted with the owner to provide Forms 8609 for that revised site plan.

[2] See, for example, the amendment request for Wright Senior Apartments (TDHCA No. 03081), wherein the applicant had checked a box to provide a certain amenity, but the amenity was neither part of the threshold criteria nor the selection criteria. TDHCA staff recommended approval for omission of the amenity.

[3] In order to meet the threshold criteria of Exhibit 101, each property was required to have four of the following: limited access security fence, playground, laundry room, community room, recreational facilities, public telephone, daycare facility, storage areas, or covered parking. The Property, as constructed has the following four items: limited access security fence, community room, recreational facilities, and storage areas. Thus, the Property currently meets the threshold requirements of the 1998 Qualified Allocation Plan.

[4] See footnote 2, above.

Exh B p.3 of 5

complete, and documentation will be provided to TDHCA, within 60 days of Owner's receipt of written evidence from TDHCA that this response to your deficiency letter is acceptable.

Deficiency #4: Daycare Facility. It is not physically or financially feasible to install a daycare facility on the site. Because the change in the unit mix reduced the number of 3 bedroom units, there are very few families with children on the Property. Although a daycare facility was one of the items that could count toward the threshold project amenities in the 1998 tax credit application (see Exhibit 101), the architect did not certify that a daycare facility would be provided for this Property. (See Exhibit 101A.) The applicant may have checked the box on page 14 of the application, indicating that there would be a daycare facility, but it did not include the daycare facility as one of the project amenities to meet the threshold criteria. Further, there was no reference to a daycare facility in any of the documentation related to the supportive services on site. In short, the applicant was mistaken in checking that box. Because the daycare facility is not required for the Property to meet threshold or selection criteria[5], we believe it should not be required.[6] Moreover, the attached letter from M. Myers Development, which was approved by Mr. Njie, put TDHCA on notice that "there was no room for the needed amenities of family living" on the site. Given Mr. Njie's approval of that letter, we believe this requirement should be waived.

Deficiency #5: Laundry Room. The applicant indicated that a laundry room would be provided, pursuant to the architect's certification in Exhibit 101A. A laundry room was one of the items that could meet the threshold criteria of Exhibit 101. The Property meets the threshold requirements without the laundry room[7], and all but two of the units in the Property have washer-dryer hook ups. Nonetheless, Owner is willing to install the laundry room, as requested. This installation will cost Owner approximately $14,000. The installation will be complete, and documentation will be provided to TDHCA, within 60 days of Owner's receipt of written evidence from TDHCA that this response to your deficiency letter is acceptable.

Deficiency #6: Covered Parking. The applicant indicated that covered parking would be provided, pursuant to the architect's certification in Exhibit 101A. Covered parking was one of the items that could meet the threshold criteria of Exhibit 101. The Property meets the threshold requirements without covered parking.[8] Because the Property is designated as a historic site in Fort Worth, Owner is unsure whether covered parking is permitted. Owner has placed inquiries as to whether covered parking could be added, but has not received responses from all appropriate parties. Owner requests waiver of this requirement, since it was not required for the Property to meet the threshold criteria.[9]

Deficiency #7: Garages. It is not physically or financially feasible to install garages on the site. Based on our review of the tax credit application, garages were neither a threshold item nor a selection item for this Property. Further, garages were not included in the architect's certification as to amenities

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[5] See footnote 2, above.
[6] See footnote 3, above.
[7] See footnote 3, above.
[8] See footnote 3, above.
[9] See footnote 2, above.

Exh B p.4 of 5

in Exhibit 101A of the tax credit application.[10] Again, the applicant merely checked a box on page 14, indicating that garages would be provided. Given that garages were neither a threshold nor a selection item and were not included in the architect's certification, we believe that they should not be required.[11] Please waive this requirement.

Deficiency #8: Public Telephone. The applicant indicated that a public telephone would be provided, pursuant to the architect's certification in Exhibit 101A. A public telephone was one of the items that could meet the threshold criteria of Exhibit 101. The Property meets the threshold requirements without the public telephone.[12] In recent years, TDHCA has heard from property owners that public telephones are more detrimental than beneficial to the residents because they facilitate crime and other undesirable activity. Out of concern for the tenants and in recognition that the threshold criteria have already been met, Owner requests that the requirement to install a public telephone be waived. Nevertheless, if TDHCA insists on the installation of this item, Owner will do so.

Deficiency #9: Playground. As noted in the 2001 letter from M. Myers Development, the Property site is covered with buildings and parking lots. Consequently, it is not physically feasible to install a proper playground on the Property. Again, the M. Myers Development letter, approved by Cherno Njie, said "there was no room for the needed amenities of family living." With very few 3-bedroom units on site, the Property actually has very few residents who are children. Owner recognizes that the applicant indicated a playground would be provided, pursuant to the architect's certification in Exhibit 101A. A playground was one of the items that could meet the threshold criteria of Exhibit 101. The Property meets the threshold requirements without the playground.[13] Given Mr. Njie's approval of the M. Myers Development letter and the fact that no threshold criteria are implicated, we ask that this requirement be waived.

Deficiency #10: Volleyball Court. As described above with respect to the playground, it is not physically feasible to install a volleyball court on the site. Based on our review of the tax credit application, a volleyball court was neither a threshold item nor a selection item for this Property. Further, a volleyball court was not included in the architect's certification as to amenities in Exhibit 101A of the tax credit application[14]. Again, the applicant merely checked a box on page 14, indicating that a volleyball court would be provided. Given that a volleyball court was neither a threshold nor a selection item and was not included in the architect's certification, we believe that it should not be required.[15] Please waive this requirement.

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[10] See footnote 3, above.
[11] See footnote 2, above.
[12] See footnote 3, above.
[13] See footnote 3, above.
[14] See footnote 3, above.
[15] See footnote 2, above.

Exh B p. 5 of 5

Accessibility Deficiencies

Deficiency #11: Unit 2114. Owner will correct the deficiency with regard to the installation of a different shower spray unit. This installation will be complete, and documentation will be provided to TDHCA, within 60 days of the date of this letter.

Deficiency #12: Unit 2114. Owner will correct the deficiency with regard to the distance between the toilet and the wall. This correction will be complete, and documentation will be provided to TDHCA, within 60 days of the date of this letter.

Comment #1: Owner will review all accessible units and make any modifications necessary to ensure that none of them have the deficiencies described in #11 and #12, above.

We believe this letter appropriately addresses all of the items described in your November 29, 2006, letter. However, if you need additional information from Owner on these matters, please feel free to contact me.

Sincerely,

Cynthia L. Bast

cc: SunAmerica Affordable Housing Partners
McCormack Baron Salazar, Inc.

Exhibit C

Responses from TDHCA

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

Exh C p. 1 of 4

March 2, 2007

Cynthia L Bast
Locke Liddell & Sapp LLP
100 Congress Avenue
Suite 300
Austin, TX 78701

By email: cbast@lockeliddell.com

Re: The Homes of Parker Commons, TDHCA #99005

Ms. Bast:

A letter addressed to Kimbal Thompson, Inspections Specialist was received by the Department on January 31, 2007 and forwarded to the Real Estate Analysis division for review. Items of concern include:

1. **Unit Mix.** A unit mix change was approved by the Department in August 2001 in accordance with the process in place at that time. The increase in total number of units from 168 units proposed at application to 192 units constructed is acceptable. However, there is an inconsistency between the unit mix change approved in August 2001 and the unit mix indicated at cost certification. The following chart illustrates the differences:

Set-Aside	Bedrooms	Cost Cert Units	APPROVED Change Request Aug-2001 Units	
TC 50%	1	18	20	(2)
TC 60%	1	69	68	1
MR	1	26	24	2
TC 50%	2	18	18	0
TC 60%	2	15	14	1
MR	2	32	34	(2)
TC 60%	3	6	6	0
MR	3	8	8	0

Exh C p2 of 4

Although the overall number of tax credit units is consistent, you can see that the number of units restricted to 50% of AMI has decreased. There are also inconsistencies within the bedroom groupings. This change may affect both the feasibility analysis and the calculation of applicable fraction for eligible basis purposes. The Owner can choose to either self-correct the cost certification submission or request an amendment.

2. **Amenities.** *Microwaves, Picnic Area, Daycare Facility, Laundry Room, Covered Parking, Garages, Public Telephone, Playground, and Volleyball Court.* The Owner must submit an amendment request for all changes to the development from that proposed at application regardless of the item's classification as a selection item, threshold item or generally proposed amenity.

IRS Forms 8609 cannot be issued until the above issues are resolved and any amendment requests are reviewed by staff and approved by the TDHCA Board. Therefore, it is in the Owner's interest to submit amendment requests as soon as possible to Ben Sheppard, Multifamily Housing Specialist. He can be reached at ben.sheppard@tdhca.state.tx.us and (512) 475-2122. If you have any questions related to the cost certification for this development, I can be reached at lisa.vecchietti@tdhca.state.tx.us and (512) 475-3227.

Sincerely,

Lisa Vecchietti
Real Estate Analysis

cc:

Ray Abeyta, SunAmerica Affordable Housing Partners	By email: rabeyta@sunamerica.com
Karen Harris, Reznick Group	By email: karen.harris@reznickgroup.com

Exh. Cp. 384

RECEIVED
MAR 02 2007
McCORMACK, BARON, SALAZAR

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

To: Pace
cc: R. White
file / HZ 3/2

February 23, 2007

Parker Commons Ltd
Hillary Zimmerman
1415 Olive Street Suite 310
St Louis MO 63103

RE: November 29, 2006 Deficiency Letter Follow-up Notice
Final Development Inspection conducted on October 17, 2006
Homes of Parker Commons – TDHCA File No: 99005 – CMTS: 2061

Dear Ms. Zimmerman:

The Portfolio Management and Compliance Division received corrective action in response to deficiencies identified in the final inspection. Following are the results of the review of your corrective action response letter of January 30, 2007:

- **Deficiency #1, #2, #4, #6-#10:** Referred. Unit type/Unit type totals/Area per unit type/Total number of units/Total area, Microwave ovens, Day care facility, 34 Covered parking spaces, 120 Garage parking spaces, Public telephone, Play area and playground equipment, and Volleyball court. Sufficient documentation was received to clear these items as PMC inspection deficiency issues; however, it has been referred to the TDHCA Real Estate Analysis (REA) staff for final resolution. A copy of the January 30, 2007 letter has been forwarded. It remains the owner's responsibility to confirm that referred issue(s) are resolved. Instructions for requesting an amendment are attached.
- **Deficiency #3, #5:** Not Cleared. Picnic area, and Laundry room. Please provide these amenities by the corrective action due date (below). Ensure that at least one of each type of common use facility is located on an accessible route. If these amenities are not provided and written change approval is not received from the Department, a formal request to amend the application is required. Request the change and submit a copy of the request as corrective action. Instructions for requesting an amendment are attached.
- **Deficiency #11, #12:** Not Cleared. Accessible shower head and Accessible toilet location. Provide corrective action documentation and photographic evidence of completed repairs as requested in the November 29, 2006 letter. Please submit response by the corrective action due date (below).
- **Accessibility Certification of Compliance:** Please complete and return the attached certification form with your response.

EAC p. 4 of 4

Please submit all outstanding corrective action as a single response as specified in the Department deficiency letter no later than April 23, 2007. Failure to respond by the due date may delay the issuance of IRS Form 8609 and/or could result in sanctions on current or future awards. If you have any questions, feel free to contact me directly at (512) 475-3887, toll free in Texas at (800) 643-8204 through email at kimbal.thompson@tdhca.state.tx.us.

Sincerely,

Kimbal Thompson
Inspection Specialist

cc: Inspection File
TDHCA Real Estate Analysis Division

Attachments

Exhibit D

M. Myers Development, Inc. Letter

M. MYERS DEVELOPMENT, INC.
RESIDENTIAL DEVELOPMENT & MANAGEMENT

Exh D p. 1 of 3

RECEIVED
AUG 2 2 2001
LIHTC

August 21, 2001

99005

VIA FACSIMILE
Mr. Cherno Njie
Texas Department of Housing and
Community Affairs
507 Sabine, Suite 300
Austin, Texas 78711-3941

Re: The Homes of Parker Commons -- TDHCA File No. 98-169

Dear Cherno:

The completion of construction on The Homes of Parker Commons will occur soon. We have previously notified you that we had to make some changes to the unit mix and design of the structures to obtain the necessary approvals to build our development. As you know, we were brought into the partnership of this development because many aspects of the original development plan were not acceptable to the various authorities in Fort Worth. We had to obtain the approval of the Fort Worth Planning and Zoning Commission and the City Council, Fort Worth South, the neighborhood association, and Historic Fort Worth, Inc., Fort Worth's historic preservation organization. Over a six month period of time, we met with these various authorities and were finally able to make the necessary revisions of the original plan so that all of these authorities would agree to give us support. Only after these many formal and informal meetings were we able to bring all these authorities together so that we could move forward with this development.

Sphinx Development submitted the application to the TDHCA in March, 1998. Sphinx then consulted with us after they experienced public opposition to the development. Thereafter, the TDHCA awarded credits to the development with the condition that Sphinx bring a more experienced developer into the project. At this point, M. Myers Development, Inc. officially became involved in The Homes of Parker Commons. At that time, no one understood the complexities and limitations involved in the design of the interior floor plans of the Parker building to create a quality residential building, yet satisfying Fort Worth building codes, zoning ordinances, historic preservation requirements and the neighborhood groups. Additionally, similar complexities and limitations existed in the design and development of the new building. We studied the issues, and diligently worked with the architects and engineers to address the problems. The end result is that we successfully provided the total number of units promised in the application.

To obtain the approvals of the four organizations we were forced to make changes in the development. We do not feel that any changes impair our ability to provide quality affordable housing. We reduced the number of three bedroom units from sixty-eight in the application to fourteen for several reasons. First, the site did not provide sufficient parking to satisfy the Fort

DALLAS: 3100 McKINNON STREET, SUITE 800 / DALLAS, TEXAS 75201-7003 / (214)969-7328 / FAX(214)969-7560

Ex. D. p. 2 of 3

Worth Planning Commission if a larger new building would have been built. Second, the existing size of the Parker building limited our ability to provide more three bedroom units because of column locations and the required life safety corridors that must be provided on each floor. Additionally, existing window locations created limitations in the design and floor plan of the units. Finally, Fort Worth South demanded that we create a development with an "urban feel". Their requirements included having one and two bedroom units to meet the needs for the Fort Worth hospital district, and other employees in the area.

The limitations of the site and the resultant parking requirements resulted in a site that was covered with buildings and parking lots. There was no room for the needed amenities of family living. Existing neighborhood amenities were not conducive to family living. The neighborhood organization was quietly opposed to a large number of families. All parties saw this development as a catalyst to begin the redevelopment of the area and to serve the needs of the economic redevelopment of an urban area.

The tax credit application states that the development will contain 126 tax credit units and 168 total units. Thirty percent (30%) of the program units are to be restricted for persons whose income is 50% or less of the area median gross income. The table below sets forth the unit composition in the application:

MR: 10 / 1 BR
15 / 2 BR
17 / 3 BR
42 MR units

Bedrooms	Type	# of Units
efficiency	TC	1
1	Market	10
1	50	1
1	60	29
2	Market	15
2	50	0
2	60	45
3	Market	17
3	50	37
3	60	14
		168

In the application, Sphinx proposed to rehabilitate the Hogg Elementary School building into office space. Prior to starting construction, we determined that additional market rate housing is a more prudent use of the property because that would create a better mix of incomes in the development and our experience is in housing, not office development. Now, after satisfying the Fort Worth governmental entities and neighborhood associations, our unit mix for the development is as follows:

Exh. O, p.3 of 3

Mr. Cherno Njie
August 21, 2001
Page 3

Bedrooms	Type	# of Units
1	50	20
1	60	68
1	Market	24
2	50	18
2	60	14
2	Market	34
3	60	6
3	Market	8
		192

Agreed by Cherno 8-23-01

This supersedes 12-21-98 ltr + 12-28-98 Approval from Cherno

The total program units are 126, including 38 units set aside for persons making 50% or less of area median gross income. We have 27 handicapped units (although all units in the Parker building and new building are easily adaptable into handicapped units). The development has 160,876 net rentable square feet and 210,881 gross square feet.

The City of Fort Worth and Fort Worth South are very proud of The Homes of Parker Commons. The Mayor and City Manager of Fort Worth, as well as several elected officials, attended our grand opening.

We appreciate the TDHCA evidencing their acknowledgment and approval to the changes to the development stated above from the original application by signing in the space provided below.

Thank you very much for your cooperation. Please call me if you have any questions or comments.

Sincerely,

Marvin B. Myers

Marvin B. Myers

38 @ 50%
31 HDC 16%

AGREED TO AND ACCEPTED, August ______, 2001.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By:______________________

Cherno Njie
Program Manager

TC	MR
eff - 0	0
50%/ 1BR - 20	24
60%/ 1BR - 68	
50%/ 2BR - 18	34
60%/ 2BR - 14	
60%/ 3BR - 6	8
126	66 = 192 units

n:\z\mye415\10026\cn8-17ltr.doc
August 21, 2001

DEVELOPMENT NAME: Homes of Parker Commons

FILE NUMBER: 99005

24,223,624

Bldg. #	BIN #	Placed in Service Date: Acquisition	Placed in Service Date: Rehab/New Construction	Net Rentable Area (NRA)	Applicable Fraction: Based on Units	Applicable Fraction: Based on NRA	Applicable Percentage: Acquisition	Applicable Percentage: Rehab/ New Constr.	Eligible Basis: Acquisition	Eligible Basis: Rehab/ New Constr.	Requested Tax Credits: Acquisition	Requested Tax Credits: Rehab/ New Constr.	Requested Tax Credits: Total
1	99-00500	1/29/1999	1/10/2001	66,420	75.61%	69.08%		8.33%	-	10,005,305	$ -	$ 575,742	$ 575,742
2	99-00501	1/29/1999	8/16/2001	72,780	74.42%	67.20%		8.25%	-	10,963,356	-	$ 607,808	607,808
3	99-00502	1/29/1999	9/14/2001	21,608				8.21%	-	3,254,963	-	$ -	-
4	99-00503										-	-	-
5	99-00504										-	-	-
6	99-00505										-	-	-
7	99-00506										-	-	-
8	99-00507										-	-	-
9	99-00508										-	-	-
10	99-00509										-	-	-
11	99-00510										-	-	-
12	99-00511										-	-	-
13	99-00512										-	-	-
14	99-00513										-	-	-
15	99-00514										-	-	-
16	99-00515										-	-	-
17	99-00516										-	-	-
18	99-00517										-	-	-
19	99-00518										-	-	-
20	99-00519										-	-	-
21	99-00520										-	-	-
22	99-00521										-	-	-
23	99-00522										-	-	-
24	99-00523										-	-	-
25	99-00524										-	-	-
26	99-00525										-	-	-
27	99-00526										-	-	-
28	99-00527										-	-	-
29	99-00528										-	-	-
30	99-00529										-	-	-
31	99-00530										-	-	-
32	99-00531										-	-	-
33	99-00532										-	-	-
34	99-00533										-	-	-
35	99-00534										-	-	-
250	99-00749										-	-	-
	TOTAL			160,808					$24,223,624		$ -	$ 1,183,550	$ 1,183,550

[redacted]

DEVELOPMENT NAME: Homes of Parker Commons **FILE NUMBER:** 99005

Type of Unit designation should be one or more of the following based on the unit's rent restrictions:
Tax Credit: *(TC30%), (TC40%), (TC50%), (TC60%)* ***501(c)(3) Mortgage Revenue Bond:*** *(MRB)*
HOME: *High (HH) or Low (LH)* ***Other:*** *(OT) describe any "Other" restrictions on an attached sheet*
Housing Trust Fund: *(HTF30%), (HTF60%), HTF(65%)*
For units funded under more than one program, the "Income Level Served" should be the most restrictive - for example a LH and TC50% would be
The rent and utility limits available at the time the Cost Certification Packet is submitted should be used to complete this form. Gross Rent cannot

Type of Unit	Income Level Served	# of Units (A)	# of Bedrooms	# of Baths	Unit Size (Net Rentable Sq. Ft.) (B)	Total Net Rentable Sq. Ft. (A) x (B)	Gross Rent (C)	Tenant Paid Utility Allow. (D)	Tenant Paid Rent/ Unit (C) - (D) = (E)	Total Monthly Rent (A) x (E)
Tax Credit	50%	6	2	1.00	933	5,598	713	84	629	3,774
Tax Credit	60%	8	2	1.00	933	7,464	856	84	772	6,176
Tax Credit	60%	2	1	1.00	531	1,062	713	69	644	1,288
Tax Credit	60%	18	1	1.00	607	10,926	713	69	644	11,592
Tax Credit	60%	2	2	2.00	1,066	2,132	856	84	772	1,644
Tax Credit	50%	12	2	1.00	748	8,976	713	84	629	7,548
Tax Credit	60%	8	1	1.00	644	5,152	713	69	644	5,152
Tax Credit	60%	3	1	1.00	829	2,487	713	69	644	1,932
Tax Credit	50%	1	1	1.00	829	829	594	69	525	525
Tax Credit	50%	2	1	1.00	630	1,260	713	84	629	1,258
Tax Credit	60%	6	3	2.00	1,238	7,428	989	96	893	5,358
Tax Credit	60%	4	2	2.00	986	3,944	856	84	772	3,088
Tax Credit	50%	17	1	1.00	671	11,407	594	69	525	8,925
Tax Credit	60%	23	1	1.00	671	15,433	713	69	644	14,812
Tax Credit	60%	14	1	1.00	754	10,556	713	69	644	9,016
Rent Restricted Total		126				94,654				81,986
Market Rate		14	2	2.00	1,066	14,924			925	12,950
Market Rate		2	1	1.00	933	1,866			885	1,770
Market Rate		4	2	2.00	988	3,952			900	3,600
Market Rate		2	2	2.00	1,068	2,136			875	1,750
Market Rate		12	2	2.00	986	11,832			775	9,300
Market Rate		8	3	2.00	1,238	9,904			925	7,400
Market Rate		12	1	1.00	863	10,356			875	10,500
Market Rate		10	1	1.00	956	9,560			915	9,150
Market Rate		2	1	1.00	846	1,692			820	1,640
Market Rate Total		66				66,222				58,060
Employee/Owner Occupied*						0				-
Total Units		192				160,876				140,048
+ Non Rental Income Source #1		$ 10.00	per unit/month for:			*Laundry and other.*				1,920
+ Non Rental Income Source #2			per unit/month for:			*describe source here*				-
+ Non Rental Income Source #3			per unit/month for:			*describe source here*				-
= POTENTIAL GROSS MONTHLY INCOME										141,968
- Provision for Vacancy & Collection Loss							% of Potential Gross Income:		12.00%	17,036
- Rental Concessions										4,000
= EFFECTIVE GROSS MONTHLY INCOME										120,932
x 12 = EFFECTIVE GROSS ANNUAL INCOME										1,451,182

* Only enter Employee/Owner Occupied Units if not included in rent restricted or market rate units shown above.

EXHIBIT 13A: SOURCES OF FUNDS SUMMARY

DEVELOPMENT NAME: Homes of Parker Commons **FILE NUMBER:** 99005

PERMANENT FINANCING

Source:	American Property Financing Inc.	**Contact:**	Denise M. Gomez		
Address:	7315 Wisconsin Avenue, Suite 450 North	**Phone:**	(240) 482-1967	**Fax:**	(301) 654-6404
City:	Bethesda	**State:**	MD	**Zip:**	20814
Current Balance:	$5,593,177	**Closing Date:**			
Original Principle:	$5,695,000	**Interest Rate:**	5.92	**Fixed?**	☒ Yes ☐ No
Annual Payment:	$406,224	**Amortization:**	30 yrs **Term:** 30 yrs	**Lien Priority:**	1

PERMANENT FINANCING

Source:	SLP V LLC, a Nevada limited liability company	**Contact:**	Howard Heitner		
Address:	1 SunAmerica Center	**Phone:**	(310) 772-6000	**Fax:**	(310) 772-6794
City:	Los Angeles	**State:**	CA	**Zip:**	90067
Current Balance:	$1,826,806	**Closing Date:**			
Original Principle:	$1,826,806	**Interest Rate:**	5.39	**Fixed?**	☒ Yes ☐ No
Annual Payment:	$Cash Flow	**Amortization:**	10 yrs **Term:** 10 yrs	**Lien Priority:**	

GRANT

Source:		**Contact:**			
Address:		**Phone:**	( )	**Fax:**	( )
City:		**State:**		**Zip:**	
Amount:	$	**Conditions:**			

LIHTC SYNDICATION

Net Proceeds: $9,300,921 **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** $.82¢

OWNER'S CONTRIBUTION

Amount: $ **Source:**

TOTAL SOURCES OF FUNDS: $20,214,493

EXHIBIT 13A: SOURCES OF FUNDS SUMMARY

DEVELOPMENT NAME: Homes of Parker Commons **FILE NUMBER:** 99005

PERMANENT FINANCING

Source: SunAmerica Housing Fund 668, a Nevada Limited Partnership **Contact:** Howard Heitner

Address: 1 SunAmerica Center **Phone:** (310) 772-6000 **Fax:** (310) 772-6794

City: Loa Angeles **State:** CA **Zip:** 90067

Current Balance: $3,391,766 **Closing Date:**

Original Principle: $3,391,766 **Interest Rate:** 15% **Fixed?** ☒ Yes ☐ No

Annual Payment: $ Cash Flow **Amortization:** 10 yrs **Term:** 10 yrs **Lien Priority:**

PERMANENT FINANCING

Source: **Contact:**

Address: **Phone:** ( ) **Fax:** ( )

City: **State:** **Zip:**

Current Balance: $ **Closing Date:**

Original Principle: $ **Interest Rate:** **Fixed?** ☐ Yes ☐ No

Annual Payment: $ **Amortization:** yrs **Term:** yrs **Lien Priority:**

GRANT

Source: **Contact:**

Address: **Phone:** ( ) **Fax:** ( )

City: **State:** **Zip:**

Amount: $ **Conditions:**

LIHTC SYNDICATION

Net Proceeds: $ **Net Syndication Rate (per $1.00 of 10-yr LIHTC)** $¢

OWNER'S CONTRIBUTION

Amount: $ **Source:**

TOTAL SOURCES OF FUNDS: $

MULTIFAMILY NOTE

US $5,695,000.00

As of July 8, 2005

FOR VALUE RECEIVED, the undersigned (**"Borrower"**) jointly and severally (if more than one) promises to pay to the order of **AMERICAN PROPERTY FINANCING, INC.**, a Delaware corporation, the principal sum of **FIVE MILLION SIX HUNDRED NINETY-FIVE THOUSAND AND 00/100 DOLLARS (US $5,695,000.00)**, with interest accruing on the unpaid principal balance from the date of disbursement until fully paid at the annual rate of Five and 92/100 percent (5.92%).

