MISSION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

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Number Present ________
Number Absent ________

_____________________, Presiding Officer
CALL TO ORDER, ROLL CALL

CERTIFICATION OF QUORUM

Elizabeth Anderson
Chair of Board

PUBLIC COMMENT

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

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

ACTION ITEMS

Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of May 13, 2004

Item 2 Presentation, Discussion and Possible Approval of Housing Tax Credit Items:

   a) Appeals to Board from Housing Tax Credit Applicants on Applications as follows:
      04-062 Corrigan Gardens, Corrigan, Texas

   b) Report and Discussion on Quantifiable Community Participation from Neighborhood Organizations

   c) Housing Tax Credit Applications: Board Review of Recommendations of Department Staff and Issuance of