1. **Defined Terms.** As used in this Note, (i) the term **"Lender"** means the holder of this Note, (ii) the term **"Indebtedness"** means the principal of, interest on, or any other amounts due at any time under, this Note, the Security Instrument or any other Loan Document, including prepayment premiums, late charges, default interest, and advances to protect the security of the Security Instrument under Section 12 of the Security Instrument, and (iii) a **"Business Day"** means any day other than a Saturday, Sunday or any other day on which Lender is not open for business. Event of Default, Key Principal and other capitalized terms used but not defined in this Note shall have the meanings given to such terms in the Security Instrument (as defined in Paragraph 5).

2. **Address for Payment.** All payments due under this Note shall be payable at *6 East 43rd Street, New York, New York 10017*, or such other place as may be designated by written notice to Borrower from or on behalf of Lender.

3. **Payment of Principal and Interest.** Principal and interest shall be paid as follows:

(a) Unless disbursement of principal is made by Lender to Borrower on the first day of the month, interest for the period beginning on the date of disbursement and ending on and including the last day of the month in which such disbursement is made shall be payable simultaneously with the execution of this Note.

(b) Interest under this Note shall be computed on the basis of (check one only):

☒ a 360-day year consisting of twelve 30-day months.

☐ a 360-day year. The amount of each monthly payment made by Borrower pursuant to Paragraph 3(c) below that is allocated to interest will be based on the actual number of calendar days during such month and shall be calculated by multiplying the unpaid principal balance of this Note by the per annum interest rate, dividing the product by 360 and multiplying the quotient by the actual number of days elapsed during the month. Borrower understands that the amount allocated to interest for each month will vary depending on the actual number of calendar days during such month.

(c) Consecutive monthly installments of principal and interest, each in the amount of **THIRTY THREE THOUSAND EIGHT HUNDRED FIFTY-TWO AND 04/100 DOLLARS (US $33,852.04)**, shall be payable on the first day of each month beginning on **September 1, 2005**, until the entire unpaid principal balance evidenced by this Note is fully paid. Any accrued interest remaining past due for 30 days or more shall be added to and become part of the unpaid principal balance and shall bear interest at the rate or rates specified in this Note, and any reference below to "accrued interest" shall refer to accrued interest which has not become part of the unpaid principal balance. Any remaining principal and interest shall be due and payable on **August 1, 2020** or on any earlier date on which the unpaid principal balance of this Note becomes due and payable, by acceleration or otherwise (the "**Maturity Date**"). The unpaid principal balance shall continue to bear interest after the Maturity Date at the Default Rate set forth in this Note until and including the date on which it is paid in full.

(d) Any regularly scheduled monthly installment of principal and interest that is received by Lender before the date it is due shall be deemed to have been received on the due date solely for the purpose of calculating interest due.

4. **Application of Payments.** If at any time Lender receives, from Borrower or otherwise, any amount applicable to the Indebtedness which is less than all amounts due and payable at such time, Lender may apply that payment to amounts then due and payable in any manner and in any order determined by Lender, in Lender's discretion. Borrower agrees that neither Lender's acceptance of a payment from Borrower in an amount that is less than all amounts then due and payable nor Lender's application of such payment shall constitute or be deemed to constitute either a waiver of the unpaid amounts or an accord and satisfaction.

5. **Security.** The Indebtedness is secured, among other things, by a Multifamily Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing dated as of the date of this Note (the "**Security Instrument**"), and reference is made to the Security Instrument for other rights of Lender concerning the collateral for the Indebtedness.

6. **Acceleration.** If an Event of Default has occurred and is continuing, the entire unpaid principal balance, any accrued interest, the prepayment premium payable under Paragraph 10, if any, and all other amounts payable under this Note and any other Loan Document shall at once become due and payable, at the option of Lender, without any prior notice to Borrower. Lender may exercise this option to accelerate regardless of any prior forbearance.

7. **Late Charge.** If any monthly installment due hereunder is not received by Lender on or before the 10th day of each month or if any other amount payable under this Note or under the Security Instrument or any other Loan Document is not received by Lender within 10 days after the date such amount is due, counting from and including the date such amount is due, Borrower shall pay to Lender, immediately and without demand by Lender, a late charge equal to 5 percent of such monthly installment or other amount due. Borrower acknowledges that its

failure to make timely payments will cause Lender to incur additional expenses in servicing and processing the loan evidenced by this Note (the **"Loan"**), and that it is extremely difficult and impractical to determine those additional expenses. Borrower agrees that the late charge payable pursuant to this Paragraph represents a fair and reasonable estimate, taking into account all circumstances existing on the date of this Note, of the additional expenses Lender will incur by reason of such late payment. The late charge is payable in addition to, and not in lieu of, any interest payable at the Default Rate pursuant to Paragraph 8.

8. **Default Rate.** So long as any monthly installment or any other payment due under this Note remains past due for 30 days or more, interest under this Note shall accrue on the unpaid principal balance from the earlier of the due date of the first unpaid monthly installment or other payment due, as applicable, at a rate (the **"Default Rate"**) equal to the lesser of 4 percentage points above the rate stated in the first paragraph of this Note or the maximum interest rate which may be collected from Borrower under applicable law. If the unpaid principal balance and all accrued interest are not paid in full on the Maturity Date, the unpaid principal balance and all accrued interest shall bear interest from the Maturity Date at the Default Rate. Borrower also acknowledges that its failure to make timely payments will cause Lender to incur additional expenses in servicing and processing the Loan, that, during the time that any monthly installment or payment under this Note is delinquent for more than 30 days, Lender will incur additional costs and expenses arising from its loss of the use of the money due and from the adverse impact on Lender's ability to meet its other obligations and to take advantage of other investment opportunities, and that it is extremely difficult and impractical to determine those additional costs and expenses. Borrower also acknowledges that, during the time that any monthly installment or other payment due under this Note is delinquent for more than 30 days, Lender's risk of nonpayment of this Note will be materially increased and Lender is entitled to be compensated for such increased risk. Borrower agrees that the increase in the rate of interest payable under this Note to the Default Rate represents a fair and reasonable estimate, taking into account all circumstances existing on the date of this Note, of the additional costs and expenses Lender will incur by reason of the Borrower's delinquent payment and the additional compensation Lender is entitled to receive for the increased risks of nonpayment associated with a delinquent loan.

9. **Limits on Personal Liability.**

(a) Except as otherwise provided in this Paragraph 9, Borrower shall have no personal liability under this Note, the Security Instrument or any other Loan Document for the repayment of the Indebtedness or for the performance of any other obligations of Borrower under the Loan Documents, and Lender's only recourse for the satisfaction of the Indebtedness and the performance of such obligations shall be Lender's exercise of its rights and remedies with respect to the Mortgaged Property and any other collateral held by Lender as security for the Indebtedness. This limitation on Borrower's liability shall not limit or impair Lender's enforcement of its rights against any guarantor of the Indebtedness or any guarantor of any obligations of Borrower.

(b) Borrower shall be personally liable to Lender for the repayment of a portion of the Indebtedness equal to any loss or damage suffered by Lender as a result of (1) failure of Borrower to pay to Lender upon demand after an Event of Default, all Rents to which Lender is entitled under Section 3(a) of the Security Instrument and the amount of all security deposits collected by Borrower from tenants then in residence; (2) failure of Borrower to apply all insurance proceeds and condemnation proceeds as required by the Security Instrument; (3) failure of Borrower to comply with Section 14(d) or (e) of the Security Instrument relating to the delivery of books and records, statements, schedules and reports; (4) fraud or written material misrepresentation by Borrower, Key Principal or any officer, director, partner, member or employee of Borrower in connection with the application for or creation of the Indebtedness or any request for any action or consent by Lender; or (5) failure to apply Rents, first, to the payment of reasonable operating expenses (other than Property management fees that are not currently payable pursuant to the terms of an Assignment of Management Agreement or any other agreement with Lender executed in connection with the Loan) and then to amounts (**"Debt Service Amounts"**) payable under this Note, the Security Instrument or any other Loan Document (except that Borrower will not be personally liable (i) to the extent that Borrower lacks the legal right to direct the disbursement of such sums because of a bankruptcy, receivership or similar judicial proceeding, or (ii) with respect to Rents that are distributed in any calendar year if Borrower has paid all operating expenses and Debt Service Amounts for that calendar year).

(c) Borrower shall become personally liable to Lender for the repayment of all of the Indebtedness upon the occurrence of any of the following Events of Default: (1) Borrower's acquisition of any property or operation of any business not permitted by Section 33 of the Security Instrument; or (2) a Transfer that is an Event of Default under Section 21 of the Security Instrument.

(d) To the extent that Borrower has personal liability under this Paragraph 9, Lender may exercise its rights against Borrower personally without regard to whether Lender has exercised any rights against the Mortgaged Property or any other security, or pursued any rights against any guarantor, or pursued any other rights available to Lender under this Note, the Security Instrument, any other Loan Document or applicable law. For purposes of this Paragraph 9, the term **"Mortgaged Property"** shall not include any funds that (1) have been applied by Borrower as required or permitted by the Security Instrument prior to the occurrence of an Event of Default, or (2) Borrower was unable to apply as required or permitted by the Security Instrument because of a bankruptcy, receivership, or similar judicial proceeding.

10. Voluntary and Involuntary Prepayments.

(a) A prepayment premium shall be payable in connection with any prepayment made under this Note as provided below:

(1) Borrower may voluntarily prepay all (but not less than all) of the unpaid principal balance of this Note only on the last calendar day of a calendar month and only if Borrower has complied with all of the following:

(i) Borrower must give Lender at least 30 days, but not more than 60 days, prior written notice of its intention to make such prepayment (the "Prepayment Notice").

(ii) The Prepayment Notice shall be addressed to Lender and shall include, at a minimum, the date upon which Borrower intends to make the prepayment (the "Intended Prepayment Date"). Borrower acknowledges that the Lender is not required to accept any voluntary prepayment of this Note on any day other than the last calendar day of a calendar month. If the last calendar day of a calendar month is not a Business Day, then the Borrower must make the payment on the Business Day immediately preceding the last calendar day of a calendar month. For all purposes, including the accrual of interest and the calculation of the prepayment premium, any prepayment received by Lender on any day other than the last calendar day of a calendar month shall be deemed to have been received on the last calendar day of the month in which such prepayment occurs.

(iii) Any prepayment shall be made by paying (A) the amount of principal being prepaid, (B) all accrued interest, (C) all other sums due Lender at the time of such prepayment, and (D) the prepayment premium calculated pursuant to Schedule A.

(iv) If, for any reason, Borrower fails to prepay this Note within five (5) Business Days after the Intended Prepayment Date, then Lender shall have the right, but not the obligation, to recalculate the prepayment premium based upon the Yield Rate as reported in The Wall Street Journal on the twenty-fifth Business Day preceding the delayed Intended Prepayment Date and to make such calculation as described in Schedule A attached hereto. Notwithstanding the foregoing, if the delayed prepayment occurs in a month other than the month stated in the original Prepayment Notice, then Lender shall (a) have the right, but not the obligation, to recalculate the prepayment premium based upon the Yield Rate as reported in The Wall Street Journal on the twenty-fifth Business Day preceding the delayed Intended Prepayment Date and to make such calculation as described in Schedule A attached hereto and (b) recalculate the amount of interest payable. In either instance, for purposes of recalculation, such new prepayment date shall be deemed the "Intended Prepayment Date."

(2) Upon Lender's exercise of any right of acceleration under this Note, Borrower shall pay to Lender, in addition to the entire unpaid principal balance of this Note outstanding at the time of the acceleration, (A) all accrued interest and all other

sums due Lender under this Note and the other Loan Documents, and (B) the prepayment premium calculated pursuant to Schedule A.

(3) Any application by Lender of any collateral or other security to the repayment of any portion of the unpaid principal balance of this Note prior to the Maturity Date and in the absence of acceleration shall be deemed to be a partial prepayment by Borrower, requiring the payment to Lender by Borrower of a prepayment premium.

(b) Notwithstanding the provisions of Paragraph 10(a), no prepayment premium shall be payable with respect to any prepayment occurring as a result of the application of any insurance proceeds or condemnation award under the Security Instrument or as provided in subparagraph (c) of Schedule A.

(c) Schedule A is hereby incorporated by reference into this Note.

(d) Any required prepayment of less than the entire unpaid principal balance of this Note shall not extend or postpone the due date of any subsequent monthly installments or change the amount of such installments, unless Lender agrees otherwise in writing.

(e) Borrower recognizes that any prepayment of the unpaid principal balance of this Note, whether voluntary or involuntary or resulting from a default by Borrower, will result in Lender's incurring loss, including reinvestment loss, additional expense and frustration or impairment of Lender's ability to meet its commitments to third parties. Borrower agrees to pay to Lender upon demand damages for the detriment caused by any prepayment, and agrees that it is extremely difficult and impractical to ascertain the extent of such damages. Borrower therefore acknowledges and agrees that the formula for calculating prepayment premiums set forth on Schedule A represents a reasonable estimate of the damages Lender will incur because of a prepayment.

(f) Borrower further acknowledges that the prepayment premium provisions of this Note are a material part of the consideration for the loan evidenced by this Note, and acknowledges that the terms of this Note are in other respects more favorable to Borrower as a result of the Borrower's voluntary agreement to the prepayment premium provisions.

11. **Costs and Expenses.** Borrower shall pay on demand all expenses and costs, including fees and out-of-pocket expenses of attorneys and expert witnesses and costs of investigation, incurred by Lender as a result of any default under this Note or in connection with efforts to collect any amount due under this Note, or to enforce the provisions of any of the other Loan Documents, including those incurred in post-judgment collection efforts and in any bankruptcy proceeding (including any action for relief from the automatic stay of any bankruptcy proceeding) or judicial or non-judicial foreclosure proceeding.

12. **Forbearance.** Any forbearance by Lender in exercising any right or remedy under this Note, the Security Instrument, or any other Loan Document or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of that or any other right or

remedy. The acceptance by Lender of any payment after the due date of such payment, or in an amount which is less than the required payment, shall not be a waiver of Lender's right to require prompt payment when due of all other payments or to exercise any right or remedy with respect to any failure to make prompt payment. Enforcement by Lender of any security for Borrower's obligations under this Note shall not constitute an election by Lender of remedies so as to preclude the exercise of any other right or remedy available to Lender.

13. **Waivers.** Presentment, demand, notice of dishonor, protest, notice of acceleration, notice of intent to demand or accelerate payment or maturity, presentment for payment, notice of nonpayment, grace, and diligence in collecting the Indebtedness are waived by Borrower, Key Principal, and all endorsers and guarantors of this Note and all other third party obligors.

14. **Loan Charges.** Borrower and Lender intend at all times to comply with the law of the State of Texas governing the maximum rate or amount of interest payable on or in connection with this Note and the Indebtedness (or applicable United States federal law to the extent that it permits Lender to contract for, charge, take, reserve or receive a greater amount of interest than under Texas law). If the applicable law is ever judicially interpreted so as to render usurious any amount payable under this Note or under any other Loan Document, or contracted for, charged, taken, reserved or received with respect to the Indebtedness, or of acceleration of the maturity of this Note, or if any prepayment by Borrower results in Borrower having paid any interest in excess of that permitted by any applicable law, then Borrower and Lender expressly intend that all excess amounts collected by Lender shall be applied to reduce the unpaid principal balance of this Note (or, if this Note has been or would thereby be paid in full, shall be refunded to Borrower), and the provisions of this Note, the Security Instrument and any other Loan Documents immediately shall be deemed reformed and the amounts thereafter collectible under this Note or any other Loan Document reduced, without the necessity of the execution of any new documents, so at to comply with any applicable law, but so as to permit the recovery of the fullest amount otherwise payable under this Note or any other Loan Document. The right to accelerate the maturity of this Note does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Lender does not intend to collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of the Indebtedness shall, to the extent permitted by any applicable law, be amortized, prorated, allocated and spread throughout the full term of the Indebtedness until payment in full so that the rate or amount of interest on account of the Indebtedness does not exceed the applicable usury ceiling. Notwithstanding any provision contained in this Note, the Security Instrument or any other Loan Document that permits the compounding of interest, including any provision by which any accrued interest is added to the principal amount of this Note, the total amount of interest that Borrower is obligated to pay and Lender is entitled to receive with respect to the Indebtedness shall not exceed the amount calculated on a simple (i.e. non-compounded) interest basis at the maximum rate on principal amounts actually advanced to or for the account of Borrower, including all current and prior advances and any advances made pursuant to the Security Instrument or other Loan Documents (such as for the payment of taxes, insurance premiums and similar expenses or costs).

15. **Commercial Purpose.** Borrower represents that the Indebtedness is being incurred by Borrower solely for the purpose of carrying on a business or commercial enterprise, and not for personal, family or household purposes.

16. **Counting of Days.** Except where otherwise specifically provided, any reference in this Note to a period of "days" means calendar days, not Business Days.

17. **Governing Law.** This Note shall be governed by the law of the jurisdiction in which the Land is located.

18. **Captions.** The captions of the paragraphs of this Note are for convenience only and shall be disregarded in construing this Note.

19. **Notices.** All notices, demands and other communications required or permitted to be given by Lender to Borrower pursuant to this Note shall be given in accordance with Section 31 of the Security Instrument.

20. **Consent to Jurisdiction and Venue.** Borrower and Key Principal each agrees that any controversy arising under or in relation to this Note shall be litigated exclusively in the jurisdiction in which the Land is located (the "**Property Jurisdiction**"). The state and federal courts and authorities with jurisdiction in the Property Jurisdiction shall have exclusive jurisdiction over all controversies which shall arise under or in relation to this Note. Borrower and Key Principal each irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise.

21. **WAIVER OF TRIAL BY JURY. BORROWER, KEY PRINCIPAL AND LENDER EACH (A) AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS NOTE OR THE RELATIONSHIP BETWEEN THE PARTIES AS LENDER, KEY PRINCIPAL AND BORROWER THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.**

ATTACHED SCHEDULES. The following Schedules are attached to this Note:

☒ Schedule A Prepayment Premium (required)

☐ Schedule B Modifications to Multifamily Note

IN WITNESS WHEREOF, Borrower has signed and delivered this Note or has caused this Note to be signed and delivered by its duly authorized representative.

BORROWER

PARKER COMMONS, LTD., a
Texas limited partnership

By: **AFFORDABLE HOUSING GP 668, L.L.C., a**
Delaware limited liability company,
Its General Partner

By: **MUDCO 5, INC., a**
Missouri corporation,
Member

By: [signature]
Name: Hillary B. Zimmerman
Title: Vice President

75-2795649
Borrower's Social Security/Employer ID Number

[NO FURTHER TEXT ON THIS PAGE]

Fannie Mae Commitment
Number: ____________________

PAY TO THE ORDER OF ______________________________

WITHOUT RECOURSE.

AMERICAN PROPERTY FINANCING, INC.,
a Delaware corporation

By: ______________________________
Name: Marie Carolo
Title: Senior Vice President

ACKNOWLEDGMENT AND AGREEMENT OF KEY PRINCIPAL TO PERSONAL LIABILITY FOR EXCEPTIONS TO NON-RECOURSE LIABILITY

Key Principal, who has an economic interest in Borrower or who will otherwise obtain a material financial benefit from the Loan, hereby absolutely, unconditionally and irrevocably agrees to pay to Lender, or its assigns, on demand, all amounts for which Borrower is personally liable under Paragraph 9 of the Multifamily Note to which this Acknowledgment is attached (the "**Note**"). The obligations of Key Principal shall survive any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, and any release of record of the Security Instrument. Lender may pursue its remedies against Key Principal without first exhausting its remedies against the Borrower or the Mortgaged Property. All capitalized terms used but not defined in this Acknowledgment shall have the meanings given to such terms in the Security Instrument. As used in this Acknowledgment, the term "Key Principal" (each if more than one) shall mean only those individuals or entities that execute this Acknowledgment.

The obligations of Key Principal shall be performed without demand by Lender and shall be unconditional irrespective of the genuineness, validity, or enforceability of the Note, or any other Loan Document, and without regard to any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or a guarantor. Key Principal hereby waives the benefit of all principles or provisions of law, which are or might be in conflict with the terms of this Acknowledgment, and agrees that Key Principal's obligations shall not be affected by any circumstances which might otherwise constitute a legal or equitable discharge of a surety or a guarantor. Key Principal hereby waives the benefits of any right of discharge and all other rights under any and all statutes or other laws relating to guarantors or sureties, to the fullest extent permitted by law, diligence in collecting the Indebtedness, presentment, demand for payment, protest, all notices with respect to the Note including this Acknowledgment, which may be required by statute, rule of law or otherwise to preserve Lender's rights against Key Principal under this Acknowledgment, including notice of acceptance, notice of any amendment of the Loan Documents, notice of the occurrence of any default or Event of Default, notice of intent to accelerate, notice of acceleration, notice of dishonor, notice of foreclosure, notice of protest, notice of the incurring by Borrower of any obligation or indebtedness and all rights to require Lender to (a) proceed against Borrower, (b) proceed against any general partner of Borrower, (c) proceed against or exhaust any collateral held by Lender to secure the repayment of the Indebtedness, or (d) if Borrower is a partnership, pursue any other remedy it may have against Borrower, or any general partner of Borrower. In addition, Key Principal waives the benefit of any right to discharge under Chapter 34 of the Texas Business and Commerce Code and all other rights of sureties and guarantors thereunder.

At any time without notice to Key Principal, and without affecting the liability of Key Principal hereunder, (a) the time for payment of the principal of or interest on the Indebtedness may be extended or the Indebtedness may be renewed in whole or in part; (b) the time for Borrower's performance of or compliance with any covenant or agreement contained in the Note, or any other Loan Document, whether presently existing or hereinafter entered into, may be extended or such performance or compliance may be waived; (c) the maturity of the Indebtedness may be accelerated as provided in the Note or any other Loan Document; (d) the Note or any other Loan Document may be modified or amended by Lender and Borrower in any respect, including an increase in the principal amount; and (e) any security for the Indebtedness may be modified, exchanged, surrendered or otherwise dealt with or additional security may be pledged or mortgaged for the Indebtedness.

Key Principal acknowledges that Key Principal has received a copy of the Note and all other Loan Documents. Neither this Acknowledgment nor any of its provisions may be waived, modified, amended, discharged, or terminated except by an agreement in writing signed by the party against which the enforcement of the waiver, modification, amendment, discharge, or termination is sought, and then only to the extent set forth in that agreement. Key Principal agrees to notify Lender (in the manner for giving notices provided in Section 31 of the Security Instrument) of any change of Key Principal's address within 10 Business Days after such change of address occurs. Any notices to Key Principal shall be given in the manner provided in Section 31 of the Security Instrument. Key Principal agrees to be bound by Paragraphs 20 and 21 of the Note.

THIS ACKNOWLEDGMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

THIS ACKNOWLEDGMENT IS AN INSTRUMENT SEPARATE FROM, AND NOT A PART OF, THE NOTE. BY SIGNING THIS ACKNOWLEDGMENT, KEY PRINCIPAL DOES NOT INTEND TO BECOME AN ACCOMMODATION PARTY TO, OR AN ENDORSER OF, THE NOTE.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, Key Principal has signed and delivered this Acknowledgment or has caused this Acknowledgment to be signed and delivered by its duly authorized representative.

KEY PRINCIPAL:

McCORMACK BARON SALAZAR, INC., a Missouri corporation

By: Hillary B. Z
Name: Hillary B. Zimmerman
Title: Vice President

Address: 1415 Olive Street, Suite 310
St. Louis, Missouri 63103

Social Security/Employer ID No. 43-1053637

SCHEDULE A
PREPAYMENT PREMIUM

Any prepayment premium payable under Paragraph 10 of this Note shall be computed as follows:

(a) If the prepayment is made at any time before the last calendar day of **January, 2020 ("Yield Maintenance Period End Date")**, the prepayment premium shall be the greater of:

(i) 1% of the amount of principal being prepaid; or

(ii) The product obtained by multiplying:

(A) the amount of principal being prepaid,

by

(B) the difference obtained by subtracting from the interest rate on this Note the yield rate (the **"Yield Rate"**) on the **7.875%** U.S. Treasury Security due **February, 2021** (the **"Specified U.S. Treasury Security"**), as the Yield Rate is reported in *The Wall Street Journal* on the twenty-fifth Business Day preceding (x) the Intended Prepayment Date, or (y) the date Lender accelerates the Loan or otherwise accepts a prepayment pursuant to Paragraph 10(a)(3) of this Note,

by

(C) the present value factor calculated using the following formula:

$$\frac{1 - (1 + r)^{-n/12}}{r}$$

[r = Yield Rate

n = the number of months remaining between (1) either of the following: (x) in the case of a voluntary prepayment, the last calendar day of the calendar month during which the prepayment is made, or (y) in any other case, the date on which Lender accelerates the unpaid principal balance of this Note and (2) the Yield Maintenance Period End Date]

In the event that no Yield Rate is published for the Specified U.S. Treasury Security, then the nearest equivalent U.S. Treasury Security shall be selected at Lender's discretion. If the publication of such Yield Rates in *The Wall Street Journal* is discontinued, Lender shall determine such Yield Rates from another source selected by Lender.

(b) If the prepayment is made on or after the Yield Maintenance Period End Date but before the last calendar day of the 4th month prior to the month in which the Maturity Date occurs, the prepayment premium shall be 1% of the amount of principal being prepaid.

(c) Notwithstanding the provisions of Paragraph 10(a) of this Note, no prepayment premium shall be payable with respect to any prepayment made on or after the last calendar day of the 4th month prior to the month in which the Maturity Date occurs.

BORROWER'S INITIALS: HZ

KEY PRINCIPAL'S INITIALS: HZ

Pace Realty Corporation - Homes of Parker Commons

RENT ROLL DETAIL

As of 05/25/2007

Parameters: Property - ALL; SubJournal - ALL; Formers excluded - Yes; Unit Designation - ALL;

Details

Unit	Floorplan	Unit Designation (3.0 only)	SQFT	Unit/Lease Status	Name	Move-In Move-Out	Lease Start	Lease End	Market Rent	Trans Code	Lease Rent	Other Charges/ Credits	Total Billing	Dep On Hand	Balance
1100	P-5BH 50	N/A	933	Occupied	Robles, Adelaida	01/28/2006	01/01/2007	06/30/2007	638.00	RENT	638.00	0.00	638.00	62.50	0.00
1101	P-7Eh 60	N/A	531	Occupied	Morgan, Robert	06/16/2001	04/01/2007	03/31/2008	490.00	RENT	450.00	0.00	450.00	150.00	0.00
1102	P-6B MKT	N/A	1066	Occupied	Harris, Sylvanus (Bob)	01/02/2007	01/02/2007	12/31/2007	925.00	RENT	799.00	0.00	799.00	0.00	0.00
1104	P-9A 60	N/A	607	Occupied	Pearson, Robin	12/06/2006	12/06/2006	11/30/2007	550.00	RENT	550.00	0.00	550.00	100.00	0.00
1105	P-9A 60	N/A	607	Occupied	Coffee, Jennifer	10/08/2004	10/01/2006	09/30/2007	550.00	RENT	510.00	0.00	510.00	50.00	0.00
1106	P-9A 60	N/A	607	Occupied	Mc Dermett, John	01/13/2004	01/01/2007	12/31/2007	550.00	RENT	500.00	0.00	500.00	303.00	0.00
1107	P-6B 60	N/A	1066	Vacant	VACANT				780.00		0.00*	0.00*			
1108	P-4B 50	N/A	748	Occupied	Shields, Cathy	09/29/2004	09/01/2006	08/31/2007	638.00	RENT	610.00	0.00	610.00	150.00	0.00
1109	P-2AH 60	N/A	644	Occupied	Robertson, James	01/31/2003	01/01/2007	12/31/2007	580.00	RENT	530.00	0.00	530.00	150.00	0.00
1110	P-5BH 50	N/A	933	Occupied	Jones, Charles	12/24/2003	12/01/2006	11/30/2007	638.00	RENT	283.00	0.00	620.00	104.00	0.00
										Subsidy Rent	337.00	0.00			
1111	P-6B MKT	N/A	1066	Occupied	Creed, Richard	11/17/2006	11/17/2006	10/31/2007	925.00	RENT	799.00	0.00	799.00	0.00	0.00
1112	P-5BH 60	N/A	933	Occupied	Warner, Dixie	09/01/2001	10/01/2006	09/30/2007	750.00	RENT	612.00	0.00	652.00	250.00	0.00
										STORAGE	0.00	40.00			
1113	P-2AH 60	N/A	644	Occupied	Brandt, Michael	06/19/2002	06/01/2006	05/31/2007	580.00	RENT	560.00	0.00	560.00	150.00	0.00
		N/A		Pending renewal	Brandt, Michael	06/19/2002	06/01/2007	05/31/2008		RENT	560.00*	0.00*	560.00*	0.00	0.00
1114	P-4B 50	N/A	748	Occupied-NTV	Callahan, Jessica	07/14/2006 06/30/2007	07/14/2006	06/30/2007	638.00	RENT	599.00	0.00	599.00	150.00	0.00
1115	P-9A 60	N/A	607	Occupied	Kruse, Gerald	07/28/2004	10/01/2006	09/30/2007	550.00	RENT	218.00	0.00	542.00	50.00	0.00
										Subsidy Rent	324.00	0.00			
1116	P-9A 60	N/A	607	Occupied	Denney, Pamela	01/28/2006	01/01/2007	12/31/2007	550.00	RENT	550.00	0.00	550.00	150.00	0.00
1117	P-9A 60	N/A	607	Occupied	Brown, Lumas	12/20/2002	12/01/2006	11/30/2007	550.00	RENT	118.00	0.00	540.00	150.00	0.00
										Subsidy Rent	422.00	0.00			
1119	P-6B MKT	N/A	1066	Occupied	Epperson, Rebecca	12/01/2006	12/01/2006	11/30/2007	925.00	RENT	799.00	0.00	799.00	100.00	0.00
1120	P-5BH MK	Conventional	933	Admin/Down	VACANT				885.00		0.00*	0.00*			
1121	P-7Eh 60	N/A	531	Occupied	Muhammad, Royce	02/22/2007	02/22/2007	01/31/2008	490.00	RENT	425.00	0.00	425.00	0.00	475.00
1200	P-5BH 60	N/A	933	Occupied	Sauceda, Maria	06/11/2004	06/01/2006	05/31/2007	750.00	RENT	610.00	0.00	610.00	104.00	0.00
1201	P-4B 50	N/A	748	Occupied	Smirl, Shannon	11/07/2001	11/01/2006	10/31/2007	638.00	RENT	615.00	0.00	615.00	250.00	0.00
1202	P-6B 60	N/A	1066	Occupied	Davis, Josh	09/01/2006	09/01/2006	08/31/2007	780.00	RENT	780.00	0.00	780.00	0.00	0.00
1203	P-1AH 60	N/A	829	Occupied	Wells, Raelye	10/01/2003	10/01/2006	09/30/2007	652.00	RENT	600.00	0.00	650.00	104.00	0.00
										STORAGE	0.00	50.00			
1204	P-9A 60	N/A	607	Occupied	McDaniel III, Donovan	02/14/2007	02/14/2007	01/31/2008	550.00	RENT	525.00	0.00	525.00	0.00	0.00
1205	P-9A 60	N/A	607	Occupied	Robbins, Natalie	01/31/2006	02/01/2007	01/31/2008	550.00	RENT	550.00	0.00	550.00	50.00	0.00
1206	P-9A 60	N/A	607	Occupied-NTVL	Smith, Joshua	07/07/2006 07/15/2007	07/07/2006	06/30/2007	550.00	RENT	550.00	0.00	550.00	50.00	0.00

* Indicates amounts not included in detail totals

RENT ROLL DETAIL

As of 05/25/2007

Parameters: Property - ALL; SubJournal - ALL; Formers excluded - Yes; Unit Designation - ALL;

Details

Unit	Floorplan	Unit Designation (3.0 only)	SQFT	Unit/Lease Status	Name	Move-In Move-Out	Lease Start	Lease End	Market Rent	Trans Code	Lease Rent	Other Charges/ Credits	Total Billing	Dep On Hand	Balance
		N/A		Applicant	Mitchell, Hannah	07/19/2007	07/19/2007	06/30/2008		RENT	550.00*	0.00*	550.00*	0.00	45.00
1207	P-6B MKT	N/A	1066	Occupied	Chappabilly, Leah	05/02/2007	05/02/2007	04/30/2008	925.00	RENT	900.00	0.00	900.00	62.50	0.00
1208	P-4B 50	N/A	748	Occupied	Jones, Lakeshia	12/01/2006	12/01/2006	11/30/2007	638.00	RENT	525.00	0.00	525.00	0.00	0.00
1209	P-2AH 60	N/A	644	Occupied	Sharma, Rahul	02/27/2004	02/01/2007	01/31/2008	580.00	RENT	555.00	0.00	555.00	104.00	0.00
1210	P-6BH 50	N/A	933	Occupied	Chenault, Karen	03/18/2003	03/01/2007	02/29/2008	638.00	RENT	570.00	0.00	570.00	200.00	0.00
1211	P-6B MKT	N/A	1066	Occupied	Manz, David	06/29/2005	06/29/2006	06/30/2007	925.00	RENT	925.00	0.00	925.00	200.00	0.00
1212	P-5BH 60	N/A	933	Occupied	Fridelle, Janae	03/21/2007	03/21/2007	02/29/2008	750.00	RENT	699.00	0.00	699.00	0.00	(2.00)
1213	P-2AH 60	N/A	644	Occupied	Pettke, Andrew	02/03/2003	02/01/2007	01/31/2008	580.00	RENT	550.00	0.00	550.00	150.00	0.00
1214	P-4B 50	N/A	748	Occupied	Thomas, Alicia	10/13/2006	10/13/2006	09/30/2007	638.00	RENT	525.00	0.00	525.00	62.50	0.00
1215	P-9A 60	N/A	607	Occupied	Deville, Brittany	02/16/2007	02/16/2007	01/31/2008	550.00	RENT	550.00	0.00	550.00	0.00	0.00
1216	P-9A 60	N/A	607	Occupied	Childress, Misty	09/29/2006	09/29/2006	08/31/2007	550.00	RENT	515.00	0.00	515.00	100.00	0.00
1217	P-9A 60	N/A	607	Occupied-NTVL	Stidham, Troy	07/22/2006 06/30/2007	07/22/2006	06/30/2007	550.00	RENT	550.00	0.00	550.00	0.00	0.00
		N/A		Applicant	Dissmore, Heather	07/07/2007	07/07/2007	06/30/2008		RENT	550.00*	0.00*	550.00*	0.00	45.00
1218	P-3A 60	N/A	829	Occupied	Trail, Traci	01/05/2007	01/05/2007	12/31/2007	652.00	RENT	652.00	0.00	652.00	0.00	0.00
1219	P-6B MKT	N/A	1066	Occupied-NTV	Bowers, Rebecca	07/28/2006 06/30/2007	07/28/2006	07/31/2007	925.00	RENT	875.00	0.00	915.00	0.00	0.00
										STORAGE	0.00	40.00			
1220	P-5BH 60	N/A	933	Occupied	Thompson, Boone	01/02/2007	01/02/2007	12/31/2007	750.00	RENT	699.00	0.00	699.00	0.00	0.00
1221	P-4B 50	N/A	748	Occupied	Fabila, AnnaMarie	03/28/2006	03/01/2007	02/29/2008	638.00	RENT	121.00	0.00	630.00	62.50	0.00
										Subsidy Rent	509.00	0.00			
1300	P-5BH 60	N/A	933	Occupied	Simmons, Janis	10/31/2006	10/31/2006	09/30/2007	750.00	Subsidy Rent	665.00	0.00	665.00	75.00	0.00
1301	P-4B 50	N/A	748	Occupied	Higginbotham, Seth	02/26/2007	02/26/2007	01/31/2008	638.00	RENT	525.00	0.00	525.00	150.00	0.00
1302	P-6B MKT	N/A	1066	Occupied	Hopkins, Sarah	06/02/2006	06/02/2006	05/31/2007	925.00	EMPLCRED	0.00	(183.00)	0.00	0.00	0.00
										RENT	915.00	0.00			
										STAFF	0.00	(732.00)			
1303	P-3A 50	Affordable	829	Occupied-NTVL	Frame, Raymond	07/07/2006 06/02/2007	07/07/2006	06/30/2007	533.00	RENT	533.00	0.00	533.00	100.00	860.22
		Affordable		Applicant	Mabry, Alexis	07/01/2007	07/01/2007	07/31/2008		RENT	533.00*	0.00*	533.00*	0.00	45.00
1304	P-9A 60	N/A	607	Occupied	Bremley, Robert	03/26/2007	03/26/2007	02/29/2008	550.00	RENT	550.00	0.00	550.00	0.00	0.00
1305	P-9A 60	N/A	607	Occupied	Singleton, Joseph	10/01/2002	10/01/2006	09/30/2007	550.00	RENT	530.00	0.00	530.00	150.00	0.00
1306	P-9A 60	N/A	607	Occupied	Gaston, Kallie	03/01/2007	03/01/2007	02/29/2008	550.00	RENT	550.00	0.00	550.00	0.00	0.00
1307	P-6B MKT	N/A	1066	Occupied	Hart, Emily	08/01/2006	08/01/2006	07/31/2007	925.00	RENT	875.00	0.00	875.00	150.00	0.00
1308	P-4B 50	N/A	748	Occupied	Camacho, Gilbert	04/05/2007	04/05/2007	03/31/2008	638.00	RENT	108.00	0.00	525.00	50.00	(24.50)
										Subsidy Rent	417.00	0.00			
1309	P-2AH 60	N/A	644	Occupied	Uzzet, Jon	08/24/2006	08/24/2006	07/31/2007	580.00	RENT	550.00	0.00	550.00	0.00	0.00
1310	P-5BH 50	N/A	933	Vacant	VACANT				638.00		0.00*	0.00*			

* Indicates amounts not included in detail totals

Pace Realty Corporation - Homes of Parker Commons

RENT ROLL DETAIL

As of 05/25/2007

Parameters: Property - ALL; SubJournal - ALL; Formers excluded - Yes; Unit Designation - ALL;

Details

Unit	Floorplan	Unit Designation (3.0 only)	SQFT	Unit/Lease Status	Name	Move-in Move-Out	Lease Start	Lease End	Market Rent	Trans Code	Lease Rent	Other Charges/ Credits	Total Billing	Dep On Hand	Balance
1311	P-6B MKT	N/A	1066	Occupied	Kirkland, Rachel	05/08/2007	05/08/2007	04/30/2008	925.00	RENT	925.00	0.00	925.00	50.00	0.00
1312	P-5BH 60	N/A	933	Occupied	Douglas, Jennifer	02/26/2004	02/01/2007	01/31/2008	750.00	RENT	690.00	0.00	690.00	104.00	0.00
1313	P-2AH 60	N/A	644	Occupied	Adamson, Pamela	11/06/2006	11/06/2006	10/31/2007	580.00	RENT	580.00	0.00	580.00	50.00	0.00
1314	P-4B 50	N/A	748	Occupied	George, Dane	06/28/2006	06/28/2006	05/31/2007	638.00	RENT	599.00	0.00	599.00	150.00	(3.00)
		N/A		Pending renewal	George, Dane	06/28/2006	06/01/2007	05/31/2008		RENT	605.00*	0.00*	605.00*	0.00	0.00
1315	P-9A 60	N/A	607	Occupied	Wiand, Michael	06/20/2002	09/01/2006	08/31/2007	550.00	RENT	540.00	0.00	540.00	150.00	0.00
1316	P-9A 60	N/A	607	Occupied	Whipp, Wes	12/29/2006	12/29/2006	11/30/2007	550.00	RENT	550.00	0.00	550.00	50.00	0.00
1317	P-9A 60	N/A	607	Occupied	Waldrop, Angela	08/12/2005	09/01/2006	07/31/2007	550.00	RENT	550.00	0.00	550.00	50.00	0.00
1318	P-3A 60	Affordable	829	Occupied	Elfrink, Alexander	02/21/2007	02/21/2007	01/31/2008	652.00	RENT	652.00	0.00	652.00	0.00	0.00
1319	P-6B MKT	N/A	1066	Occupied	Stevens, Mike	10/16/2006	10/16/2006	09/30/2007	925.00	RENT	825.00	0.00	825.00	50.00	0.00
1320	P-5BH 50	N/A	933	Occupied-NTV	Thomas, Barbara	07/01/2006 06/30/2007	07/01/2006	06/30/2007	638.00	RENT	599.00	0.00	599.00	0.00	0.00
1321	P-4B 50	N/A	748	Occupied	Gaytan, Oralia	10/23/2006	10/23/2006	09/30/2007	638.00	RENT	116.00	0.00	522.00	62.50	0.00
										Subsidy Rent	406.00	0.00			
1400	P-5BH MK	N/A	933	Occupied	Burns, Gary	01/30/2007	01/30/2007	12/31/2007	885.00	RENT	799.00	0.00	799.00	0.00	(82.00)
1401	P-4B 50	N/A	748	Occupied	Campanozzi, Rebecca	03/31/2007	03/31/2007	02/29/2008	638.00	RENT	525.00	0.00	525.00	0.00	45.00
1402	P-6B MKT	N/A	1066	Occupied	Joyner, Jeffery	11/22/2003	05/01/2007	04/30/2008	925.00	RENT	820.00	0.00	820.00	104.00	0.00
1404	P-8B MKT	N/A	988	Occupied	Weaver, Mary	04/17/2003	07/01/2006	06/30/2007	900.00	RENT	930.00	0.00	930.00	200.00	0.00
1406	P-8B MKT	N/A	988	Occupied	Chatterjee, Sarah	04/19/2007	04/19/2007	03/31/2008	900.00	RENT	800.00	0.00	800.00	225.00	(50.00)
1407	P-6B MKT	N/A	1066	Occupied-NTV	Burke, Camron	07/18/2006 06/30/2007	07/18/2006	06/30/2007	925.00	RENT	875.00	0.00	875.00	0.00	0.00
1408	P-4B 50	N/A	748	Occupied	Jones, Jenny	02/02/2007	02/02/2007	01/31/2008	638.00	RENT	525.00	0.00	525.00	0.00	0.00
1409	P-2AH 60	N/A	644	Occupied	Miskovic, Daniela	01/03/2007	01/03/2007	12/31/2007	580.00	RENT	529.00	0.00	529.00	150.00	(529.00)
1410	P-5BH 50	N/A	933	Occupied	Whitlock, Trina	08/01/2006	08/01/2006	07/31/2007	638.00	RENT	638.00	0.00	638.00	0.00	65.00
1411	P-6B MKT	N/A	1066	Occupied-NTVL	Weatherby, Tracy	10/28/2005 05/31/2007	10/01/2006	05/31/2007	925.00	RENT	925.00	0.00	925.00	287.50	0.00
		N/A		Applicant	Wilson, David	06/07/2007	06/07/2007	05/31/2008		RENT	925.00*	0.00*	1,025.00*	62.50	0.00
										STORAGE	0.00*	100.00*			
1412	P-5BH 60	N/A	933	Occupied	Lemaster, Laura	04/04/2007	04/04/2007	03/31/2008	750.00	RENT	699.00	0.00	699.00	150.00	(290.00)
1413	P-2AH 60	N/A	644	Occupied	Hosp, Amy	05/20/2006	05/01/2007	04/30/2008	580.00	RENT	580.00	0.00	0.00	100.00	0.00
										RESACTIV	0.00	(580.00)			
1414	P-4ADh 50	N/A	630	Occupied	Walker, Russell	07/12/2001	09/01/2006	08/31/2007	533.00	RENT	515.00	0.00	515.00	200.00	0.00
1415	P-8B MKT	N/A	988	Occupied	Payton, Olivia	12/01/2006	12/01/2006	11/30/2007	900.00	RENT	849.00	0.00	849.00	0.00	(2,547.00)
1417	P-8B MKT	N/A	988	Occupied	Faulks, Beth	01/02/2007	01/02/2007	11/30/2007	900.00	RENT	849.00	0.00	849.00	0.00	(3.00)
1419	P-6B MKT	N/A	1066	Occupied	Aleman, Jose	07/10/2004	07/01/2006	06/30/2007	925.00	RENT	925.00	0.00	965.00	75.00	0.00
										STORAGE	0.00	40.00			

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Pace Realty Corporation - Homes of Parker Commons

RENT ROLL DETAIL

As of 05/25/2007

Parameters: Property - ALL; SubJournal - ALL; Formers excluded - Yes; Unit Designation - ALL;

Details

Unit	Floorplan	Unit Designation (3.0 only)	SQFT	Unit/Lease Status	Name	Move-In Move-Out	Lease Start	Lease End	Market Rent	Trans Code	Lease Rent	Other Charges/ Credits	Total Billing	Dep On Hand	Balance
1420	P-5BH 60	N/A	933	Occupied	Durkin, Jim	08/08/2003	08/01/2006	07/31/2007	750.00	RENT	715.00	0.00	725.00	300.00	0.00
										STORAGE	0.00	10.00			
1421	P-4ADh 50	N/A	630	Occupied	Arguljo, Jessica	08/02/2006	08/02/2006	07/31/2007	533.00	RENT	533.00	0.00	533.00	0.00	0.00
2101	C-6B MKT	N/A	1068	Occupied	Soffiantino, Mary	08/29/2002	08/01/2006	07/31/2007	875.00	RENT	283.00	0.00	708.00	200.00	0.00
										Subsidy Rent	425.00	0.00			
2102	C-4C 60	N/A	1238	Vacant-Leased	VACANT				825.00		0.00*	0.00*			
		N/A		Applicant	Bridges, Dolston	08/01/2007	06/01/2007	05/31/2008		RENT	825.00*	0.00*	825.00*	0.00	45.00
2103	C-2B MKT	N/A	986	Occupied	Cooper, Crystal	07/01/2004	07/01/2006	06/30/2007	775.00	RENT	90.00	0.00	688.00	104.00	0.00
										Subsidy Rent	598.00	0.00			
2104	C-2B 60	N/A	986	Vacant	VACANT				740.00		0.00*	0.00*			
2105	C-1A 50	N/A	671	Occupied	Perry, Robert	09/01/2004	08/01/2006	07/31/2007	533.00	RENT	140.00	0.00	530.00	50.00	0.00
										Subsidy Rent	390.00	0.00			
		N/A		Pending renewal	Perry, Robert	09/01/2004	08/01/2007	07/31/2008		RENT	530.00*	0.00*	530.00*	0.00	0.00
2106	C-1A 50	N/A	671	Occupied	Jackson, James	09/18/2006	09/18/2006	08/31/2007	533.00	RENT	116.00	0.00	530.00	92.77	0.00
										Subsidy Rent	414.00	0.00			
2107	C-1A 50	N/A	671	Occupied	Wynn, Gene	06/07/2006	06/07/2006	05/31/2007	533.00	RENT	277.00	0.00	530.00	50.00	0.00
										Subsidy Rent	253.00	0.00			
2108	C-1A 50	N/A	671	Occupied	Johnson, Kenneth	03/31/2007	03/31/2007	02/29/2008	533.00	RENT	533.00	0.00	533.00	0.00	0.00
2109	C-1A 50	N/A	671	Occupied	Fuqua, James	04/24/2003	04/01/2007	03/31/2008	533.00	RENT	530.00	0.00	530.00	300.00	0.00
2110	C-1A 50	N/A	671	Occupied-NTVL	Morgan, Sylvester (8)	06/10/2005 05/31/2007	06/09/2006	05/31/2007	533.00	RENT	108.00	0.00	530.00	100.00	(6.00)
										Subsidy Rent	422.00	0.00			
		N/A		Applicant	Gatewood, Angela	06/08/2007	06/08/2007	05/31/2008		RENT	533.00*	0.00*	533.00*	0.00	45.00
2111	C-3A 60	N/A	754	Occupied	Sanders, Jeffrey	03/22/2007	03/22/2007	02/29/2008	570.00	RENT	545.00	0.00	545.00	100.00	0.00
2112	C-3A 60	N/A	754	Occupied	Lee, Virginia	10/01/2003	10/01/2006	09/30/2007	570.00	RENT	539.00	0.00	539.00	154.00	(12.00)
2113	C-5A 60	Affordable	671	Occupied	Gregory, Hollis	10/18/2003	10/01/2006	09/30/2007	545.00	RENT	530.00	0.00	530.00	404.00	0.00
2114	C-5AH 50	N/A	671	Occupied	Wilson, Robert	09/03/2003	09/01/2006	08/31/2007	533.00	RENT	179.00	0.00	530.00	59.00	0.00
										Subsidy Rent	351.00	0.00			
2115	C-1A 50	N/A	671	Occupied	Miller, Delores	07/21/2004	07/01/2006	06/30/2007	533.00	RENT	177.00	0.00	510.00	100.00	(113.00)
										Subsidy Rent	333.00	0.00			
		N/A		Pending renewal	Miller, Delores	07/21/2004	07/01/2007	06/30/2008		RENT	510.00*	0.00*	510.00*	0.00	0.00
2116	C-1A 50	N/A	671	Occupied-NTVL	Knotts, Christopher	08/18/2006 06/10/2007	08/18/2006	07/31/2007	533.00	RENT	533.00	0.00	533.00	0.00	0.00
		N/A		Applicant	Cotriss, Jessica	07/01/2007	07/01/2007	06/30/2008		RENT	533.00*	0.00*	533.00*	50.00	0.00
2117	C-2B 60	N/A	986	Occupied	Howard, Kevin	01/11/2007	01/11/2007	12/31/2007	740.00	RENT	669.00	0.00	669.00	0.00	0.00
2118	C-2B 60	N/A	986	Occupied	Bogan, Michelle	06/21/2006	06/21/2006	05/31/2007	740.00		0.00	0.00	0.00	0.00	0.00
		N/A		Pending renewal	Bogan, Michelle	06/21/2006	06/01/2007	05/31/2008		RENT	720.00*	0.00*	720.00*	0.00	0.00

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Details

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2119	C-4C 60	N/A	1238	Occupied	Ferrel, Lachell	11/30/2001	12/01/2006	11/30/2007	825.00	RENT	551.00	0.00	977.00	300.00	948.00
										Subsidy Rent	426.00	0.00			
2120	C-6B MKT	N/A	1068	Occupied	Shortan, Sylvia	10/11/2002	02/01/2007	09/30/2007	875.00	RENT	708.00	0.00	708.00	200.00	0.00
2201	C-4C MKT	N/A	1238	Occupied	Scott, Helen	02/23/2006	02/01/2007	01/31/2008	925.00	RENT	825.00	0.00	825.00	187.50	0.00
2202	C-4C 60	N/A	1238	Occupied	Moore, Francesca	03/27/2007	03/27/2007	02/29/2008	825.00	RENT	725.00	0.00	725.00	0.00	0.00
2203	C-2B MKT	N/A	986	Occupied-NTVL	Starkey, David	01/27/2006	01/01/2007	06/30/2007	775.00	RENT	775.00	0.00	775.00	225.00	0.00
						06/30/2007									
		N/A		Applicant	Sharp, Sherry	07/15/2007	07/15/2007	06/30/2008		RENT	775.00*	0.00*	775.00*	0.00	45.00
2204	C-2B MKT	N/A	986	Occupied	Bachman, Clayton	05/24/2006	05/24/2006	04/30/2007	775.00	MTOM	0.00	25.00	800.00	300.00	0.00
										RENT	775.00	0.00			
2205	C-1A 60	N/A	671	Occupied	Woolsey, Barbara	01/30/2004	01/01/2007	12/31/2007	545.00	RENT	560.00	0.00	560.00	300.00	0.00
2206	C-1A 50	N/A	671	Occupied	Luce, Thomas	03/18/2004	03/01/2007	02/29/2008	533.00	RENT	146.00	0.00	510.00	303.00	0.00
										Subsidy Rent	364.00	0.00			
2207	C-1A 60	N/A	671	Occupied	Allen, Iesha	02/23/2005	02/01/2007	01/31/2008	545.00	Subsidy Rent	530.00	0.00	530.00	77.00	0.00
2208	C-1A 50	N/A	671	Occupied	Murry, Brenda	05/01/2006	05/01/2007	04/30/2008	533.00	RENT	95.00	0.00	530.00	100.00	0.00
										Subsidy Rent	435.00	0.00			
2209	C-1A 50	N/A	671	Occupied	DeLeon, Fernondo	06/17/2006	06/17/2006	05/31/2007	533.00	RENT	519.00	0.00	519.00	0.00	0.00
		N/A		Pending renewal	DeLeon, Fernondo	06/17/2006	06/01/2007	05/31/2008		RENT	519.00*	0.00*	519.00*	0.00	0.00
2210	C-1A 50	N/A	671	Occupied	Phillips, Marie	10/14/2001	10/01/2006	08/31/2007	533.00	RENT	504.00	0.00	504.00	50.00	2.00
2211	C-3A 60	N/A	754	Occupied	Ross, Benny	03/07/2005	03/01/2007	02/29/2008	570.00	RENT	570.00	0.00	570.00	100.00	0.00
2212	C-3A 60	N/A	754	Occupied	Jones, James	08/30/2005	08/01/2006	07/31/2007	570.00	RENT	205.00	0.00	542.00	50.00	0.00
										Subsidy Rent	337.00	0.00			
2213	C-3A 60	N/A	754	Occupied	BLACK, PAUL	12/02/2005	12/01/2006	11/30/2007	570.00	RENT	542.00	0.00	542.00	50.00	(36.00)
2214	C-3A 60	N/A	754	Occupied	Plaster, Ones	10/29/2004	10/01/2006	09/30/2007	570.00	RENT	570.00	0.00	570.00	104.00	0.00
2215	C-1A 50	N/A	671	Occupied	Titus, Carolyn Gwennell	11/01/2005	11/01/2006	10/31/2007	533.00	RENT	530.00	0.00	530.00	200.00	0.00
2216	C-1A 50	N/A	671	Occupied	Tunstall, Jewel	04/11/2005	04/01/2007	03/31/2008	533.00	RENT	533.00	0.00	533.00	0.00	0.00
2217	C-1A 50	N/A	671	Occupied	Hinojosa, Oscar	12/07/2006	12/07/2006	11/30/2007	533.00	RENT	382.00	0.00	530.00	50.00	0.00
										Subsidy Rent	148.00	0.00			
2218	C-1A 50	N/A	671	Occupied	JOHNSON, MARY	05/09/2005	05/01/2007	04/30/2008	533.00	RENT	530.00	0.00	530.00	200.00	0.00
2219	C-2B 60	N/A	986	Vacant	VACANT				740.00		0.00*	0.00*			
2220	C-2B MKT	N/A	986	Occupied	Marino, Edwin	08/05/2006	08/05/2006	07/31/2007	775.00	RENT	775.00	0.00	775.00	0.00	0.00
2221	C-4C 60	N/A	1238	Occupied	Kirkland, Adren	03/18/2002	03/01/2007	02/29/2008	825.00	RENT	825.00	0.00	825.00	250.00	(293.00)
2222	C-4C 60	N/A	1238	Occupied	Cole, Christiana	05/15/2007	05/15/2007	04/30/2008	825.00	RENT	725.00	0.00	725.00	75.00	0.00
2301	C-4C MKT	N/A	1238	Occupied	Vance, Sa Jada	11/16/2006	11/16/2006	10/31/2007	925.00	RENT	799.00	0.00	799.00	0.00	0.00
2302	C-4C MKT	N/A	1238	Occupied	Sterling, Sheronda	05/01/2004	05/01/2007	04/30/2008	925.00	RENT	825.00	0.00	825.00	104.00	(1.00)
2303	C-2B MKT	Conventional	986	Occupied	Gutierrez, Debra	05/15/2007	05/15/2007	04/30/2008	775.00	RENT	775.00	0.00	775.00	62.50	0.00

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2304	C-2B MKT	N/A	986	Occupied	Hill, Tellena	02/02/2006	02/02/2006	01/31/2007	775.00	MTOM	0.00	25.00	800.00	62.50	0.00
										RENT	775.00	0.00			
2305	C-1A 60	N/A	671	Occupied	Jones, Alton	02/07/2006	02/01/2007	07/31/2007	545.00	RENT	530.00	0.00	530.00	50.00	(1.00)
2306	C-1A 60	N/A	671	Occupied	Sherman, Mary	03/30/2006	03/01/2007	02/29/2008	545.00	RENT	122.00	0.00	530.00	50.00	0.00
										Subsidy Rent	408.00	0.00			
2307	C-1A 60	N/A	671	Occupied	Eaglin, Rodney	10/13/2006	10/13/2006	09/30/2007	545.00	RENT	535.00	0.00	535.00	100.00	0.00
2308	C-1A 60	N/A	671	Occupied	Way, Lois	01/28/2006	01/01/2007	12/31/2007	545.00	RENT	530.00	0.00	530.00	50.00	0.00
2309	C-1A 60	N/A	671	Occupied	Williams, Serena	06/07/2006	06/07/2006	05/31/2007	545.00	RENT	110.00	0.00	533.00	100.00	0.00
										Subsidy Rent	423.00	0.00			
		N/A		Pending renewal	Williams, Serena	06/07/2006	06/01/2007	05/31/2008		RENT	533.00*	0.00*	533.00*	0.00	0.00
2310	C-1A 60	N/A	671	Occupied	Bennett, Eric	12/23/2005	12/01/2006	11/30/2007	545.00	RENT	530.00	0.00	530.00	100.00	(0.42)
2311	C-3A 60	N/A	754	Occupied	Edwards, Lauren	05/11/2006	05/11/2006	04/30/2007	570.00	MTOM	0.00	25.00	595.00	0.00	0.00
										RENT	570.00	0.00			
2312	C-3A 60	N/A	754	Occupied	Busby, Shelvia	08/29/2002	05/01/2007	04/30/2008	570.00	RENT	117.00	0.00	545.00	150.00	6.00
										Subsidy Rent	428.00	0.00			
2313	C-3A 60	N/A	754	Occupied	Maxwell, Ernest	11/18/2003	11/01/2006	10/31/2007	570.00	RENT	499.00	0.00	499.00	105.00	0.00
2314	C-3A 60	N/A	754	Occupied	Turney, Erin	08/05/2006	08/05/2006	07/31/2007	570.00	RENT	533.00	0.00	533.00	0.00	0.00
2315	C-1A 60	Affordable	671	Occupied	Justice, Deloris	07/01/2002	05/01/2006	04/30/2007	545.00	RENT	164.00	0.00	530.00	150.00	0.00
										Subsidy Rent	366.00	0.00			
		Affordable		Pending renewal	Justice, Deloris	07/01/2002	07/01/2007	06/30/2008		RENT	530.00*	0.00*	530.00*	0.00	0.00
2316	C-1A 60	N/A	671	Occupied	Dart, John	09/08/2006	09/08/2006	08/31/2007	545.00	RENT	92.00	0.00	530.00	62.50	0.00
										Subsidy Rent	438.00	0.00			
2317	C-1A 60	N/A	671	Occupied	Bozeman, Sammy	07/20/2002	07/01/2006	06/30/2007	545.00	RENT	202.00	0.00	545.00	150.00	0.00
										Subsidy Rent	343.00	0.00			
		N/A		Pending renewal	Bozeman, Sammy	07/20/2002	07/01/2007	06/30/2008		RENT	203.00*	0.00*	545.00*	0.00	0.00
										Subsidy Rent	342.00*	0.00*			
2318	C-1A 60	N/A	671	Occupied	Jenson, June	08/27/2002	08/01/2006	07/31/2007	545.00	RENT	110.00	0.00	545.00	150.00	0.00
										Subsidy Rent	435.00	0.00			
2319	C-2B MKT	N/A	986	Occupied	Bledsoe, Joe	03/05/2007	03/05/2007	02/29/2008	775.00	RENT	775.00	0.00	775.00	0.00	0.00
2320	C-2B MKT	Conventional	986	Occupied	Loudermilk, Daniel	01/12/2007	01/12/2007	12/31/2007	775.00	RENT	699.00	0.00	699.00	0.00	0.00
2321	C-4C MKT	N/A	1238	Occupied	Leal, Alma	03/27/2004	04/01/2007	03/31/2008	925.00	RENT	417.00	0.00	825.00	104.00	0.00
										Subsidy Rent	408.00	0.00			
2322	C-4C 60	N/A	1238	Occupied	Solis, Pedro	05/08/2007	05/08/2007	04/30/2008	825.00	RENT	735.00	0.00	735.00	75.00	0.00
2401	C-4C MKT	N/A	1238	Occupied	McCracken, Moriah	08/01/2006	08/01/2006	07/31/2007	925.00	RENT	899.00	0.00	899.00	150.00	0.00
2402	C-4C MKT	N/A	1238	Occupied	Hart, Michael	12/17/2004	07/01/2006	06/30/2007	925.00	OFCRCRED	0.00	(925.00)	0.00	0.00	0.00
										RENT	925.00	0.00			

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2403	C-2B MKT	N/A	986	Occupied	Cox, Demery	08/31/2006	08/31/2006	07/31/2007	775.00	RENT	729.00	0.00	729.00	125.00	0.00
2404	C-2B MKT	N/A	986	Occupied	Jones, Stephanie	01/29/2007	01/29/2007	12/31/2007	775.00	RENT	445.00	0.00	655.00	0.00	514.90
										Subsidy Rent	210.00	0.00			
2405	C-1A 60	N/A	671	Occupied-NTVL	McKenzie, Sarah	07/07/2006 07/15/2007	07/07/2006	06/30/2007	545.00	RENT	545.00	0.00	545.00	150.00	0.00
		N/A		Applicant	Cox, Rachel	07/16/2007	07/16/2007	06/30/2008		RENT	545.00*	0.00*	545.00*	0.00	45.00
2406	C-1A 60	N/A	671	Occupied	Snow, Malcolm	05/01/2006	05/01/2007	04/30/2008	545.00		0.00	0.00	0.00	100.00	0.00
2407	C-1A 60	N/A	671	Occupied	Carey, Judy	10/06/2006	10/06/2006	09/30/2007	545.00	RENT	176.00	0.00	530.00	50.00	(741.53)
										Subsidy Rent	354.00	0.00			
2408	C-1A 60	N/A	671	Occupied	Gable, Teresa	06/30/2006	06/30/2006	05/31/2007	545.00	RENT	65.00	0.00	530.00	100.00	0.00
										Subsidy Rent	465.00	0.00			
		N/A		Pending renewal	Gable, Teresa	06/30/2006	06/01/2007	05/31/2008		RENT	530.00*	0.00*	530.00*	0.00	0.00
2409	C-1A 60	N/A	671	Occupied	St. Clair, Teresa	02/05/2007	02/05/2007	01/31/2008	545.00	RENT	544.00	0.00	544.00	50.00	(110.00)
2410	C-1A 60	N/A	671	Occupied	Gupton, Raymond	02/13/2006	02/01/2007	01/31/2008	545.00	RENT	530.00	0.00	530.00	50.00	0.00
2411	C-3A 60	N/A	754	Occupied	Williams, Paul David	10/19/2006	10/19/2006	09/30/2007	570.00	RENT	154.00	0.00	530.00	50.00	(199.00)
										Subsidy Rent	376.00	0.00			
2412	C-3A 60	N/A	754	Occupied	Lowery, David	02/05/2004	02/01/2007	01/31/2008	570.00	RENT	201.00	0.00	588.00	303.00	0.00
										Subsidy Rent	387.00	0.00			
2413	C-3A 60	N/A	754	Occupied	Putteet S8, Rickey	06/22/2005	06/01/2006	05/31/2007	570.00	RENT	138.00	0.00	564.00	150.00	0.00
										Subsidy Rent	426.00	0.00			
		N/A		Pending renewal	Putteet S8, Rickey	06/22/2005	06/01/2007	05/31/2008		RENT	564.00*	0.00*	564.00*	0.00	0.00
2414	C-3A 60	N/A	754	Occupied	Allen, Stephens	05/15/2007	05/15/2007	05/31/2008	570.00	RENT	570.00	0.00	570.00	50.00	0.00
2415	C-1A 60	N/A	671	Occupied	Scott, Micheal	09/24/2002	01/01/2007	12/31/2007	545.00	RENT	157.00	0.00	530.00	150.00	(12.00)
										Subsidy Rent	373.00	0.00			
2416	C-1A 60	N/A	671	Occupied	Butler, Glenn	10/24/2002	10/01/2006	09/30/2007	545.00	RENT	125.00	0.00	545.00	150.00	(118.00)
										Subsidy Rent	420.00	0.00			
2417	C-1A 60	N/A	671	Occupied	Hubbard, Annie	09/01/2005	09/01/2006	08/31/2007	545.00	RENT	530.00	0.00	530.00	50.00	0.00
2418	C-1A 60	N/A	671	Occupied	Dixon, Derek	05/23/2005	05/01/2007	04/30/2008	545.00	RENT	530.00	0.00	530.00	100.00	0.00
2419	C-2B MKT	N/A	986	Occupied	Hunter, Emily	02/09/2007	02/09/2007	02/29/2008	775.00	RENT	699.00	0.00	699.00	150.00	0.00
2420	C-2B MKT	N/A	986	Occupied	oliver, Jo Anne	01/03/2007	01/03/2007	12/31/2007	775.00	RENT	699.00	0.00	699.00	150.00	260.00
2421	C-4C MKT	N/A	1238	Occupied	Hadley, Joe	07/27/2006	07/27/2006	06/30/2099	925.00	OFCRCRED	0.00	(925.00)	0.00	0.00	0.00
										RENT	925.00	0.00			
2422	C-4C MKT	N/A	1238	Occupied	DeLord, Jonathan	02/01/2007	02/01/2007	01/31/2008	925.00	RENT	775.00	0.00	775.00	0.00	0.00
3101	H-1A MKT	N/A	863	Vacant-Leased	VACANT				875.00		0.00*	0.00*			
		N/A		Applicant	Phillips, Redben	06/01/2007	06/01/2007	05/31/2008		CONC/SPECL	0.00*	(399.50)*	399.50*	50.00	0.00
										RENT	799.00*	0.00*			

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3102	H-1A MKT	N/A	863	Vacant-Leased	VACANT				875.00		0.00*	0.00*			
		N/A		Applicant	Garrison, Mark	06/01/2007	06/01/2007	08/31/2007		RENT	975.00*	0.00*	975.00*	0.00	45.00
3103	H-2L LFT	N/A	956	Occupied	Parker, Joe	04/05/2007	04/05/2007	03/31/2008	915.00	RENT	900.00	0.00	900.00	0.00	0.00
3104	H-3L LFT	N/A	846	Occupied	Williams, Steve	11/17/2004	11/01/2006	10/31/2007	820.00	RENT	720.00	0.00	720.00	200.00	0.00
3105	H-2L LFT	N/A	956	Vacant	VACANT				915.00		0.00*	0.00*			
3106	H-3L LFT	N/A	846	Occupied	Shapard, Gwen	02/03/2006	02/01/2007	07/31/2007	820.00	RENT	775.00	0.00	775.00	50.00	0.00
3107	H-1A MKT	Conventional	863	Occupied	Bell, Alan	07/26/2006	07/26/2006	06/30/2007	875.00	RENT	799.00	0.00	799.00	100.00	(3.00)
		Conventional		Pending renewal	Bell, Alan	07/26/2006	07/01/2007	06/30/2008		RENT	809.00*	0.00*	809.00*	0.00	0.00
3108	H-1A MKT	N/A	863	Occupied	Model 2, Model 2	05/21/2007	05/21/2007	03/31/2008	875.00	MODEL	0.00	(875.00)	0.00	0.00	0.00
										RENT	875.00	0.00			
3201	H-1A MKT	N/A	863	Occupied	Haddock, Mathew	03/01/2005	11/01/2006	10/31/2007	875.00	RENT	800.00	0.00	800.00	0.00	0.00
3202	H-1A MKT	N/A	863	Occupied	Phillips, Annie	11/10/2006	11/10/2006	10/31/2007	875.00	RENT	750.00	0.00	750.00	50.00	0.00
3203	H-2L LFT	N/A	956	Occupied	Haddock, Mathew	10/19/2001	11/01/2006	10/31/2007	915.00	RENT	910.00	0.00	910.00	500.00	0.00
3204	H-2L LFT	N/A	956	Occupied-NTVL	Downey, Justin	03/27/2006 05/31/2007	03/27/2006	09/30/2006	915.00	MTOM	0.00	25.00	940.00	100.00	(16.00)
										RENT	915.00	0.00			
		N/A		Applicant	Dearden, Matt	06/07/2007	06/07/2007	05/31/2008		RENT	915.00*	0.00*	915.00*	100.00	0.00
3205	H-2L LFT	N/A	956	Occupied	Morales, Christine	12/28/2006	12/28/2006	11/30/2007	915.00	RENT	899.00	0.00	899.00	0.00	0.00
3206	H-2L LFT	N/A	956	Occupied	Speer, Alyson	12/14/2005	12/01/2006	05/31/2007	915.00	RENT	835.00	0.00	835.00	50.00	0.00
3207	H-1A MKT	N/A	863	Occupied	Gordon, Natalie	03/26/2007	03/26/2007	02/29/2008	875.00	EMPLCRED	0.00	(150.00)	0.00	0.00	0.00
										RENT	750.00	0.00			
										STAFF	0.00	(600.00)			
3208	H-1A MKT	N/A	863	Occupied	Monsey, David	10/23/2006	10/23/2006	09/30/2007	875.00	RENT	810.00	0.00	810.00	50.00	0.00
3301	H-1A MKT	N/A	863	Occupied	Stewart, Jimmy	11/01/2006	11/01/2006	10/31/2007	875.00	RENT	810.00	0.00	810.00	100.00	0.00
3302	H-1A MKT	N/A	863	Occupied	Nichols, Lee	10/18/2006	10/18/2006	09/30/2007	875.00	RENT	810.00	0.00	810.00	50.00	0.00
3303	H-2L LFT	N/A	956	Occupied	Mclain, Melissa	12/28/2006	12/28/2006	11/30/2007	915.00	RENT	915.00	0.00	915.00	0.00	0.00
3304	H-2L LFT	N/A	956	Occupied	Hestier, Blake	11/11/2006	11/11/2006	10/31/2007	915.00	RENT	875.00	0.00	875.00	50.00	0.00
3305	H-2L LFT	N/A	956	Occupied-NTVL	Schiller, Edward	06/15/2006 06/30/2007	06/15/2006	05/31/2007	915.00	RENT	799.00	0.00	799.00	0.00	0.00
		N/A		Applicant	Shipman, Mark	07/07/2007	07/07/2007	06/30/2008		RENT	915.00*	0.00*	915.00*	0.00	45.00
3306	H-2L LFT	N/A	956	Occupied	Lawson, Russell	09/01/2006	09/01/2006	07/31/2007	915.00	RENT	875.00	0.00	875.00	0.00	25.00
3307	H-1A MKT	N/A	863	Occupied-NTV	Bacon, John	06/01/2006 07/07/2007	06/01/2006	05/31/2007	875.00	RENT	875.00	0.00	875.00	0.00	0.00
3308	H-1A MKT	N/A	863	Occupied	Moody, Craig	08/26/2006	08/26/2006	07/31/2007	875.00	RENT	799.00	0.00	799.00	0.00	0.00
Totals:									133,665.00		118,470.00	(4,690.00)	113,780.00	16,853.27	

* Indicates amounts not included in detail totals

Pace Realty Corporation - Homes of Parker Commons

RENT ROLL DETAIL

As of 05/25/2007

Parameters: Property - ALL; SubJournal - ALL; Formers excluded - Yes; Unit Designation - ALL;

Amt / SQFT: Market = 160,876 SQFT; Leased = 152,952 SQFT;

Floorplan	# Units	Average SQFT	Average Market Rent	Market Amt / SQFT	Average Leased	Leased Amt / SQFT	Units Occupied	Occupancy %	Units Available
C-5AH 50	1	671	533.00	0.79	530.00	0.79	1	100.00	0
C-6B MKT	2	1,068	875.00	0.82	708.00	0.66	2	100.00	0
C-1A 50	16	671	533.00	0.79	525.75	0.78	16	100.00	0
C-1A 60	22	671	545.00	0.81	511.00	0.76	22	100.00	0
C-2B 60	4	986	740.00	0.75	334.50	0.34	2	50.00	2
C-2B MKT	12	986	775.00	0.79	734.92	0.75	12	100.00	0
C-3A 60	14	754	570.00	0.76	550.50	0.73	14	100.00	0
C-4C 60	6	1,238	825.00	0.67	797.40	0.64	5	83.33	0
C-4C MKT	8	1,238	925.00	0.75	849.75	0.69	8	100.00	0
C-5A 60	1	671	545.00	0.81	530.00	0.79	1	100.00	0
H-1A MKT	12	863	875.00	1.01	807.80	0.94	10	83.33	1
H-2L LFT	10	956	915.00	0.96	880.33	0.92	9	90.00	1
H-3L LFT	2	846	820.00	0.97	747.50	0.88	2	100.00	0
P-1AH 60	1	829	652.00	0.79	600.00	0.72	1	100.00	0
P-2AH 60	8	644	580.00	0.90	554.25	0.86	8	100.00	0
P-3A 50	1	829	533.00	0.64	533.00	0.64	1	100.00	0
P-3A 60	2	829	652.00	0.79	652.00	0.79	2	100.00	0
P-4ADh 50	2	630	533.00	0.85	524.00	0.83	2	100.00	0
P-4B 50	12	748	638.00	0.85	560.42	0.75	12	100.00	1
P-5BH 50	6	933	638.00	0.68	613.00	0.66	5	83.33	2
P-5BH 60	8	933	750.00	0.80	673.63	0.72	8	100.00	0
P-5BH MK	2	933	885.00	0.95	799.00	0.86	1	50.00	0
P-6B 60	2	1,066	780.00	0.73	780.00	0.73	1	50.00	1
P-6B MKT	14	1,066	925.00	0.87	870.14	0.82	14	100.00	2
P-7Eh 60	2	531	490.00	0.92	437.50	0.82	2	100.00	0
P-8B MKT	4	988	900.00	0.91	857.00	0.87	4	100.00	0
P-9A 60	18	607	550.00	0.91	539.00	0.89	18	100.00	0
Totals / Averages:	192	838	696.17	0.83	647.38	0.78	183	95.31	10

RENT ROLL DETAIL

As of 05/25/2007

Parameters: Property - ALL; SubJournal - ALL; Formers excluded - Yes; Unit Designation - ALL;

Occupancy and Rents Summary for Current Date

Unit Status	Market Rent	# Units	Potential Rent
Occupied, no NTV	115,617.00	168	107,992.00
Occupied, NTV	4,001.00	5	3,823.00
Occupied NTV Leased	6,774.00	10	6,655.00
Vacant Leased	2,575.00	3	2,575.00
Admin/Down	885.00	1	885.00
Vacant Not Leased	3,813.00	5	3,813.00
Totals:	**133,665.00**	**192**	**125,743.00**

Summary Billing by Transaction Code for Current Date

Code	Amount
EMPLCRED	(333.00)
MODEL	(875.00)
MTOM	100.00
OFCRCRED	(1,850.00)
RENT	103,704.00
RESACTIV	(580.00)
STAFF	(1,332.00)
STORAGE	180.00
Subsidy Rent	14,766.00
Total:	**113,780.00**

HOMES OF PARKER COMMONS

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SQUARE FEET	160,876	PACE REALTY CORPORATION	DATE	1/13/2006
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			INCOME				
			RENTAL INCOME				
133,263.00	127,990	5,273	Gross Potential Rent	1,584,497.00	1,535,880	48,617	1,535,880
-5,109.66	-1,233	-3,877	Loss To Lease	-55,810.28	-18,707	-37,103	-18,707
128,153.34	126,757	1,396	NET POTENTIAL RENT	1,528,686.72	1,517,173	11,514	1,517,173
-10,249.67	-8,666	-1,584	Vacancy Loss	-89,218.23	-115,323	26,105	-115,323
-850.00	0	-850	Non Revenue Units	-7,933.33	0	-7,933	0
-1,203.33	-8,277	7,074	Concessions/Allowances	-22,455.38	-110,709	88,254	-110,709
-90.00	0	-90	Disaster Relief	-2,568.50	0	-2,569	0
-504.50	-1,750	1,246	Uncollectible Rent	-11,763.12	-21,000	9,237	-21,000
56.70	200	-143	Bad Debt Collections	1,760.74	2,400	-639	2,400
0.00	0	0	Employee Rents	0.00	0	0	0
-1,800.00	-1,765	-35	Courtesy Officer Units	-21,215.00	-21,180	-35	-21,180
2,764.23	0	2,764	Past Due Prior Month	33,316.01	0	33,316	0
-2,525.52	0	-2,526	Prepaid Prior Month	-56,344.24	0	-56,344	0
-2,870.50	0	-2,871	Past Due Current Month	-33,938.84	0	-33,939	0
2,414.35	0	2,414	Prepaid Current Month	50,417.91	0	50,418	0
113,295.10	106,499	6,796	TOTAL RENTAL INCOME	1,368,744.74	1,251,361	117,384	1,251,361
			OTHER INCOME				
0.00	0	0	Utility Income	0.00	0	0	0
0.00	0	0	Electric Income	504.41	0	504	0
40.00	0	40	Trash Income	60.00	0	60	0
505.00	975	-470	Late & NSF Fees	7,281.50	11,700	-4,419	11,700
0.00	775	-775	Security Deposit Forfeit	679.77	9,300	-8,620	9,300
0.00	0	0	Miscellaneous Income	0.20	0	0	0
6.00	10	-4	Internet Commission	36.00	120	-84	120
337.50	550	-213	Credit Application Fees	5,413.50	6,600	-1,187	6,600
0.00	0	0	Cable TV Income	2,800.84	0	2,801	0
0.00	25	-25	Vending Machine Income	435.77	300	136	300
1,068.70	50	1,019	Damage Receipts	8,775.84	600	8,176	600
0.94	30	-29	Interest Income	73.11	360	-287	360
134.81	300	-165	Lease Termination Fee	5,733.31	3,600	2,133	3,600
0.00	0	0	Legal & Collection Fees	53.00	0	53	0
328.04	250	78	Pet Fees	3,068.04	3,000	68	3,000
0.00	10	-10	Washer/Dryer Income	199.44	120	79	120
82.00	50	32	Month-To-Month Premiums	848.84	600	249	600
19.17	25	-6	Keys Charges	361.50	300	62	300
0.00	0	0	Transfer Fees	250.00	0	250	0
350.00	200	150	Storage Income	3,434.19	2,400	1,034	2,400
389.50	475	-86	Administrative Fee	5,479.75	5,700	-220	5,700
3,261.36	3,725	-464	TOTAL OTHER INCOME	45,488.91	44,700	789	44,700
116,556.46	110,224	6,332	TOTAL INCOME	1,414,233.65	1,296,061	118,173	1,296,061

HOMES OF PARKER COMMONS

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STATEMENT OF PROFIT AND LOSS
PACE REALTY CORPORATION
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			EXPENSES				
			PAYROLL RELATED				
3,076.92	3,076	-1	Manager	39,446.31	39,298	-148	39,298
2,871.84	2,489	-383	Assistant Manager	34,889.27	31,878	-3,011	31,878
1,800.28	1,816	16	Leasing Consultant	22,939.78	22,507	-433	22,507
2,840.88	2,651	-190	Service Technician	33,573.15	33,466	-107	33,466
3,483.91	2,051	-1,433	Asst. Service Technician	24,698.51	25,909	1,210	25,909
0.00	0	0	Make Ready	0.00	0	0	0
1,249.50	1,135	-115	Groundskeeper	15,428.70	14,209	-1,220	14,209
992.58	1,756	763	Payroll Taxes	17,569.06	23,557	5,988	23,557
749.06	958	209	Workers Comp Insurance	12,078.57	12,124	45	12,124
1,312.56	1,524	211	Health Insurance	17,127.75	18,331	1,203	18,331
18,377.51	17,456	-922	**TOTAL PAYROLL AND RELATED**	217,751.00	221,279	3,528	221,279
			REPAIRS AND MAINTENANCE				
			MAKE READY				
2,946.39	800	-2,146	Carpet Repairs	5,376.59	9,600	4,224	9,600
310.56	175	-136	Carpet Cleaning	2,587.30	2,375	-212	2,375
0.00	0	0	Carpet Replacements	0.00	0	0	0
0.00	0	0	Floor Tile Repairs	0.00	0	0	0
0.00	0	0	Window Coverings	0.00	0	0	0
487.33	350	-137	Interior Paint Supplies	2,593.00	4,950	2,357	4,950
0.00	255	255	Interior Paint Labor	881.85	3,485	2,603	3,485
0.00	65	65	Counter Repairs	531.45	780	249	780
595.00	595	0	Cleaning Service	6,965.00	8,415	1,450	8,415
4,339.28	2,240	-2,099	**TOTAL MAKE READY**	18,934.19	29,605	10,671	29,605
			MAINTENANCE				
0.00	0	0	HVAC Repairs	0.00	0	0	0
0.00	50	50	Plumbing Repairs	62.53	600	537	600
80.08	220	140	Appliance Repairs	2,105.69	2,640	534	2,640
0.00	45	45	Equipment	114.59	540	425	540
0.00	0	0	Sport/Fitness Equipment	167.52	0	-168	0
102.78	100	-3	Pool Supplies	1,084.68	2,250	1,165	2,250
0.00	0	0	Pool Repairs	1,536.28	0	-1,536	0
0.00	0	0	Grounds Maintenance	0.00	0	0	0
1,496.33	1,396	-100	Landscape Contract	18,211.08	16,752	-1,459	16,752
0.00	0	0	Seasonal Flowers	1,321.24	1,800	479	1,800
0.00	0	0	Winter Rye	1,000.00	969	-31	969
0.00	0	0	Irrigation System	117.50	200	83	200
3.44	100	97	Maintenance Supplies	561.50	1,200	639	1,200
0.00	0	0	Fence Repair	0.00	0	0	0
0.00	0	0	Exterior Building Repairs	351.80	0	-352	0
530.43	300	-230	Pest Control	3,591.53	3,600	8	3,600
10.39	50	40	Interior Carpentry	120.65	600	479	600
0.00	50	50	Drywall Prep/Repair	24.96	600	575	600
0.00	125	125	Glass	306.16	1,500	1,194	1,500
158.45	130	-28	Keys & Locks	877.04	1,560	683	1,560
0.00	0	0	Light Bulbs & Fixtures	-40.18	0	40	0
42.39	50	8	Light Bulbs/Fixtures-Int	367.49	600	233	600
0.00	76	76	Light Bulbs/Fixtures-Ext	470.75	900	429	900
275.14	240	-35	Maint. Staff Uniforms	1,755.28	2,880	1,125	2,880
209.16	165	-44	Plumbing Supplies	1,733.34	1,980	247	1,980

HOMES OF PARKER COMMONS

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0.00	0	0	Elevator Service	1,199.93	0	-1,200	0
0.00	40	40	Smoke Alarms	329.89	480	150	480
32.82	35	2	Electrical Supplies	666.04	420	-246	420
64.86	140	75	HVAC Supplies	1,039.39	1,680	641	1,680
165.16	15	-150	Hardware Supplies	231.31	180	-51	180
289.23	110	-179	Janitorial Supplies	1,964.50	1,320	-645	1,320
917.36	225	-692	Fire and Life Safety	1,561.45	2,700	1,139	2,700
746.93	250	-497	Access Gate	746.93	3,000	2,253	3,000
0.00	0	0	Washer & Dryer Rental	0.00	0	0	0
5,124.91	3,911	-1,214	TOTAL MAINTENANCE	43,581.07	50,951	7,370	50,951
9,464.19	6,151	-3,313	TOTAL REPAIRS/MAINTENANCE	62,515.25	80,556	18,041	80,556
			MARKETING				
			ADVERTISING				
0.00	684	684	Newspaper	0.00	8,208	8,208	8,208
0.00	0	0	Signage	341.76	0	-342	0
0.00	40	40	Printed Material	274.62	960	685	960
0.00	0	0	Direct Mail-Out	0.00	1,000	1,000	1,000
19.95	260	240	Internet Advertising	3,048.62	2,988	-61	2,988
0.00	0	0	Apartment Magazines	0.00	0	0	0
751.50	751	-1	Apartment Guide	9,769.50	9,012	-758	9,012
0.00	0	0	For Rent	5,469.03	2,200	-3,269	2,200
588.00	588	0	Apt Finder/Blue Book	7,056.00	7,056	0	7,056
1,359.45	2,323	964	TOTAL ADVERTISING	25,959.53	31,424	5,464	31,424
			RESIDENT RETENTION				
38.23	50	12	Resident Retention- Other	500.95	300	-201	300
1,180.00	1,145	-35	Activities Coordinator	13,689.70	13,740	50	13,740
119.97	110	-10	Resident Activities	1,136.74	1,170	33	1,170
0.00	0	0	Subscription News/Magazin	0.00	0	0	0
8.56	260	251	Promotion	1,208.75	1,810	601	1,810
72.82	60	-13	Refreshments	1,119.51	720	-400	720
1,419.57	1,625	205	TOTAL RESIDENT RETENTION	17,655.65	17,740	84	17,740

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			OTHER MARKETING				
474.34	667	193	Apartment Locators	6,323.86	12,000	5,676	12,000
0.00	0	0	Door Mats	371.64	1,200	828	1,200
563.72	564	0	Association Dues & Fees	853.72	814	-40	814
0.00	0	0	Rental Furniture	0.00	0	0	0
247.00	0	-247	Shopping Reports	779.65	945	165	945
837.63	234	-604	Training and Education	2,965.66	2,908	-58	2,908
440.00	650	210	Leasing Expense	16,415.15	13,700	-2,715	13,700
0.00	39	39	Telephone On-Hold Adv	290.00	468	178	468
0.00	0	0	Model/Clubroom Accessorie	234.49	0	-234	0
0.00	0	0	Office Staff Uniforms	409.15	0	-409	0
0.00	0	0	Other Marketing	0.00	0	0	0
2,562.69	2,154	-409	TOTAL OTHER MARKETING	28,643.71	32,035	3,391	32,035
5,341.71	6,102	760	TOTAL MARKETING	72,258.89	81,199	8,940	81,199
			GENERAL AND ADMINISTRATIVE				
920.63	760	-171	Telephone	9,898.31	9,000	-898	9,000
115.00	230	115	DSL Service	1,380.00	2,760	1,380	2,760
146.59	136	-11	Prop Website Fees/Maint	2,021.87	1,832	-190	1,832
174.25	69	-105	Telephone Answering Serv	933.25	828	-105	828
272.73	225	-48	Office Supplies	2,902.30	2,700	-202	2,700
44.64	240	195	Forms & Printing	1,813.69	2,880	1,066	2,880
69.44	80	11	Postage	719.45	960	241	960
108.25	130	22	Office Equipment	733.64	1,560	826	1,560
43.25	35	-8	Key System	432.50	420	-13	420
45.45	43	-2	Pager Service	511.61	516	4	516
0.00	0	0	Legal Fees	3,113.54	0	-3,114	0
0.00	0	0	Professional Fees	13,604.62	305	-13,300	305
0.00	0	0	Tax Consulting Fees	1,250.00	1,000	-250	1,000
66.92	90	23	Courier/Overnight	870.70	1,080	209	1,080
108.45	200	92	Auto Expense	2,047.16	2,400	353	2,400
57.00	114	57	Eviction Costs	939.00	1,368	429	1,368
0.00	0	0	Miscellaneous	0.00	0	0	0
0.00	0	0	Travel Costs	48.03	0	-48	0
1,200.00	0	-1,200	Security Patrol	3,800.00	10,500	6,700	10,500
81.19	157	76	Computer Expense	4,381.31	1,884	-2,497	1,884
204.68	192	-13	Computer Software Systems	2,248.93	2,320	71	2,320
108.04	54	-54	Alarm Contract	811.76	648	-164	648
0.00	38	38	Fire Alarm Monitoring	416.13	456	40	456
971.81	280	-692	Emp Recruiting/Retention	2,490.44	3,360	870	3,360
207.84	263	55	Credit Service Fees	3,737.87	3,716	-22	3,716
0.00	0	0	Inspection Fees/Licenses	0.00	0	0	0
0.00	0	0	Inspection/Permit-City	35.00	1,442	1,407	1,442
0.00	0	0	Inspection/Permit-Pool	225.50	205	-21	205
641.25	0	-641	Inspection/Permit-Elevato	641.25	600	259	600
0.00	0	0	Inspection/Permit-Alarms	50.00	50	0	50
0.00	0	0	Inspection/Permit-Fire Sp	811.88	1,425	613	1,425
0.00	0	0	Inspection/Permit-Fire Al	811.87	1,500	688	1,500

HOMES OF PARKER COMMONS

\# OF UNITS 192
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STATEMENT OF PROFIT AND LOSS
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0.00	0	0	Inspection/Permit-Backflo	810.00	790	-20	790
0.00	0	0	Inspection/Permit-Fire Ex	246.27	595	349	595
183.17	145	-38	Bank Charges	1,472.07	1,740	268	1,740
0.00	0	0	Homeowner's Assoc/ Costs	0.00	0	0	0
0.00	0	0	Leasing Exp/Operations	0.00	0	0	0
5,670.58	3,471	-2,200	TOTAL GENERAL & ADMIN	66,109.95	61,040	-5,070	61,040
			MANAGEMENT & ADMINISTRATIVE FEES				
5,337.90	4,960	-378	Management/Admin Fees	64,572.94	58,322	-6,251	58,322
625.00	625	0	Asset Management Fees	7,500.00	7,500	0	7,500
5,962.90	5,585	-378	TOTAL MGMT AND ADMIN FEES	72,072.94	65,822	-6,251	65,822
			PROPERTY TAXES				
15,486.53	14,872	-615	Property Taxes	99,411.10	178,464	79,053	178,464
15,486.53	14,872	-615	TOTAL PROPERTY TAXES	99,411.10	178,464	79,053	178,464
			PROPERTY INSURANCE				
2,862.50	0	-2,863	Insurance	36,071.22	33,038	-3,033	33,038
0.00	0	0	Excess Liability Ins	0.00	1,166	1,166	1,166
2,862.50	0	-2,863	TOTAL PROPERTY INSURANCE	36,071.22	34,204	-1,867	34,204
			UTILITIES				
307.60	715	407	Electric - Vacancy/Models	8,604.06	8,750	146	8,750
0.00	0	0	Electric - Occupied	0.00	0	0	0
2,510.46	2,300	-210	Electric - House	28,826.30	27,600	-1,226	27,600
5,105.17	3,450	-1,656	Water & Sewer	53,706.56	41,400	-12,307	41,400
438.47	500	62	Irrigation	6,970.57	6,000	-971	6,000
821.87	453	-369	Trash Removal	7,086.25	5,436	-1,650	5,436
9,183.57	7,418	-1,766	TOTAL UTILITIES	105,193.74	89,186	-16,008	89,186
72,349.49	61,055	-11,294	TOTAL OPERATING EXPENSES	731,384.10	811,750	80,366	811,750
44,206.97	49,169	-4,962	NET OPERATING INCOME	682,849.46	484,311	198,538	484,311
			DEBT SERVICE				
28,009.71	33,333	5,323	Mortgage Interest	294,796.05	399,996	105,200	399,996
0.00	0	0	2nd Mortgage Interest	0.00	0	0	0
0.00	0	0	Other Interest Expense	0.00	0	0	0
28,009.71	33,333	5,323	Debt Service	294,796.05	399,996	105,200	399,996

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OTHER INCOME AND EXPENSE

-100.00	0	100	Other Income	-100.00	0	100	0
11,000.00	0	-11,000	Other Expense	23,517.64	0	-23,518	0
0.00	0	0	Depreciation	0.00	0	0	0
0.00	0	0	Casualty Loss Expense	0.00	0	0	0
10,900.00	0	-10,900	TOTAL OTHER INCOME/EXPENSE	23,417.64	0	-23,418	0
5,297.26	15,836	-10,539	NET INCOME	364,635.76	84,315	280,321	84,315

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			INCOME				
			RENTAL INCOME				
133,777.00	133,783	-6	Gross Potential Rent	1,603,782.00	1,604,876	-1,094	1,604,876
-7,664.53	-4,327	-3,338	Loss To Lease	-60,576.46	-61,613	1,037	-61,613
126,112.47	129,456	-3,344	NET POTENTIAL RENT	1,543,205.54	1,543,263	-57	1,543,263
-12,314.00	-6,271	-6,043	Vacancy Loss	-146,577.49	-86,370	-60,207	-86,370
-875.00	0	-875	Non Revenue Units	-10,875.00	0	-10,875	0
-1,545.63	-2,439	893	Concessions/Allowances	-42,336.42	-26,968	-15,368	-26,969
0.00	0	0	Disaster Relief	-291.00	0	-291	0
-2,618.31	-1,000	-1,618	Uncollectible Rent	-15,682.86	-12,000	-3,683	-12,000
0.00	150	-150	Bad Debt Collections	879.31	1,800	-921	1,800
0.00	0	0	Employee Rents	-1,663.93	0	-1,664	0
-1,850.00	-1,860	10	Courtesy Officer Units	-17,829.67	-22,310	4,480	-22,310
4,184.14	0	4,184	Past Due Prior Month	34,826.45	0	34,826	0
-2,824.25	0	-2,824	Prepaid Prior Month	-33,719.34	0	-33,719	0
-2,039.05	0	-2,039	Past Due Current Month	-34,437.00	0	-34,437	0
5,034.16	0	5,034	Prepaid Current Month	36,339.17	0	36,339	0
111,264.65	118,036	-6,771	TOTAL RENTAL INCOME	1,312,337.76	1,397,415	-85,077	1,397,415
			OTHER INCOME				
0.00	0	0	Electric Income	1,282.79	0	1,283	0
0.00	0	0	Trash Income	0.00	0	0	0
204.00	0	204	Water Income	1,141.60	0	1,142	0
22.50	776	-753	Late & NSF Charges	9,937.39	9,300	637	9,300
0.00	0	0	Security Deposit Forfeit	304.00	0	304	0
0.00	0	0	Miscellaneous Income	0.00	0	0	0
0.00	5	-5	Internet Commission	78.00	60	18	60
382.50	460	-78	Credit Application Charge	5,511.05	5,520	-9	5,520
0.00	0	0	Cable TV Income	1,218.19	2,800	-1,582	2,800
0.00	30	-30	Vending Machine Income	499.23	360	139	360
540.00	0	540	Electric Commission	635.93	0	636	0
1,018.45	700	318	Damage Receipts	14,711.69	8,400	6,312	8,400
117.57	5	113	Interest Income	283.60	60	224	60
713.10	550	163	Lease Termination Charges	15,055.36	6,600	8,455	6,600
0.00	5	-5	Legal & Collection Charge	0.00	60	-60	60
675.00	225	450	Pet Charges	5,617.50	2,700	2,918	2,700
0.00	20	-20	Washer/Dryer Income	0.00	240	-240	240
53.72	100	-46	Month-To-Month Premiums	677.89	1,200	-522	1,200
85.05	30	55	Keys Charges	1,245.39	360	885	360
0.00	0	0	Transfer Charges	200.00	0	200	0
230.00	285	-55	Storage Income	3,876.66	3,420	457	3,420
1,041.60	475	567	Administrative Charges	11,288.50	5,700	5,589	5,700
5,083.39	3,665	1,418	TOTAL OTHER INCOME	73,564.89	46,780	26,785	46,780
116,348.04	121,701	-5,353	TOTAL INCOME	1,385,902.65	1,444,195	-58,292	1,444,195

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PACE REALTY CORPORATION

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EXPENSES

			PAYROLL RELATED				
3,184.62	3,197	12	Manager	41,095.91	40,771	-325	40,771
2,609.94	2,613	3	Assistant Manager	33,278.65	33,968	689	33,968
3,032.00	1,920	-1,112	Leasing Consultant	27,080.22	23,859	-3,221	23,859
2,592.00	2,727	135	Service Technician	33,881.59	34,651	769	34,651
1,856.00	1,953	97	Asst. Service Technician	28,633.96	25,390	-3,244	25,390
0.00	0	0	Make Ready	0.00	0	0	0
1,200.00	1,296	96	Groundskeeper	18,206.79	16,300	-1,907	16,300
1,146.62	1,716	569	Payroll Taxes	15,968.14	23,431	7,463	23,431
749.76	822	72	Workers Comp Insurance	8,859.63	10,497	1,637	10,497
1,102.80	1,616	513	Health Insurance	17,213.01	17,944	731	17,944
0.00	0	0	Quarterly Bonus	0.00	0	0	0
0.00	0	0	Courtesy Officer	0.00	0	0	0
17,473.74	**17,860**	**386**	**TOTAL PAYROLL AND RELATED**	**224,217.92**	**226,811**	**2,593**	**226,811**
			REPAIRS AND MAINTENANCE				
			MAKE READY				
2,446.59	245	-2,202	Carpet Repairs	8,205.77	2,940	-5,266	2,940
409.93	210	-200	Carpet Cleaning	2,919.26	2,450	-469	2,450
0.00	0	0	Window Coverings	21.65	0	-22	0
291.06	270	-21	Interior Paint Supplies	2,969.19	2,700	-269	2,700
0.00	85	85	Interior Paint Labor	1,132.00	1,105	-27	1,105
266.60	65	-202	Counter Repairs	1,088.60	845	-244	845
606.21	760	154	Cleaning Service	7,897.16	7,125	-772	7,125
4,020.39	**1,635**	**-2,385**	**TOTAL MAKE READY**	**24,233.63**	**17,165**	**-7,069**	**17,165**
			MAINTENANCE				
0.00	15	15	Plumbing Repairs	2,122.00	180	-1,942	180
0.00	0	0	Electrical Repairs	164.00	0	-164	0
227.87	165	-63	Appliance Repairs	2,588.60	1,980	-609	1,980
0.00	0	0	Equipment	86.64	0	-87	0
0.00	0	0	Sport/Fitness Equipment	48.71	0	-49	0
0.00	50	50	Pool Supplies	1,039.19	1,425	386	1,425
0.00	0	0	Pool Repairs	0.00	800	800	800
0.00	0	0	Parking Lot Repairs	0.00	0	0	0
223.62	0	-224	Grounds Maintenance	640.85	0	-641	0
1,488.76	1,496	7	Landscape Contract	18,052.07	17,952	-100	17,952
0.00	0	0	Seasonal Flowers	2,446.46	2,450	4	2,450
0.00	0	0	Winter Rye	995.90	1,000	4	1,000
0.00	0	0	Irrigation System	33.33	200	167	200
34.64	50	15	Maintenance Supplies	738.94	600	-139	600
0.00	0	0	Exterior Building Repairs	925.60	0	-926	0
219.60	285	65	Pest Control	3,344.39	3,420	76	3,420
0.00	15	15	Interior Carpentry	300.00	180	-120	180
0.00	0	0	Drywall Prep/Repair	0.00	0	0	0
0.00	35	35	Glass	334.07	420	86	420
0.00	0	0	Window Washing	0.00	4,375	4,375	4,375
34.29	50	16	Keys & Locks	807.85	600	-208	600
0.00	0	0	Light Bulbs & Fixtures	0.00	0	0	0
22.03	50	28	Light Bulbs/Fixtures-Int	518.16	600	82	600
286.20	50	-236	Light Bulbs/Fixtures-Ext	917.38	600	-317	600
188.44	150	-38	Maint. Staff Uniforms	1,779.66	1,800	20	1,800

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160.95	150	-11	Plumbing Supplies	1,553.70	1,800	246	1,800
0.00	100	100	Elevator Service	307.43	1,200	893	1,200
32.09	35	3	Smoke Alarms	161.86	420	258	420
0.00	0	0	Equipment Rental	80.81	0	-81	0
0.00	70	70	Electrical Supplies	250.56	840	589	840
19.85	100	80	HVAC Supplies	974.69	1,200	225	1,200
0.00	10	10	Hardware Supplies	142.92	120	-23	120
135.98	170	34	Janitorial Supplies	1,715.45	2,040	325	2,040
0.00	75	75	Fire and Life Safety	2,363.84	900	-1,464	900
0.00	75	75	Access Gate	350.00	900	550	900
3,074.32	3,196	122	TOTAL MAINTENANCE	45,784.95	48,002	2,217	48,002
7,094.70	4,831	-2,264	TOTAL REPAIRS\MAINTENANCE	70,018.48	65,167	-4,851	65,167
			MARKETING				
			ADVERTISING				
525.00	0	-525	Newspaper	525.00	0	-525	0
0.00	100	100	Signage	0.00	400	400	400
0.00	40	40	Printed Material	571.36	860	289	860
558.00	260	-298	Internet Advertising	1,818.60	3,120	1,301	3,120
0.00	0	0	Apartment Magazines	0.00	0	0	0
751.50	751	-1	Apartment Guide	9,018.00	9,012	-6	9,012
0.00	0	0	For Rent	0.00	0	0	0
595.00	588	-7	Apt Finder/Blue Book	7,140.00	7,056	-84	7,056
2,429.50	1,739	-691	TOTAL ADVERTISING	19,072.96	20,448	1,375	20,448
			RESIDENT RETENTION				
0.00	50	50	Resident Retention- Other	487.88	600	112	600
580.00	1,170	590	Activities Coordinator	11,790.00	14,040	2,250	14,040
55.24	110	55	Resident Activities	783.93	1,170	386	1,170
2.32	225	223	Promotion	851.14	1,390	539	1,390
95.75	110	14	Refreshments	1,225.72	1,320	94	1,320
733.31	1,665	932	TOTAL RESIDENT RETENTION	15,138.67	18,520	3,381	18,520
			OTHER MARKETING				
969.17	523	-446	Apartment Locators	9,111.04	6,272	-2,839	6,272
0.00	0	0	MoveIn Gifts	0.00	0	0	0
0.00	0	0	Door Mats	381.58	900	518	900
590.92	564	-27	Association Dues & Fees	860.92	814	-47	814
0.00	0	0	Shopping Reports	162.00	945	783	945
138.27	234	96	Training and Education	2,862.25	2,833	-29	2,833
809.99	750	-60	Leasing Expense	14,378.92	15,700	1,321	15,700
0.00	39	39	Telephone On-Hold Adv	435.00	468	33	468
0.00	0	0	Model/Clubroom Accessorie	57.03	675	618	675
0.00	0	0	Office Staff Uniforms	0.00	0	0	0
2,508.35	2,110	-398	TOTAL OTHER MARKETING	28,248.74	28,607	358	28,607

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5,671.16	5,514	-157	TOTAL MARKETING	62,460.37	67,575	5,115	67,575
			GENERAL AND ADMINISTRATIVE				
769.69	816	25	Telephone	9,732.60	9,780	47	9,780
115.00	115	0	DSL Service	1,380.00	1,380	0	1,380
146.14	156	10	Prop Website Fees/Maint	1,811.23	1,872	61	1,872
74.69	69	-6	Telephone Answering Serv	896.28	828	-68	828
8.47	240	232	Office Supplies	2,300.04	2,880	580	2,880
133.57	175	41	Forms & Printing	1,820.36	2,100	280	2,100
29.56	70	40	Postage	782.71	840	57	840
108.25	108	0	Office Equipment	1,850.44	1,296	-554	1,296
48.66	35	-14	Key System	578.81	420	-159	420
45.25	43	-2	Pager Service	549.67	516	-34	516
0.00	75	75	Legal Fees	400.00	900	500	900
211.46	0	-211	Professional Fees	25,145.25	11,212	-13,933	11,212
0.00	0	0	Tax Consulting Fees	1,376.00	1,250	-126	1,250
0.00	0	0	Compliance Fee	25,200.00	4,800	-20,400	4,800
38.50	90	52	Courier/Overnight	660.40	1,080	420	1,080
140.10	200	60	Auto Expense	2,443.72	2,400	-44	2,400
57.00	86	29	Eviction Costs	1,675.20	1,032	-643	1,032
0.00	0	0	Travel Costs	0.00	0	0	0
0.00	0	0	Security Patrol	1,800.00	2,000	200	2,000
81.19	432	351	Computer Expense	2,854.73	5,184	2,329	5,184
306.90	205	-102	Computer Software Systems	3,121.39	2,538	-583	2,538
0.00	0	0	Security Expense	0.00	0	0	0
54.02	54	0	Alarm Contract	648.24	648	0	648
54.13	38	-16	Fire Alarm Monitoring	584.36	456	-128	456
675.63	375	-301	Emp Recruiting/Retention	2,985.39	1,700	-1,285	1,700
301.02	310	9	Credit Service Fees	3,552.78	3,720	167	3,720
0.00	0	0	Inspection Fees/Licenses	0.00	0	0	0
0.00	0	0	Inspection/Permit-City	30.00	1,442	1,412	1,442
0.00	0	0	Inspection/Permit-Pool	205.00	226	21	226
0.00	0	0	Inspection/Permit-Elevato	140.00	800	660	800
0.00	0	0	Inspection/Permit-Alarms	50.00	50	0	50
0.00	0	0	Inspection/Permit-Fire Sp	757.75	812	54	812
0.00	0	0	Inspection/Permit-Fire Al	1,101.86	812	-290	812
0.00	0	0	Inspection/Permit-Backflo	880.00	810	-70	810
0.00	0	0	Inspection/Permit-Fire Ex	942.86	841	-102	841
124.60	135	10	Bank Charges	1,176.58	1,620	443	1,620
19.95	0	-20	Electronic Fund Xfer Fee	239.40	0	-239	0
3,563.78	3,826	262	TOTAL GENERAL & ADMIN	99,671.77	68,245	-31,427	68,245
			MANAGEMENT & ADMINISTRATIVE FEES				
5,331.31	5,477	146	Management/Admin Fees	63,516.75	64,988	1,471	64,988
625.00	625	0	Asset Management Fees	7,500.00	7,500	0	7,500
5,956.31	6,102	146	TOTAL MGMT AND ADMIN FEES	71,016.75	72,488	1,471	72,488

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			PROPERTY TAXES				
-9,251.19	15,487	24,738	Property Taxes	161,100.64	185,844	24,743	185,844
-9,251.19	15,487	24,738	TOTAL PROPERTY TAXES	161,100.64	185,844	24,743	185,844
			PROPERTY INSURANCE				
2,862.60	2,863	1	Insurance	33,183.96	34,356	1,172	34,356
2,862.60	2,863	1	TOTAL PROPERTY INSURANCE	33,183.96	34,356	1,172	34,356
			UTILITIES				
843.72	675	-169	Electric - Vacancy/Models	13,186.83	9,300	-3,886	9,300
89.00	0	-89	Electric - Occupied	1,236.43	0	-1,236	0
3,650.09	2,960	-690	Electric - House	40,686.79	35,520	-5,167	35,520
3,992.58	4,500	507	Water & Sewer	48,552.31	54,000	5,448	54,000
485.01	525	40	Irrigation	8,718.20	6,300	-2,418	6,300
909.91	575	-335	Trash Removal	7,331.53	6,900	-432	6,900
9,970.31	9,235	-735	TOTAL UTILITIES	119,711.09	112,020	-7,691	112,020
43,341.31	65,718	22,377	TOTAL OPERATING EXPENSES	841,380.98	832,506	-8,875	832,506
73,006.73	55,983	17,024	NET OPERATING INCOME	544,521.67	611,689	-67,167	611,689
			DEBT SERVICE				
27,654.31	27,654	0	Mortgage Interest	333,857.55	333,827	-31	333,827
0.00	0	0	2nd Mortgage Interest	0.00	0	0	0
5,500.00	0	-5,500	Partnership Fee	13,750.00	0	-13,750	0
0.00	0	0	Other Interest Expense	0.00	0	0	0
33,154.31	27,654	-5,500	Debt Service	347,607.55	333,827	-13,781	333,827
			OTHER INCOME AND EXPENSE				
0.00	0	0	Other Income	0.00	0	0	0
0.02	0	0	Other Expense	0.00	0	0	0
0.00	0	0	Depreciation	0.00	0	0	0
0.00	0	0	Amortization	0.00	0	0	0
0.02	0	0	TOTAL OTHER INCOME/EXPENSE	0.00	0	0	0
39,852.40	28,329	11,523	NET INCOME	196,914.12	277,862	-80,948	277,862

SunAmerica Housing Fund 668
c/o SunAmerica Affordable Housing Partners, Inc.
1999 Avenue of the Stars, 36th Floor
Los Angeles, CA 90067

RECEIVED
AUG 27 REC'D
LIHTC

August 6, 2007

Ms. Raquel Morales
Real Estate Analysis Division
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Dear Raquel:

Several weeks ago you met with Cynthia Bast, Esq., counsel for the Parker Commons, Ltd. partnership (the "Partnership") which owns of *The Homes of Parker Commons* apartment multifamily project. As you know, SunAmerica Housing Fund 668, an affiliate of SunAmerica Affordable Housing Partners, Inc. ("SunAmerica"), is the investor limited partner in the Partnership. Also in attendance at that meeting were representatives of SunAmerica, Mr. Robert Johnston and Mr. Rick White. At that meeting Mr. Johnston and Mr. White promised to forward some additional information in support of *The Homes of Parker Commons* amendment request for Forms 8609 corresponding to the project's $11,295,680 in Federal LIHTC's. This letter and attachments will give you further insight into *The Homes of Parker Commons* and the impact it has made in the historic Fort Worth South neighborhood.

The project is the combination of the old Fort Worth High School and Hogg Elementary School constructed in 1910 and is located in the Medical District just south of downtown Fort Worth. After serving the community successfully for many years, functional obsolescence compelled the Fort Worth ISD to close these buildings. As the attached photos indicate, the project evolved into a dilapidated structure and was the focal point of crime activity in the neighborhood (see Exhibit A).

When *The Homes of Parker Commons* opened in 2001, it was a catalyst for redevelopment of the near South Downtown Fort Worth area. It continues today (see Exhibit B) as the premier project in the TDHCA's Fort Worth portfolio and enjoys exceptionally strong support from residents and critical community leaders including the Fort Worth South nonprofit organization, Fort Worth Mayor Moncrief and State Rep. Lon Burnam (see Exhibit C).

As discussed in previous letters and e-mail communications, the substantial development challenges of this historic renovation — including unbudgeted construction costs of approximately $2.8 Million funded by SunAmerica — were overcome, resulting in 192 units of affordable and market-rate housing. As the revitalization of near South Downtown Fort Worth has continued, the project's affordability component — upon which the TDHCA's decision to accept the amendment request rests — has grown in importance as developers have successfully pursued new high-end market rate rental and for sale housing.

We would like to schedule a conference call with you sometime this week to further discuss these materials and our amendment request for Forms 8609 on *The Homes at Parker Commons*. Please contact Cynthia Bast at (512) 305-4707 at your earliest convenience.

Best Regards,

SunAmerica Housing Funds 668,
A Nevada Limited Partnership

By: AIG Retirement Services, Inc.,
A Delaware corporation, General Partner

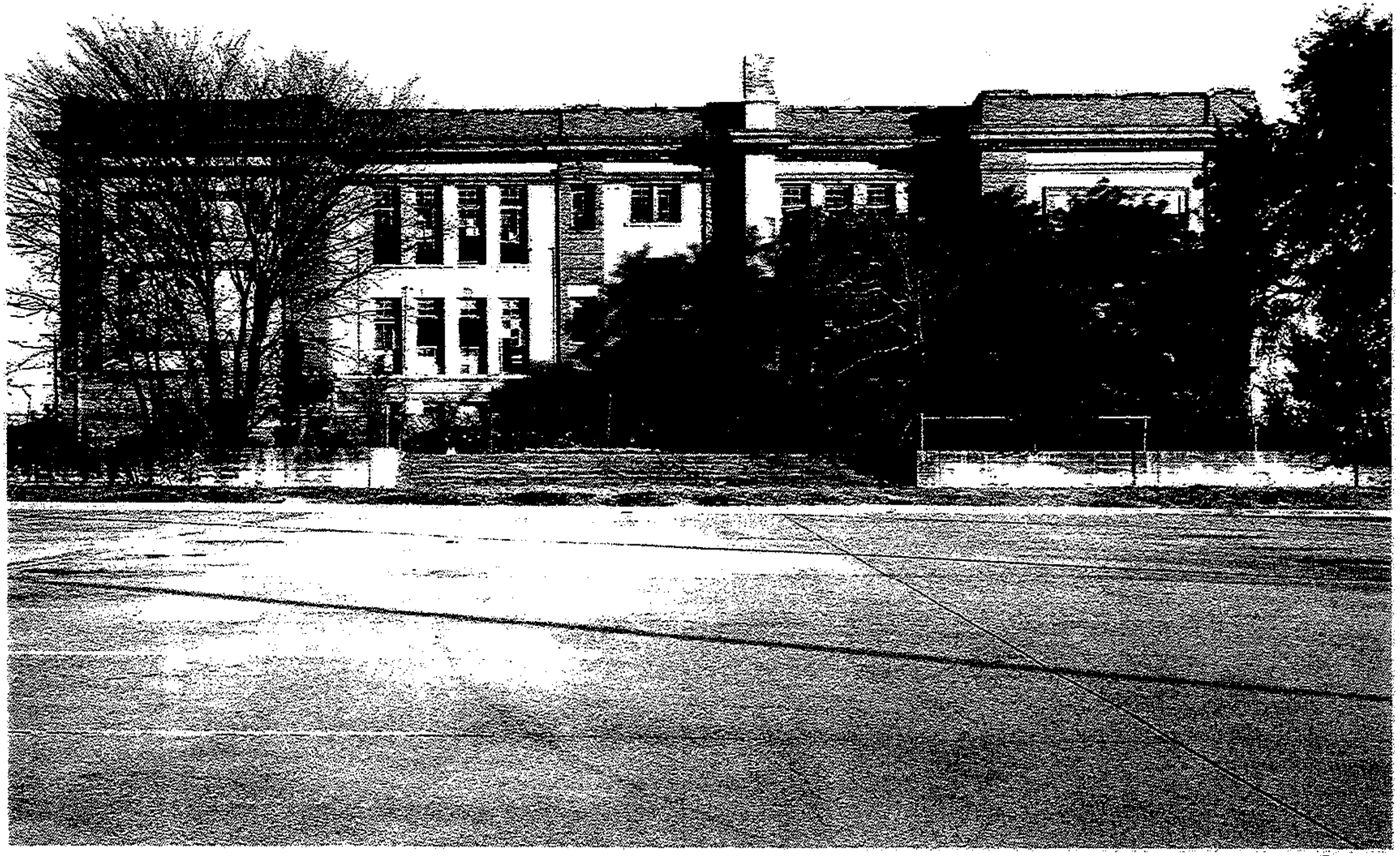
By: ______________________
Michael L. Fowler, Vice President

1

NPS-4006
Alexander Hogg School
309 W. Terrell Avenue
Fort Worth, Texas 76104
Part 2&3, photographs, 11/5/01

NPS-4006
Alexander Hogg School
309 W. Terrell Avenue
Fort Worth, Texas 76104
Part 2&3, photographs, 11/5/01

3



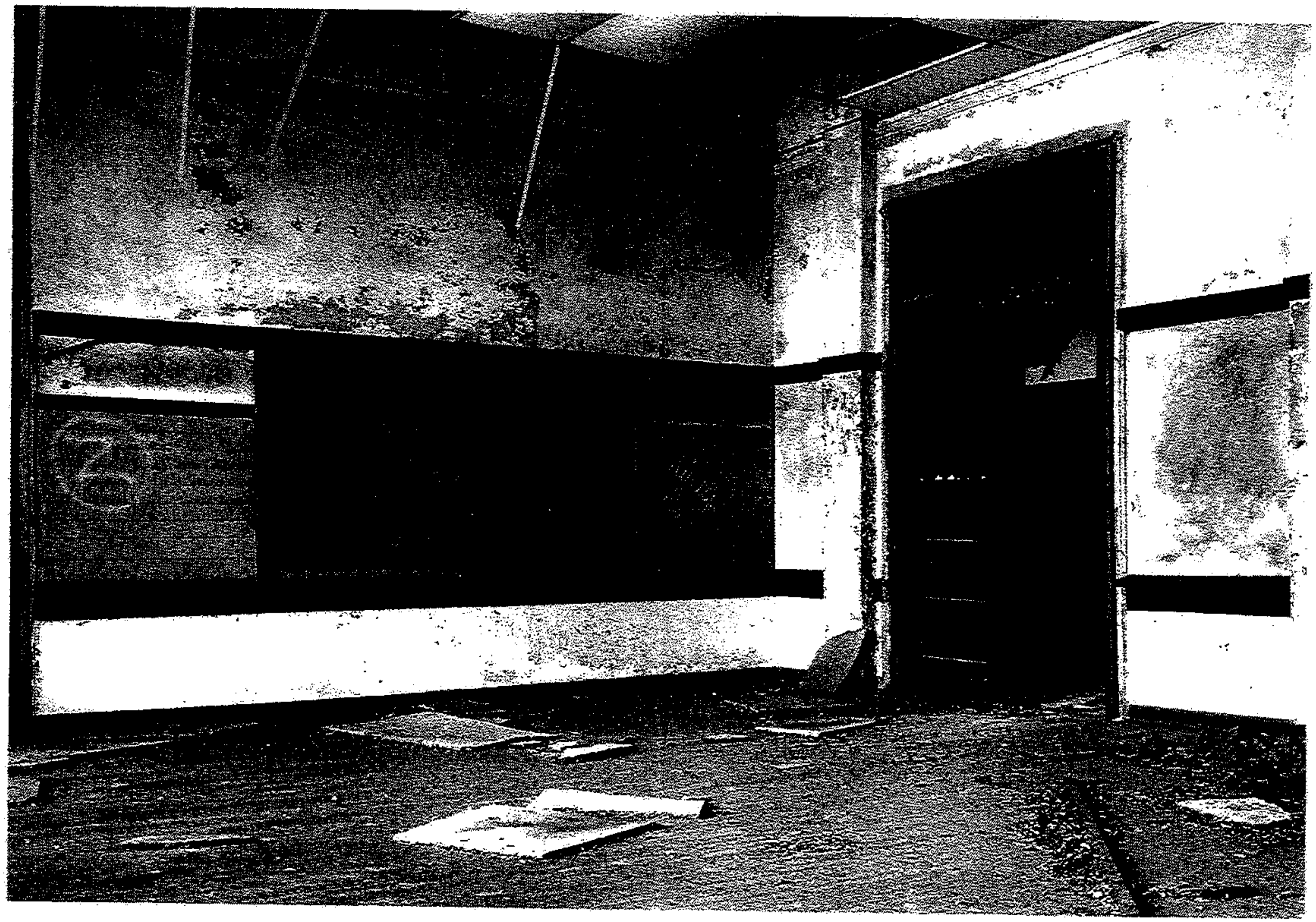
5

NPS-4006
Alexander Hogg School
309 W. Terrell Avenue
Fort Worth, Texas 76104
Part 2&3, photographs, 11/5/01

NPS-4006
Alexander Hogg School
309 W. Terrell Avenue
Fort Worth, Texas 76104
Part 2&3, photographs, 11/5/01

12

1st floor



2nd floor

73

NPS-4006
Alexander Hogg School
309 W. Terrell Avenue
Fort Worth, Texas 76104
Part 2&3, photographs, 11/5/01

3rd floor

75

NPS-4006
Alexander Hogg School
309 W. Terrell Avenue
Fort Worth, Texas 76104
Part 2&3, photographs, 11/5/01

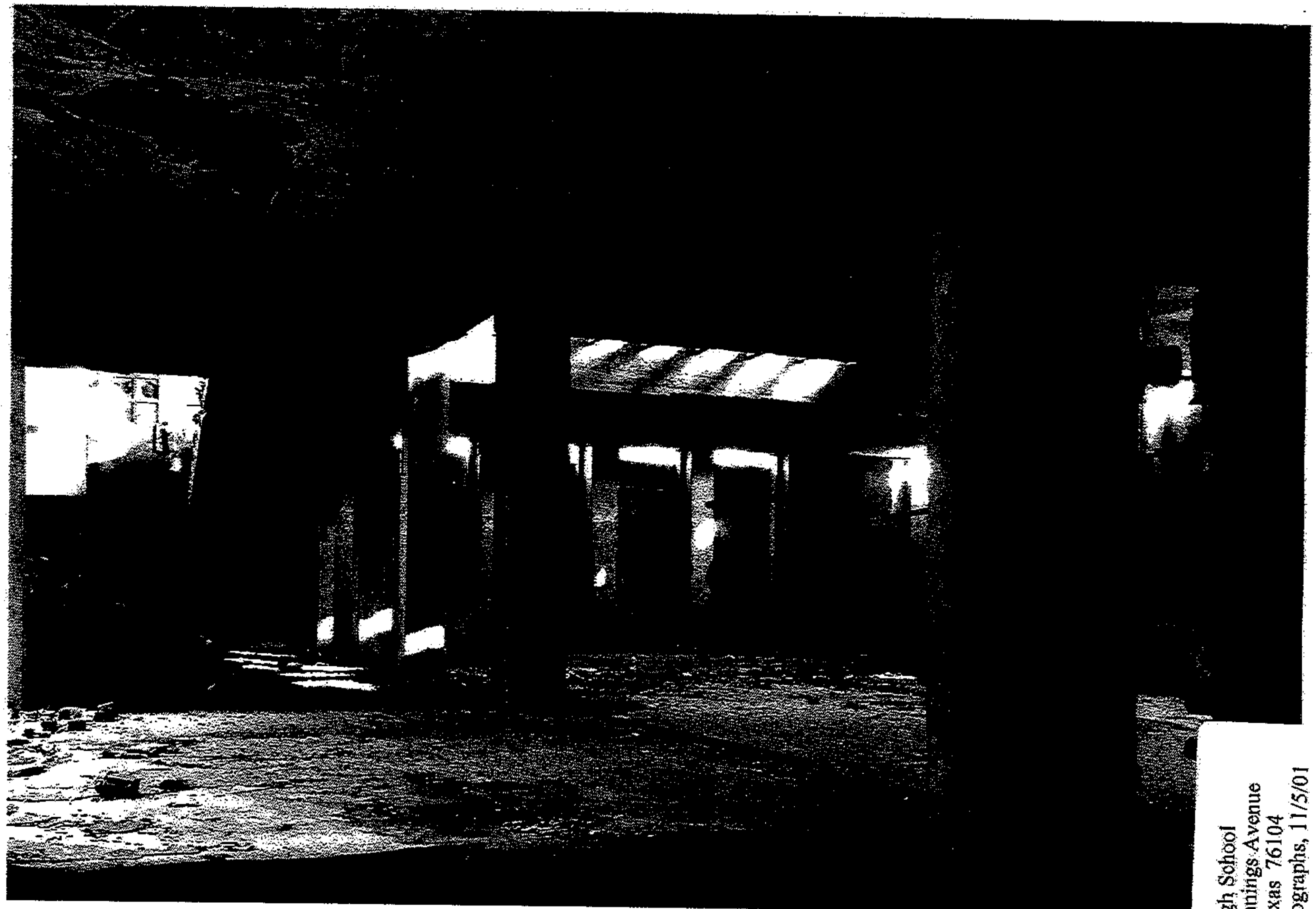
18

NPS-4006
Alexander Hogg School
309 W. Terrell Avenue
Fort Worth, Texas 76104
Part 2&3, photographs, 11/5/01

3rd floor

4

NPS-4005
Fort Worth High School
1015 South Jennings Avenue
Fort Worth, Texas 76104
Part 2&3, photographs, 11/5/01



9

1st Floor

NPS-4005
Fort Worth High School
1015 South Jennings Avenue
Fort Worth, Texas 76104
Part 2&3, photographs, 11/5/01

6

NPS-4005
Fort Worth High School
1015 South Jennings Avenue
Fort Worth, Texas 76104
Part 2&3, photographs, 11/5/01

2nd floor

12

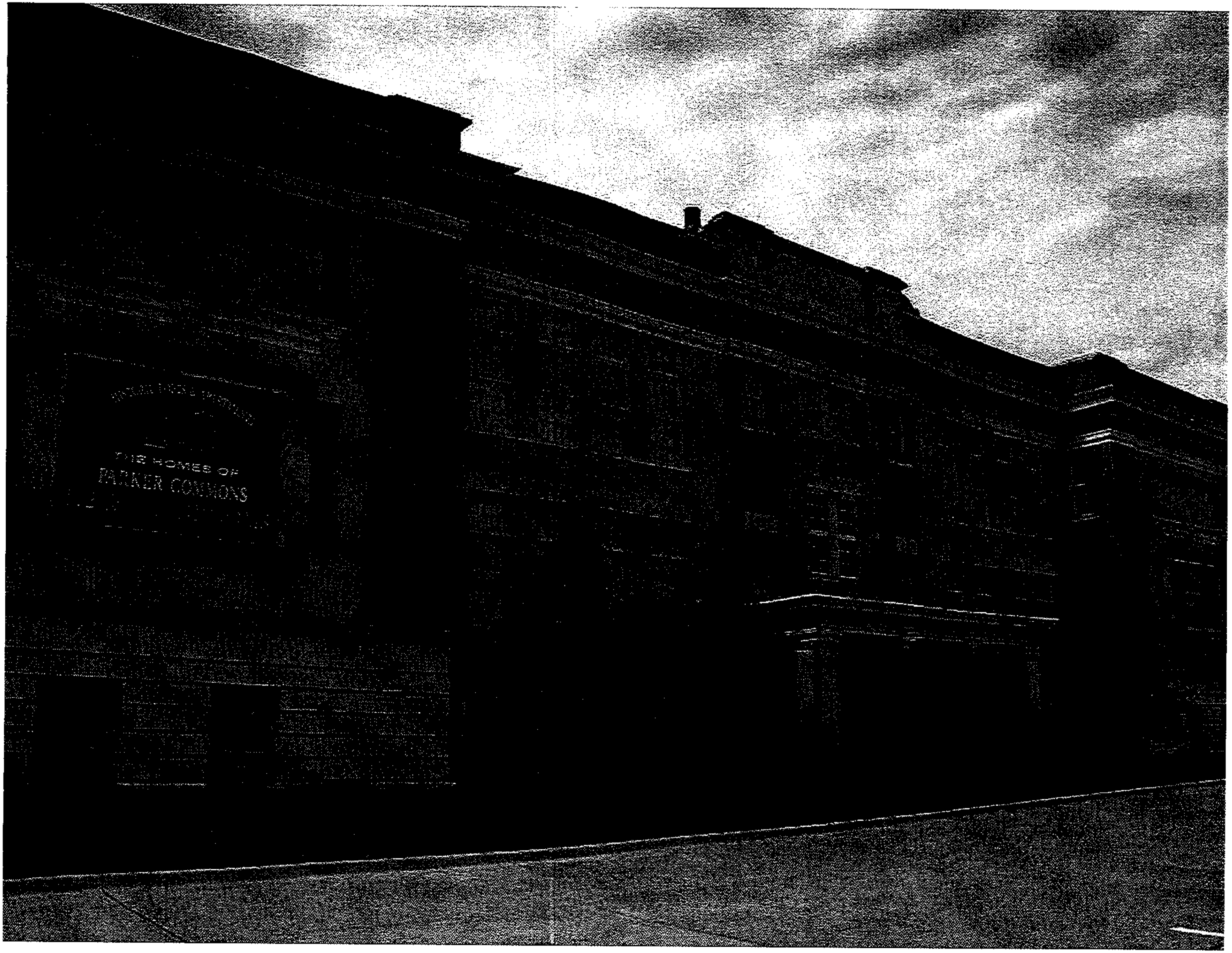
NPS-4005
Fort Worth High School
1015 South Jennings Avenue
Fort Worth, Texas 76104
Part 2&3, photographs, 11/5/01

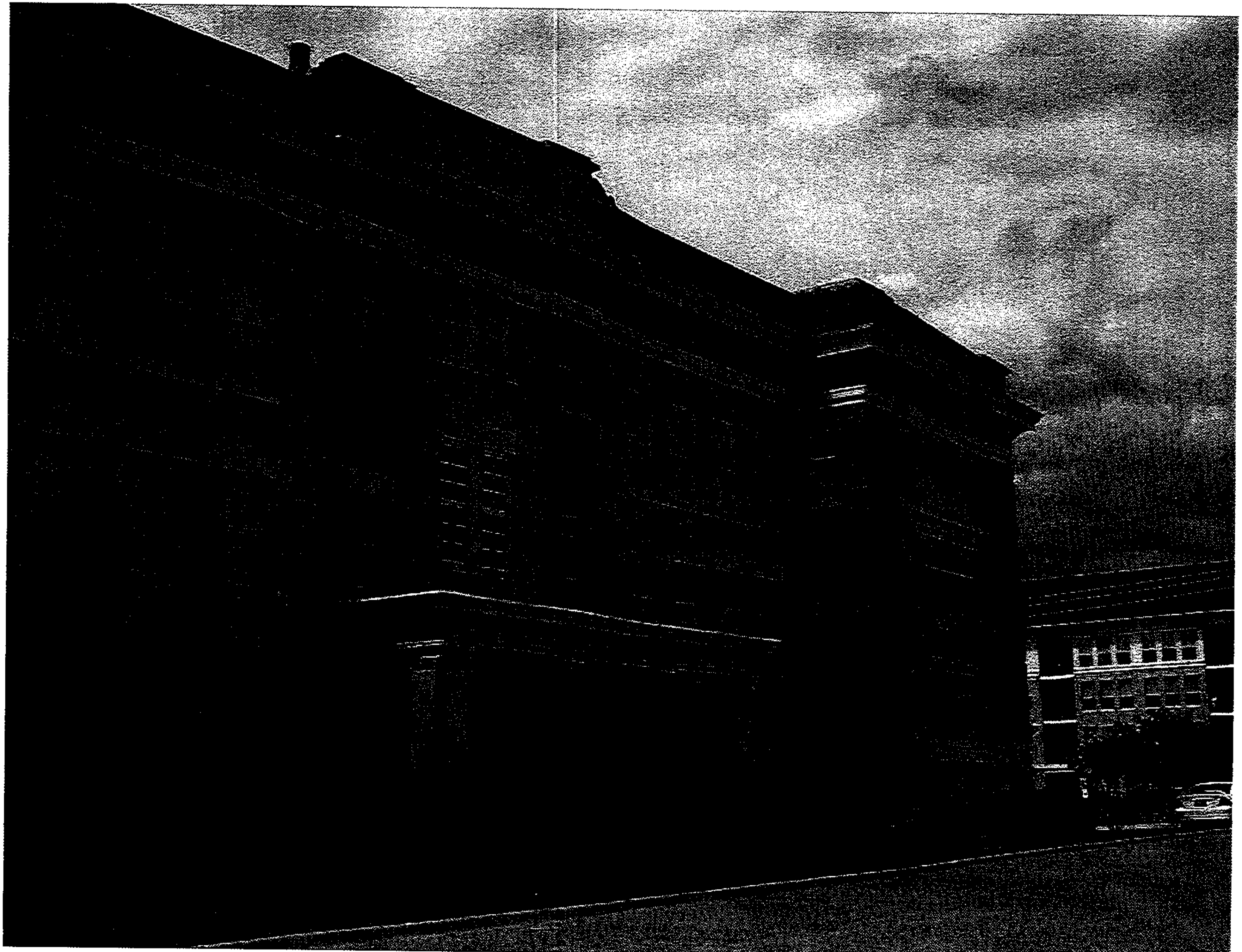
[redacted]

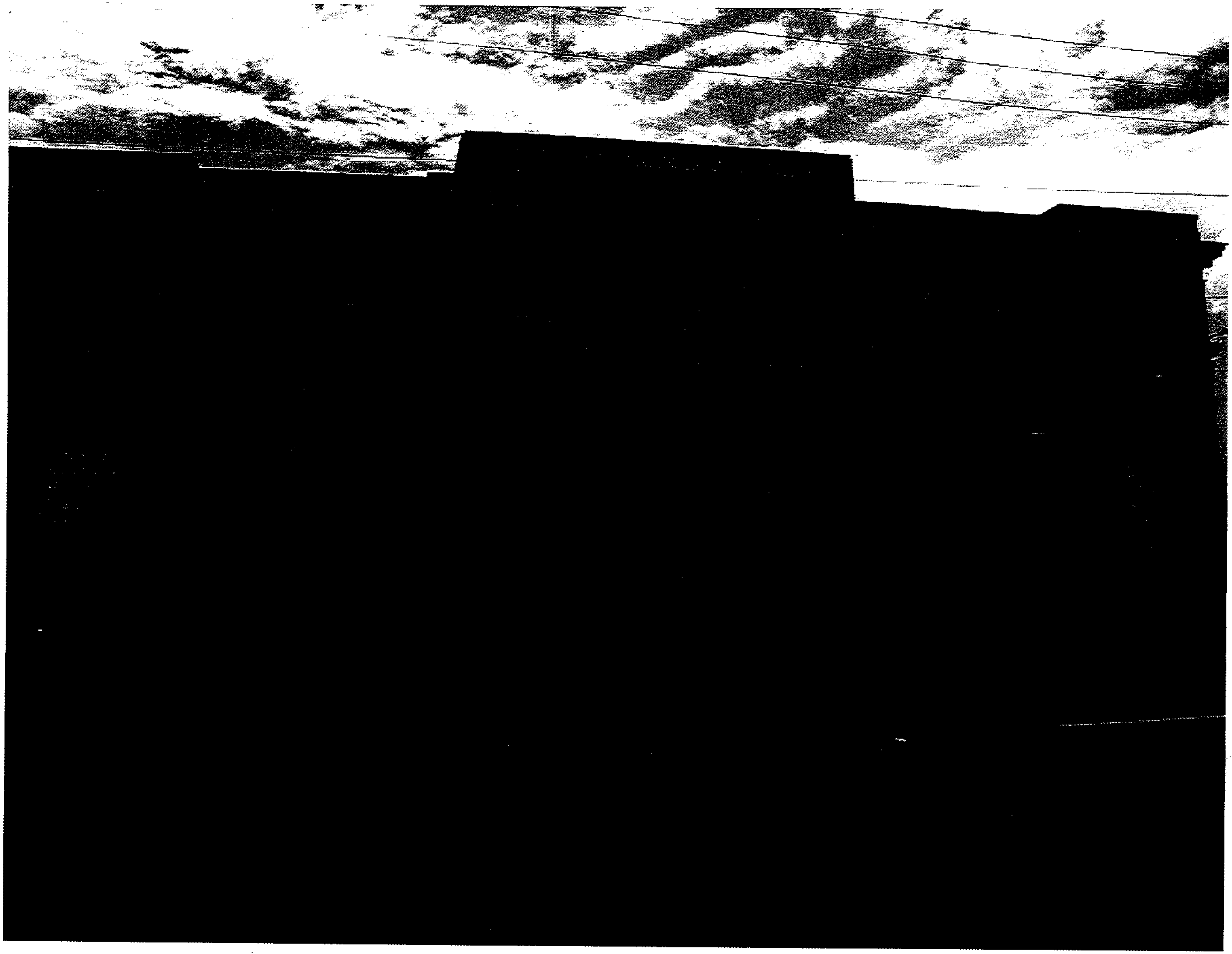
NPS-4005
Fort Worth High School
1015 South Jennings Avenue
Fort Worth, Texas 76104
Part 2&3, photographs, 11/5/01

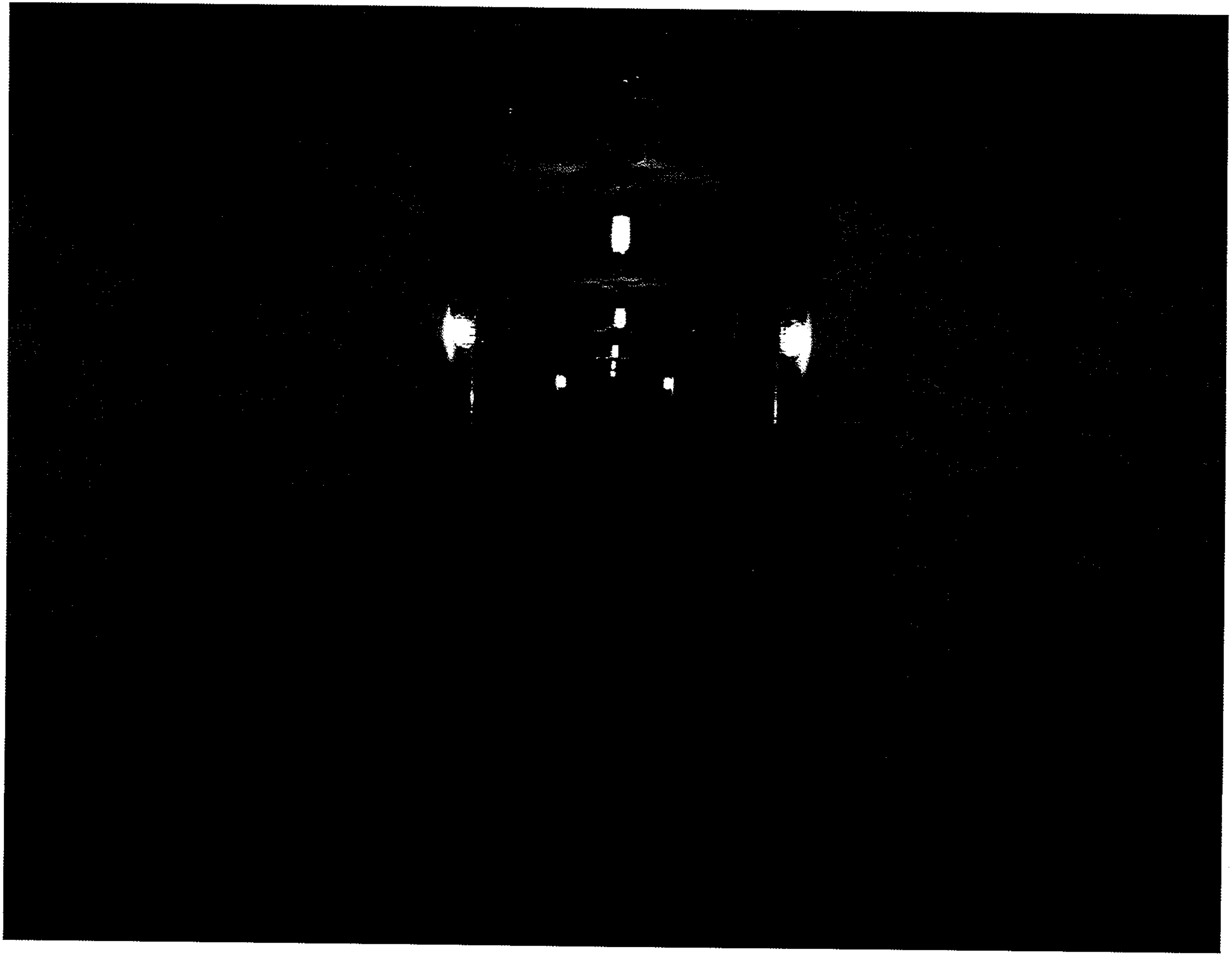
14

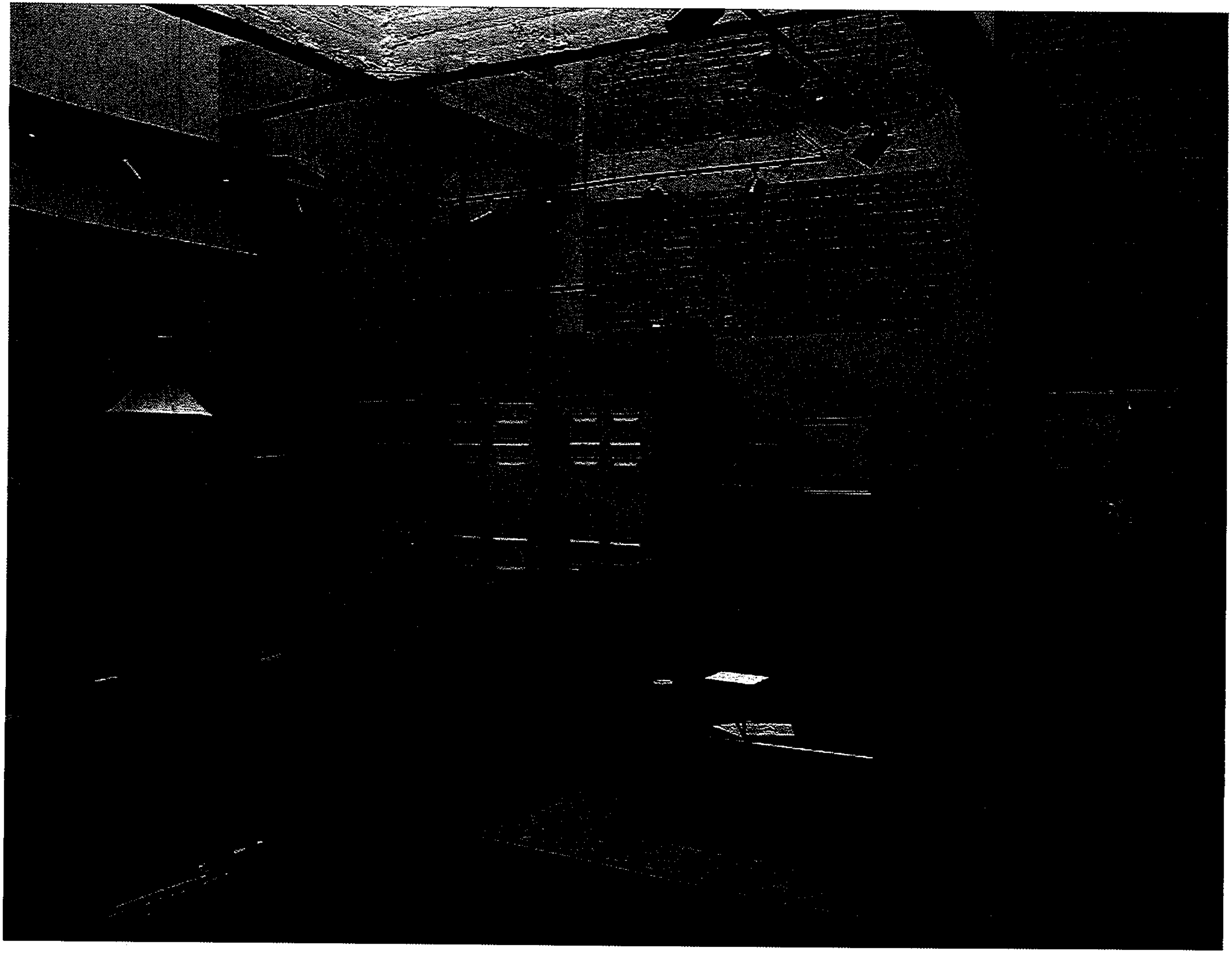
3rd floor looking up to 4th floor auditorium

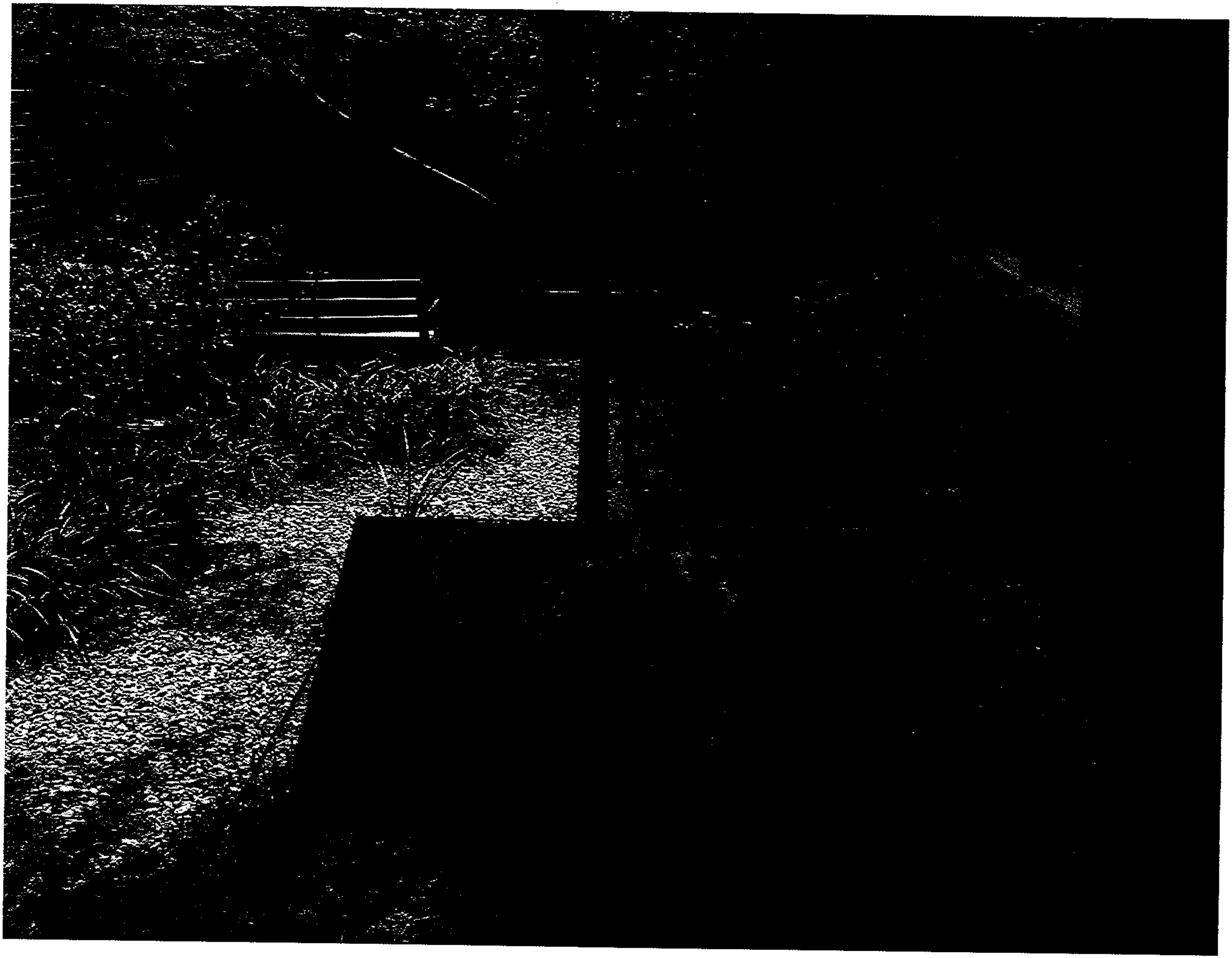

THE HOMES OF
PARKER COMMONS











FORT WORTH

RECEIVED
AUG 2 7 REC'D
LIHTC

June 19, 2007

Ms. Samantha French
Homes of Parker Commons
1015 South Jennings Avenue
Fort Worth, Texas 76104

Dear Samantha:

On behalf of the City Council and the citizens of Fort Worth, let me offer my sincere gratitude for the work Homes of Parker Commons is doing in our community. Our senior citizens had a need for quality affordable housing, and Parker Commons stepped up to the plate, epitomizing what we call the "Fort Worth Way."

The work you have done has touched so many lives. A number of residents have contacted me personally to praise their experiences with you.

We hope you can continue to provide Fort Worth with this wonderful service for years to come. Over the next decade the senior citizen population in this country is expected to increase significantly. As our population continues to age, great organizations like Homes of Parker Commons will be even more essential in helping to assist our elderly.

Again, thank you for the wonderful work you do. God bless you, and God bless Fort Worth.

Sincerely,

Mike Moncrief

Mike Moncrief,
Mayor

\cmj

MIKE MONCRIEF, MAYOR
THE CITY OF FORT WORTH * 1000 THROCKMORTON STREET * FORT WORTH, TEXAS 76102
817-392-6118 * FAX 817-392-2409

TEXAS HOUSE OF REPRESENTATIVES

CAPITOL OFFICE:
P.O. BOX 2910
AUSTIN, TEXAS 78768-2910
512-463-0740
EMAIL: LON.BURNAM@HOUSE.STATE.TX.US

1067 ~~1308~~ W. MAGNOLIA, ~~SUITE C~~
DISTRICT OFFICE:
FORT WORTH, TEXAS 76104
817-924-1997

LON BURNAM
DISTRICT 90 • FORT WORTH

June 25, 2007

Mr. Michael Gerber
Executive Director
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

Re: Homes at Parker Commons
Fort Worth, Texas

Dear Mr. Gerber:

I am writing to urge the Texas Department of Community Affairs (TDHCA) to continue its support of the *Homes at Parker Commons* apartment community including the project's affordable and market rate components.

Before the *Homes at Parker Commons* apartment community was created the historic Fort Worth High School was a vacant neighborhood eyesore in need of substantial repairs and a new purpose. The renovation of the historic buildings into the 192 unit *Homes at Parker Commons* was a catalyst in revitalizing neighborhoods surrounding the Hospital District including providing working individuals and families with a variety of rental housing options. Importantly, two-thirds of the apartments at *Homes at Parker Commons* are affordable to families earning up to approximately $38,000 per year while one-third of the units are available to those earning higher incomes.

Serving a range of housing needs is important to current and prospective residents of the near Southside of Fort Worth as well as the Hospital District's employers. Please continue the TDHCA's support of *Homes at Parker Commons* and the important role it has in meeting a range of the community's rental housing needs.

Sincerely,

Lon Burnam

Lon Burnam
State Rep. District 90

cc: Paul Paine, Director, Historic South, Inc.
Steve Dutton, Director, Samaritan House

JPS HEALTH NETWORK

Michael Gerber
Executive Director
Texas Department Housing and Consumer Affairs
221 East Eleventh Street
Austin, Texas 78701-2410

June 14, 2007

Dear Mr. Gerber

I am one of the evening nursing supervisors for John Peter Smith Hospital, the county hospital serving Fort Worth, Texas. I am in daily contact with individuals who use our services and need a variety of public assistance programs for their ability to maintain quality of life and independent living. A large percent of our clients live within walking distance or short public transportation rides from our facility. Parker Commons is a facility that serves the safe housing needs of many of our clients. It provides quality housing at an affordable rate for fixed income and medically retired individuals. It is maintained in an admirable manner so that residents have the safety of the structure and of the gated location. The simple grounds and landscaping provide a pleasing outdoor quality that is missing in so many public assistance facilities. It has incorporated two historical school buildings and their grounds as part of their complex. I attended Hogg Elementary School, now part of Parker Commons. The building had not been used by the school district in many years and had fallen into eyesore of despair. When this property was revitalized it preserved a piece of Fort Worth history and gave additional meaning and pride to new occupants. I have fellow nurses who still practice community health nursing and they all feel welcome and safe as they provide in home care to residents of Parker Commons.

As the citizens of Fort Worth work to revitalize the "Near South Side" and the Hospital District, Parker Commons serves as a bright beacon of a partnership between the businesses and cultural redevelopment and the fixed income residents who benefit by the central location of this housing development. In an era when so often we hear neighborhoods complaining about the poor quality of public housing, Parker Commons has a sterling reputation as vital link in the multi cultural area of neighborhood revitalization. I strongly commend the management of this facility for their ongoing effort to be a contributing partner to the South Side.

Sincerely,
LY
Louis E. Young, RN MSN
House Supervisor, John Peter Smith Hospital
1500 South Main Street
Fort Worth, Texas 76104
817-927-3646

James M. Durkin
1015 South Jennings Avenue, #1420
Fort Worth, TX 76104

Mr. Michael Gerber
Executive Director
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, TX 78701-2410

Dear Mr. Gerber:

Affordable Housing at The Homes of Parker Commons leads my list of what allows life to work today! I am a 9/11 Airline Employee Layoff. That tragedy ended a 25 year career and took me from a comfortable life lived on two continents, to the verge of bankruptcy, in just over two years. The recovery began when I found my home at 1015 South Jennings Avenue.

We live in a building that was a derelict eyesore for more than two decades. Old friends and new acquaintances in both Fort Worth and Dallas (who are not witnessing the revitalization of Fort Worth South), raise their eyebrows when I tell them I live at the corner of Rosedale and Jennings. It's true; most of the indigent population of Fort Worth exists within blocks of our building. But at Parker Commons, we're making a difference at building the community while affordable housing is allowing me to reinvent my life. We're less than a mile to Sundance Square. I look forward to when a walk there or to the restaurants on Magnolia Avenue will be a safe and comfortable evening's stroll.

I'm underemployed today like so many Americans who populate the jobs added to our economy in recent years. However, it's a job with solid medical coverage. With affordable housing at Parker Commons I'm finding ways to contribute personal support to community organizations where in years past it was easier to just write them checks. Our affordable housing is most important to me. I would be happy to meet with anyone considering changes to our status.

Sincerely,

Original Signed by:

James M. Durkin

cc: Samantha French, The Homes of Parker Commons

ROBERT L. (BOB) WILSON
905 S Jennings Avenue
Apartment 2114
Fort Worth, Texas 76104
Phone (817) 810-4099
Bobwbigbear@sbcglobal.net

June 12, 2007

Michael Gerber
Executive Director Texas Department Housing &
Consumer Affairs
221 East Eleventh Street
Austin, Texas 78701-2410

Dear Mr. Gerber,

I feel that The Homes of Parker Commons being located in the medical district is great for my needs of public transportation, access to my primary doctor, and easy access to the downtown area.

The fact of affordable rent was one drawing card for me when I looked to moving to The Homes of parker

Commons in September 2003. The fact that they accept section eight from the Fort Worth Housing Authority made it possible for me to move here.

Other drawing cards were the fact that each unit has full size washer and dryer connections. Also of unknown knowledge was the fully handicap accessible apartment unit they showed me at the time of coming to move in the complex.

I have recommended The Homes of Parker Commons to several individuals, because I believe in the complex and staff as well as location.

Sincerely,

Robert L. Wilson

Robert L. (Bob) Wilson

June 14, 2007

Michael Gerber
Executive Director Texas Department Housing & Consumer Affairs
221 E 11th St.
Austin, TX 78701-2410

Dear Mr. Gerber,

I feel that The Homes of Parker Commons being located in the medical district is great for my needs of public transportation, my primary doctor, my wheel chair repair shop, and the access to the downtown area. It is also easily accessible to being to the Family Dollar, and to Easter Seals. Living on S. Jennings is very convenient for me. Most importantly the fact of affordable rent was one drawing card for me when I looked to moving to The Homes of Parker Commons in October 2003, I am also in the process of trying to get onto section 8 housing, without this program I would be living on the streets, another reason I chose this as my home is I am in a fully handicap access unit. I have recommended The Homes of Parker Commons to several individuals, I believe in the complex and the staff as well as the location.

Sincerely,

Cedric A. Gregory
Cedric A Gregory

RECEIVED
JUN 18 2007
DEPUTY ED.

June 14, 2007
Apt 1201

Dear Mr Gerber:

My Daughter and I have lived at Parker Commons for 5½ years; Since the Complex offers access to the city, medical community and public transportation this has been an ideal location for us. My daughter is disabled and on a small income and I am on social security (also a small income) the rent adjustment is Necessary. also, the Complex offers security and Cleanliness - Comfort and a helpful and Caring Staff

Eunice + Shannon
Smid

Virginia Lee # Apt. 2112
905 S. Jennings Ave
Fort Worth, TX 76104

Dear Mr Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

I am glad for the tax credit for our apartment Homes Residents. Please continue explaining the benefits the program provides. Even for future use in affordable Rents for Homes of Parker Commons, thank you Mr Michael Gerber.

Sincerely,
Virginia L Lee

June 15, 2007

Dear Mr. Michael Gerber,

I am writing to say that the income program at the Homes of Parker Commons is very beneficial to the residents. Those of us who make low incomes but still would like the comfort of living in a nice, well kept, well managed place have found just that in this apartment complex.

I love living here at the affordable price and the location. I am able to live very close to work, my healthcare providers, and access all of the amenities of downtown Fort Worth. I would not be able to do so if this complex did not offer the income program.

Thank you for your time. Please keep providing this to all of us who need it!

Sincerely,

Jennifer Coffee

My name is Teresa Gabel and I have lived at The Homes of Parker Commons for one year. And I have really been happy living here I was married in February and my Husband John likes it here too. I am so grateful that this property participates in the low income housing program without it so many low income and disabled people would not be able to afford good quality housing. here at the Homes of Parker Commons we have a very dedicated hard working staff who keep things on track from the helpful courteous office staff to the maintenance team that keep up and maintain the property in a very swift and professional level. I look forward to another wonderful year as a resident of The Homes of Parker Commons.

Dear Michael Gerber,

My name is Randy Kruse. I have been a resident of the Homes of Parker Commons for nearly 3 years. I attended the open house at the property in 2001 and fell in love because of the historical style and was surprised to find it was extremely inexpensive for such a neat place. I was finally financially able to move in 2003 and got an apartment at the Homes of Parker Commons. It is so convenient for me to live here because the bus stop is only a short walk down the street and they are pet-friendly which allows me to have my dog Lucky. Also, because of the closeness to the medical district I can even walk to my doctor's appointments allowing me to eliminate the expense of the vehicle. I am so happy to be a resident of the Homes of Parker Commons, I know I could not live here if the tax credit program was not available and I do not intend to move for a very long time. The community is also very friendly, I have made friends with lots of my neighbors and some even dog sit for me. This also allows me to feel safe in the community. Another great perk of living here is the great maintenance staff. It is so hard to find an affordable place with great office staff and maintenance, but the Homes of Parker Commons provides both. I never have a request that takes more than a few days to complete and the maintenance men are always so friendly and happy to help me with whatever I need. Sometimes the maintenance staff even walks my dog. I am so thankful to have found such a great community that offers so much. I can't imagine living anywhere else!

Sincerely,

Gerald R. Kruse

Gerald Randy Kruse
Happy Resident
June 13, 2007

JAMES FUQUA
905 S Jennings Avenue
Apartment 2109
Fort Worth, Texas 76104
Phone (817) 882-9320

June 14, 2007

Michael Gerber
Executive Director Texas Department Housing &
Consumer Affairs
221 East Eleventh Street
Austin, Texas 78701-2410

Dear Mr. Gerber,

I feel that The Homes of Parker Commons being located in the medical district is great for my needs of public transportation, access to John Peter Smith Hospital, to Mental Health Mental Retardation on Pennsylvania Avenue and access to the downtown area.

The fact of affordable rent was one drawing card for me when I looked to moving to The Homes of Parker Commons in April 2003. The fact that they accept the Shelter Plus Care made it possible for me to move here. Other drawing cards were the fact that each unit has full size washer and dryer connections and Dishwasher.

I have recommended The Homes of Parker Commons to several individuals, because I believe in the complex and staff as well as location.

Sincerely,

James Fuqua

James Fuqua

Ricky Putteet
905 S Jennings Avenue # 2413
Fort Worth, Texas 76104
Phone: (817) 348-8528

June 19, 2007

Michael Gerber
Executive Director Texas Department Housing and Consumer Affairs
221 East Eleventh St.
Austin, Texas 78701-2410

Dear Mr. Gerber,

I have been a resident of the Homes of Parker Commons for two years now and think that the tax credit benefits my neighbors and me tremendously. The location is great, being close to the doctor's office, health department and the Dollar Store is within walking distance. Also, Parker Commons lies about a mile away from downtown. The fact that the rent is so low allows me to live in such a place. The homes Parker Commons offers are beautiful featuring full size washer/ dryer connections and many other great amenities. I simply could not think of a better place to live.

Sincerely,

Ricky Putteet

June 21

Mr. Michael Gerber

Living at Parker Commons has been an empowering experience for me. The tax credit program with its inexpensive rent allows me to live in the hospital district close to my work while residing in a clean, well maintained apartment where I feel safe and secure. I have nothing but compliments to our staff both in the office and maintenance. The few problems which has come up in my two year stay here were handled efficiently and with great courtesy.

Park Commons is exactly what I need at this point in my life. I will not be moving any time soon. I thank everyone for offering the tax credit program which allows me to be safe, secure and in a lovely apartment.

Thanks,
Mary Johnson
Apt 228

FORT WORTH SOUTH, INC.

Paul F. Paine
President

June 21, 2007

Mr. Michael Gerber
Executive Director
Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

Dallas, TX 75240

Re: Homes at Parker Commons
Fort Worth, Texas

Dear Mr. Gerber:

I am writing to urge the Texas Department of Community Affairs to continue to support the *Homes at Parker Commons* apartment community and to share with you the important role it is playing in the continuing revitalization of the neighborhoods in the near Southside of Fort Worth.

When Fort Worth South, Inc. was created as a non-profit development organization in 1996 one of the top priorities was reducing crime in the Medical District located south of downtown Fort Worth. Before the *Homes at Parker Commons* apartment community was created the old Fort Worth High School was a dilapidated structure that contributed towards crime problems in the area. The renovation of the historic buildings into the 192 unit *Homes at Parker Commons* served as a catalyst in our efforts that have resulted in a 75% reduction in crime in the area.

Homes at Parker Commons continues to play an important role in economic development with its 126 apartments affordable to working individuals and families. If not for these affordable rental units those individuals who work for Medical District employers would have fewer options to live and work in the same community. Including affordable housing rental options in current and prospective residents' range of housing choices is a critical component of the economic transformation of the area.

Feel free to visit our website at www.fortworthsouth.org and see the *Homes at Parker Commons* in our "Great Buildings" section. Please call me at (817) 923-1649 if you have any questions.

Sincerely,

Paul F. Paine

Paul F. Paine
President

Fort Worth Southside Development District, Inc., 1606 Mistletoe Boulevard, Fort Worth, Texas 76104
Phone (817) 923-1649, Fax 923-1658, paul@fortworthsouth.org

Judy Carey
905 S. Jennings #2407
Fort Worth, TX. 76104

Mr. Michael Gerber
Executive Director
Texas Dept. of Housing & Com. Affairs
221 East 11th Street
Austin, TX 78701-2410

RECEIVED
JUL 20 2007
DEPUTY ED.

To Whom It May Concern;

I just wanted you to know I really love living at the Homes of Parker Commons in Fort Worth, Texas. Its a lot of fun. I enjoy swimming; I have my own washer and dryer in my apartment and I have a huge closet to put my stuff in. I also really like the lights in the apartment. The air keeps my apartment cool; and my utility bills are affordable. I also like that its very quiet.

I am so thankful for the housing program because I couldn't live here without financial assistance. I have a severe heart condition and live on the fourth floor. I love being up high to see out; and need the elevators to get to my apartment.

The apartments are close to everything! I attend the Paradise Center; go to the Public Library; and to Walmart. The bus stops are real close; and I'm only a few blocks from my doctors and JPS hospital. Its very close for my family to come visit and me to visit them.

Thank You;
Judy Carey

CEDRIC A GREGORY
905 S Jennings Avenue
Apartment 2113
Fort Worth, Texas 76104
Phone (817) 348-0231

RECEIVED
JUN 18 2007
DEPUTY ED.

June 14, 2007

Michael Gerber
Executive Director Texas Department Housing &
Consumer Affairs
221 East Eleventh Street
Austin, Texas 78701-2410

Dear Mr. Gerber,

I feel that The Homes of Parker Commons being located in the medical district is great for my needs of public transportation, access to Easter Seals, primary doctor, Wheel Chair Repair Shop and access to the downtown area. The fact that I use a wheel chair and Family Dollar being across South Jennings is very convenient for me.

The fact of affordable rent was one drawing card for me when I looked to moving to The Homes of Parker Commons in October 2003. The fact that I am trying to get on section eight housing. Without this I will be on the street.

Other drawing cards were the fact that each unit has full size washer and dryer connections and Dishwasher. I am in a fully handicap access able unit.

I have recommended The Homes of Parker Commons to several individuals, because I believe in the complex and staff as well as location.

Sincerely,

Cedric A. Gregory

Cedric A. Gregory

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
September 13, 2007

Action Items

A request for extension of the deadline to submit documentation of commencement of substantial construction is summarized below.

Required Action

Approve or deny the request for extension related to a 2005 Housing Tax Credit commitment.

Background

Pertinent facts about the request for extension are given below. The request was accompanied by a mandatory $2,500 extension request fee.

HTC No. 05207, Cityview at the Park (formerly Parker Lane Seniors)

Summary of Request: Owner requests an extension of the deadline to submit the commencement of substantial construction package. The owner's request was submitted on August 15, 2007 and included all documentation necessary to comply with the requirement and an explanation that the late submission resulted from an administrative error. The owner submitted photographs dated July 24, 2007 that appeared to show that the framing stage was at least ninety percent complete. The developer stated that receipt of a certificate of occupancy for the first floor is expected in mid to late October.

This request is brought to the Board because the owner requested the extension after, rather than before, the expiration of the previous deadline, a violation of §49.20(l) of the 2007 QAP and because §49.20(l) stipulates that the Board must approve any request that exceeds the original deadline by more than six months. The original deadline was December 1, 2006.

Owner:	Parker Lane Seniors Apartments, L.P.
General Partner:	SHFC Parker 70 General Partner, L.L.C.
Developer:	Parker Lane Developers, LLC
Principals/Interested Parties:	Strategic Housing Finance Corporation of Travis County
Syndicator:	Boston Capital Finance
Construction Lender:	Boston Capital Finance
Permanent Lender:	Boston Capital Finance
Other Funding:	NA
City/County:	Austin/Travis
Set-Aside:	General
Type of Area:	Urban
Type of Development:	New Construction
Population Served:	Elderly Population
Units:	68 HTC units and 2 market rate units
2005 Allocation:	$669,940 (original allocation)
Allocation per HTC Unit:	$9,852
Extension Request Fee Paid:	$2,500
Note on Time of Request:	Request was submitted late.
Type of Extension Request:	Commencement of Substantial Construction
Current Deadline:	December 1, 2006

New Deadline Requested:	August 15, 2007 (date required documentation was submitted)
New Deadline Recommended:	**August 15, 2007**
Previous Extensions:	None
Staff Recommendation:	**Approve the extension as requested.**

PARKER LANE SENIORS APARTMENTS, L.P.
2200 E. Martin Luther King, Jr., Blvd.
Austin, Texas 78702
Ph: (512) 480-8245
Fax: (512) 480-8248

Received
AUG 15 2007

July 12, 2007

Ben Sheppard, Multifamily Finance Production
Ms. Wendy Quackenbush, Portfolio Management and Compliance
Texas Department of Housing and Community Affairs
P.O. Box 13941, Austin, Texas 78711-3941
Austin, TX 78701
Phone: 512.305.8860

RE: TDHCA #05207, Parker Lane Seniors Apartments
Extension of Substantial Completion
Extension fee $2,500

Mr. Sheppard, Ms. Quackenbush:

Parker Lane Seniors Apartments, L.P. respectfully requests an extension of the filing deadline for the Commencement of Substantial Completion to August 31, 2007. Enclosed please find the $2,500 extension fee.

This extension is being requested due to an oversight of the initial deadline, of December 1, 2006. We had two significant events in 2006 that delayed the development's construction start which required, and received, TDHCA approval. First, the substitution of the original general partner in July, 2006, and, second an application for amendment to the original application which was heard by the Board on December 14, 2006. The partnership and construction loan were closed immediately following Board approval of the amendment. Actually, the construction contractor's first draw was funded on November 27, 2006, to allow site preparation to start. Quite honestly, the extension for substantial completion, due on December 1, 2006, was simply overlooked in the wake of these events.

According to the most recent draw, dated June 25, 2007, the development is 41% complete. We anticipate that the development will receive CO's and be Placed in Service on, or about, November 20, 2007. While this completion date is dangerously close to the Section 42 deadline of December 31, 2007, we are taking every measure financially feasible to achieve it. As we all know, Texas in general, and Austin specifically, has experienced record breaking rainfall thus far in 2007. Since construction start on November 27, 2007, we have lost a total of 49 construction work days due to weather. Subs have been working 6 days per week since January, which has helped to offset the significant impact on the construction schedule.

Should you have any questions, please do not hesitate to contact me at (512)480-8245, or Sally Gaskin at (713)882-3233.

Thank you,
Parker Lane Seniors Apartments, L.P.
By: SHFC Parker 70 General Partner, LLC, General Partner

By: ______________________
Keith Hoffpauir, Vice President

REPORT ITEMS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Michael Gerber

From: Gordon Anderson

cc: Brooke Boston, Michael Lyttle

Date: September 5, 2007

Re: TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for August 2007. The information provided focuses primarily on activities Executive and staff has taken on voluntarily, as opposed to those mandated by the Legislature (i.e., tax credit hearings, TEFRA hearings, etc.). This list may not account for every activity undertaken by staff, as there may be a limited number of events not brought to my attention.

For brevity sake, the chart provides the name of the event, its location, the date of the event, division(s) participating in the event, and an explanation of what role staff played in the event. Should you wish to obtain additional details regarding these events, I will be happy to provide you with this information.

221 EAST 11TH ▪ P.O. BOX 13941 ▪ AUSTIN, TEXAS 78711-3941 ▪ (800) 525-0657 ▪ (512) 475-3800

TDHCA Outreach Activities, August 2007

A compilation of activities designed to increase the awareness of TDHCA programs and services or increase the visibility of the Department among key stakeholder groups and the general public

Event	Location	Date	Division	Purpose
2007 Community Affairs Training Conference	San Antonio	August 1-3	Executive, Community Affairs, Policy & Public Affairs	Training, Presentation, Participant
Texas Affiliation of Affordable Housing Providers Conference	Austin	August 1	Multifamily, Portfolio Management & Compliance, Real Estate Analysis	Presentation, Participant
Mental Health Transition Work Group	Austin	August 1	Policy & Public Affairs	Participant
Single Family Mortgage Revenue Bonds Hearing	Austin	August 2	Bond Finance	Public Hearing
QAP/RAF Roundtable	Austin	August 2	Multifamily, Real Estate Analysis, Policy & Public Affairs	Public Hearing
Mental Health Transition Work Group	Austin	August 3	Policy & Public Affairs	Participant
Rural Rental Housing Association conference	Temple	August 7	Real Estate Analysis	Participant
Underwriting Presentation to HUD Officials	San Antonio	August 7	Real Estate Analysis	Presentation
CitiGroup/Loan Star Mortgage Program	Dallas	August 7	Homeownership	Training
Bond Review Board Planning Meeting	Austin	August 8	Policy & Pubic Affairs	Monitoring
TSAHC Board Meeting	Austin	August 9	Policy & Pubic Affairs	Monitoring
2007 Salvadoran Festival	Houston	August 11	Homeownership, Policy & Public Affairs	Exhibitor
Manufactured Housing Advisory Committee on Installations	Austin	August 16	Manufactured Housing	Public Meeting
Tax Credit Financial Basics Workshop	Houston	August 20	Multifamily, Real Estate Analysis	Training
Meeting with staff of SETRPC, regional FBOs	Beaumont	August 21	Disaster Recovery	Participant
Promoting Independence Advisory Committee	Austin	August 24	Policy & Public Affairs	Participant
TSHEP/ Combating Predatory Lending	Dallas	August 27-30	Homeownership	Training
Meeting with HUD OIG, SETRPC on Hurricane Recovery Efforts	Beaumont	August 28	Disaster Recovery	Participant
Aging Texas Well Meeting	Austin	August 29	Policy & Public Affairs	Participant

PORTFOLIO MANAGEMENT AND COMPLIANCE DIVISION

EXECUTIVE DIRECTOR'S REPORT ITEM
September 13, 2007

Background

The TDHCA Board requested a monthly status report to provide an updated status on HOME amendments previously approved by the Board.

Summary of HOME Amendment Process

HOME Administrators may request amendments to existing contracts; however, in order for a request to be considered, the Administrator must:

- submit justification, extenuating circumstances, or compelling reasons for the request; and
- submit a request that would still have resulted in an award of HOME funds if the original application had been submitted according to the requested changes; and
- be in compliance with monitoring and auditing requirements for all Department programs.

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

Summary of Previously Approved HOME Amendments

The following Administrators do not have acceptable progress in the administration of their amended HOME contract:

Contract #	Administrator Name	Reason Progress Not Acceptable	Staff Comments
1000607	Angelina County	The contract end date is 10/31/07. Funds are in the process of being committed. The Administrator believes that all five (5) activities should be completed by the contract end date.	The Administrator has requested a three (3) month extension to the contract end date. The request is being reviewed.
1000604	San Augustine County	The contract end date is 10/31/07. Funds have not been committed nor activities set-up.	Staff has contacted the consultant for the Administrator and proposing deobligation of contract funds. The request for changes in AMFI was denied by the Board and the Administrator is still unable to locate eligible households.
1000605	Trinity County	The contract end date is 10/31/07. Funds have not been committed nor activities set-up.	Staff has contacted the consultant for the Administrator and proposing deobligation of contract funds. The request for changes in AMFI was denied by the Board and the Administrator is still unable to locate eligible households.

Update on HOME Amendments

September 13, 2007

Board Approval Date	Administrator	Contract Number	Activity Type	Amendment Type	Date Report Received	Progress Acceptable	Req # of Units	Units in Process	Units @100% (To Date)	Start Date	End Date	Project Budget Amt.	Project Committed Amount	Project Expended Amount	% Time Expired	% Committed	% Drawn Amt.	PMC Update
5/4/2006	Affordable Caring Housing	1000341	TBRA	Match Elimination	8/16/07	Y	35	48	27	10/1/04	9/30/07	$233,311	$228,333	$212,047	93%	98%	91%	Administrator is reporting eleven (11) households atleast 90% complete and four (4) households atleast 87% complete.
5/4/2006	Affordable Caring Housing	1000342	TBRA	Match Elimination	8/16/07	Y	20	34	26	10/1/04	9/30/07	$174,048	$140,352	$137,416	93%	81%	79%	Additional information not provided by administrator. But progress continues to be made on the contract.
7/12/2006	Midland Habitat for Humanity	1000541	HBA	AMFI Modification	8/10/2007	Y	4	4	0	10/3/05	9/28/07	$40,000	$40,000	$30,000	89%	100%	75%	Four (4) activities have been set up with three (3) being reported at 100% complete and one (1) at 59% complete.
10/12/2006	City of Mesquite	1000327	OCC	Extension	8/22/2007	Y	3	3	3	10/1/04	9/30/07	$198,000	$148,972	$148,972	93%	75%	75%	all activities are 100% complete. Uncommitted funds will be deobligated at the contract end date.
10/12/2006	Val Verde County	1000156	OCC	Extension	8/18/07	Y	6	3	3	9/1/03	12/31/07	$300,000	$300,000	$158,245	89%	100%	53%	Administrator is moving forward with draw requests on activities.
11/9/2006	Alpha Concepts	1000301	HBA	Extension	8/16/2007	Y	29	0	0	10/1/04	4/30/08	$350,000	$0	$0	78%	0%	0%	Administrator is continuing effots to obtain interested applicants to determine eligibility.
11/9/2006	City of Lewisville	1000253	OCC	Reduction in units (8 to 6) & Extension	8/10/2007	Y	6	6	0	10/1/04	9/30/07	$321,884	$321,884	$186,084	93%	100%	58%	Administrator is reporting five (5) households at 100% complete. One (1) activity is at 5% complete with demolition completed. And has encountered problems with the foundation and plans of the proposed home.
11/9/2006	City of Pearsall	1000299	OCC	Extension	8/16/2007	Y	10	10	0	10/1/04	4/30/08	$500,000	$0	$0	78%	0%	0%	Eligible households have been identified and inspections completed.
11/9/2006	City of Presidio	1000302	OCC	Extension	8/9/2007	Y	9	0	0	10/1/04	4/30/08	$448,848	$0	$0	78%	0%	0%	Households selected and are pending environmental clearance. Request was submitted 5/28/07 however, Administrator has failed to submit adequate support documentation.
11/9/2006	Frio County	1000308	OCC	Extension	8/14/2007	Y	10	4	0	10/1/04	4/30/08	$500,000	$175,835	$0	78%	35%	0%	Construction on six (6) units was reported as five (5) at 10% complete and two (2) at 5% complete. Titles and loan documents are in various stages.
11/9/2006	Town of Anthony	1000298	OCC	Extension	8/9/2007	Y	4	0	0	10/1/04	4/30/08	$180,333	$0	$0	78%	0%	0%	Administrator has reported that they are pending environmental clearance to commence with title company.
11/9/2006	Zapata County	1000297	OCC	Extension	8/15/2007	Y	10	0	0	10/1/04	4/30/08	$500,000	$0	$0	78%	0%	0%	Applicants eligibility review is pending consultant assitance.
12/14/2006	Accessible Community, Inc.	1000360	TBRA	Extension	8/14/2007	Y	65	110	37	2/1/05	10/31/08	$709,642	$632,983	485,751	65%	89%	68%	Assistance will continue to be provided to households until all funds are expended and contract end date met.

Board Approval Date	Administrator	Contract Number	Activity Type	Amendment Type	Date Report Received	Progress Acceptable	Req # of Units	Units in Process	Units @100% (To Date)	Start Date	End Date	Project Budget Amt.	Project Committed Amount	Project Expended Amount	% Time Expired	% Committed	% Drawn Amt.	PMC Update
12/14/2006	Angelina County	1000607	OCC-Rita	Extension	8/30/2007	N	5	6	0	4/17/06	10/31/07	$300,000	$0	$0	80%	0%	0%	The Administrator is in the process of ordering three (3) manufactured homes which should be installed by the contract end date. In addition, three (3) additional households are moving out of their homes to begin reconstruction. Administrator has submitted a request for extension to complete the three (3) homes..
12/14/2006	San Augustine County	1000604	OCC-Rita	Extension	8/13/2007	N	3	0	0	4/17/06	10/31/07	$166,667	$0	$0	80%	0%	0%	Administrator is not reporting significant progress. To date no activities have been set-up or funds commmitted. Administrator is considering having funds deobligated due to Board denial of AMFI changes.
12/14/2006	Trinity County	1000605	OCC-Rita	Extension	8/14/2007	N	3	0	0	4/17/06	10/31/07	$166,667	$0	$0	80%	0%	0%	Administrator is not reporting significant progress. To date no activities have been set-up or funds commmitted. Administrator is considering having funds deobligated due to Board denial of AMFI changes.
11/9/2006	City of Balmorhea	1000300	OCC	Extension	8/17/2007	Y	10	0	0	10/1/04	4/30/08	$500,000	$0	$0	78%	0%	0%	Households selected and are pending environmental clearance. Request was submitted 5/27/07 however, administrator has failed to provide adequate support documentation.
11/9/2006	Town of Combes	1000303	OCC	Extension	7/18/2007	Y	5	0	0	10/1/04	4/30/08	$220,156	$0	$0	78%	0%	0%	Five (5) activities are reported as 50% complete with contracts pending.
3/20/2007	Jefferson County	1000596	OCC	Extension	8/13/2007	Y	36	31	0	4/17/2006	1/31/2008	$2,160,000	$1,920,000	$0	69%	89%	0%	Administrator reported that only two (2) households not yet selected.
4/12/2007	City of Bay City	1000529	HBA/ADDI	Extension/ 16 Additional HH with additional funds	8/10/2007	Y	41	27	23	10/3/2005	6/30/2008	$410,000	$270,000	$230,000	65%	66%	56%	Administrator has twenty-three (23) activities completed and four (4) more in process.
3/20/2007	ARCIL, Inc.	1000223	TBRA	Extension	8/16/2007	Y	20	22	5	8/1/2004	10/31/2008	$213,194	$182,482	$140,337	69%	86%	66%	Administrator reports activities are between 42-88% complete.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD REPORT ITEM

September 13, 2007

Executive Report Item

The Board requested staff to research the participation in the Historically Underutilized Businesses (HUB).

Sixty-three applicants selected to receive points for HUB participation in 2006 and forty-nine applicants selected the points for 2007.

Staff has sent letters to the sixty-three 2006 applicants requesting information for the participation of HUBs in their development. It should be noted that the Department does not have requirements in place for this information. Staff did add language to the 2008 Qualified Allocation Plan and Rules to require applicants to submit a plan for their utilization of HUBs in the future and require them to report on the success of that plan at the time of cost certification.

Staff will report back to the Board of the findings.

Dev. No.	Date Approved	Development	City	County	Region	**Entity Departing** (GP=general partner, O=owner, SLP=special limited partner, D=developer)	New Member or Owner	**Type of Ownership Change** (S=sale. FS=sale involving foreclosure. R=restructure. D=default/removal of GP. NC=name change. L=change of limited partner). O=other change
02040	4/2/07	Residences on Stillhouse Road	Paris	Lamar	4	Texas Housing Associates, Inc. (GP)	Stillhouse Property, LLC (GP); MGroup Holdings, Inc. (SLP)	R - Texas Housing Associates renamed Mgroup Holdings, Inc. became SLP and was replaced as GP by affiliate of syndicator.
02474	4/5/07	Providence Place	Denton	Collin	3	Leon J. Backes (O of Co-GP)	LJB Financial, L.P. (Majority O of GP)	**R -** New majority owner of GP is controlled by original majority owner.
02475	4/5/07	Hickory Creek	Dallas	Dallas	3	Leon J. Backes (O of Co-GP)	LJB Financial, L.P. (Majority O of GP)	**R -** New majority owner of GP is controlled by original majority owner.
04479	4/5/07	Providence at Village Fair	Dallas	Dallas	3	Leon J. Backes (O of Co-GP)	LJB Financial, L.P. (Majority O of GP)	**R -** New majority owner of GP is controlled by original majority owner.
04483	4/5/07	Providence at Prairie Oaks	Arlington	Tarrant	3	Leon J. Backes (O of Co-GP)	LJB Financial, L.P. (Majority O of GP)	**R -** New majority owner of GP is controlled by original majority owner.
05613	4/5/07	Providence at Mockingbird	Dallas	Dallas		Leon J. Backes (O of Co-GP)	LJB Financial, L.P. (majority O of GP); Matt Harris (minority O of GP)	**R -** New majority owner of GP is controlled by original owner of GP. Minority owner of GP is new member of ownership structure.
05615	4/5/07	Providence at Marine Creek	Fort Worth	Tarrant	3	Leon J. Backes (O of Co-GP)	LJB Financial, L.P. (majority O of GP); Matt Harris (minority O of GP)	**R -** New majority owner of GP is controlled by original owner of GP. Minority owner of GP is new member of ownership structure.
05616	4/5/07	Providence Place II	Denton	Collin	3	Leon J. Backes (O of Co-GP)	LJB Financial, L.P. (majority O of GP); Matt Harris (minority O of GP)	**R -** New majority owner of GP is controlled by original owner of GP. Minority owner of GP is new member of ownership structure.
02005	4/13/07	Brenham Oaks Apartments	Brenham	Washington	8	Brenham Oaks Development, LLC	KF Brenham Oaks GP, LLC	**R -** New majority owner of GP is controlled by original majority owner.
99044	4/13/07	The Springs Apartments	Dripping Springs	Hays	7	Dripping Springs Developers, LLC	KF Dripping Springs GP, LLC	**R -** New majority owner of GP is controlled by original majority owner.
00011	4/13/07	Heritage Oaks Apartments	Kerrville	Kerr	9	Kerrville Heritage Oaks Developers, LLC	KF Heritage Oaks GP, LLC	**R -** New majority owner of GP is controlled by original majority owner.
03466	4/13/07	Wellington Park Apartment	Houston	Harris	6	Wellington Park Development, LLC	KF Wellington GP, LLC	**R -** New majority owner of GP is controlled by original majority owner.
97143	4/13/07	Bent Tree Apartments	San Angelo	Tom Green	12	San Angelo Bent Tree Developers, LLC	KF Bent Tree GP, LLC	**R -** New majority owner of GP is controlled by original majority owner.
04193	5/1/07	Providence at Edinburg	Edinburg	Hidalgo	11	Chicory GP-XXX, LLC (GP)	Edinburg Towers GP, LLC	**R -** New owner of GP is instrumentality of original owner of GP.
03005	5/2/07	Grove Place Apartments	Austin	Travis	7	Travis County Domestic Violence and Sexual Assault Survivor Center (GP)	Grove Place Partners GP, Inc.	**R -** New majority owner of GP is controlled by original majority owner.
01078	5/3/07	Rancho de Luna	Robstown	Nueces	10	Ross Housing Investments, LP (Managing Co-GP);	MGroup Holdings, Inc. (Managing Co-GP)	**D -** MMA removed original GP.

Dev. No.	Date Approved	Development	City	County	Region	**Entity Departing** (GP=general partner, O=owner, SLP=special limited partner, D=developer)	New Member or Owner	**Type of Ownership Change** (S=sale. FS=sale involving foreclosure. R=restructure. D=default/removal of GP. NC=name change. L=change of limited partner). O=other change
93038	5/4/07	Cooper Crossing	Arlington	Tarrant	3	MAEDC - Cooper Crossing, LLC (O)	Cooper Redevelopment, LLC	**S -** The development was purchased by an investor.
060177	5/8/07	Casa Edcouch	Edcouch	Hidalgo	11	Rufino Contreras Affordable Housing Corporation, Inc. (GP)	Aguila Village Housing GP, LLC (GP)	**R** - Original GP was replaced. Sole member of new GP is original GP.
097043	5/11/07	Village at Fox Creek	Killeen	Bell	8	SLP Housing II, LLC (GP)	MBS GP 131, LLC (GP)	**R** - SunAmerica Housing Fund 528 replaced the GP SLP Housing II, LLC with MBS GP 132, LLC
096152	5/11/07	Timber Apartments	Austin	Travis	7	SLP Housing II, LLC (GP)	MBS GP 131, LLC (GP)	**R** - SunAmerica Housing Fund 529 replaced the GP SLP Housing II, LLC with MBS GP 131, LLC
060034	5/16/07	Cedar Drive Village	La Marque	Galveston	6	None	Cedar Drive Partners, LLC (GP)	**R -** New GP is wholly owned and controlled by the three original GPs.
098119	5/18/07	Sea Breeze Village	Port Lavaca	Calhoun	10	DSD Development, Inc. and Gemini Holdings, Inc. (GP)	EAM Associates, Inc.	**R** - The Limited Partner owner replaced the original GP with EAM Associates, Inc, an affiliate of the Limited Partner.
01078	5/18/07	Rancho de Luna	Robstown	Nueces	10	Ross Housing Investments, LP (Managing Co-GP);	MGroup Holdings, Inc. (Managing Co-GP)	**D -** MMA removed original GP.
92176	5/21/07	Garden Gate	Alvin	Brazoria	6	Community Dynamics - Alvin, Ltd. (O)	HPD Ridgeline Garden, L.P.	**S -** New investor purchased property.
060211	5/30/07	Hanratty Place	Fort Worth	Tarrant	3	Mental Health Housing Development Corporation, Inc. (GP)	MHH Hanratty LLC (GP)	**R -** New GP is wholly owned and controlled by original GP.
01410	6/4/07	Cullen Park	Houston	Harris	3	KRR Construction, Inc. (GP)	Columbia Housing SLP Corporation (GP)	**D -** Columbia Housing/PNC Bank removed original GP.
60144	6/6/07	CenterPointe Home Ownership	Weslaco	Hidalgo	11	Riverdale X, Inc.	Riverdale GP, LLC	**R -** New owner of GP is instrumentality of original owner of GP.
60024	6/12/07	Cunningham Manor Apartments	Brownsville	Cameron	11	Housing and Community Services, Inc.; Lucas and Associates, L.P.	Cunningham Manor GP, LLC	**R -** Special Limited Partners no longer are a part of the GP but remain as co-developers and guarantors.
60194	6/12/07	La Vista Apartments	McAllen	Hidalgo	11	Madhouse Development Services, Inc. (GP)	La Vista Housing Associates GP, LLC	**R -** New majority owner of GP is controlled by original majority owner.
04145	6/14/07	Village at Meadowbend Apartments II	Temple	Bell	8	Rufino Contreras Affordable Housing Corporation, Inc. (GP)	Aguila Village Housing GP, LLC (GP)	**R** - Original GP was replaced. Sole member of new GP is original GP.
01148	6/29/07	Cedar Point	Mansfield	Tarrant	3	Cedar Point GP, LLC (GP)	Columbia Housing SLP Corporation (GP)	**D -** Columbia Housing/PNC Bank removed original GP to remove KRR Construction, Inc.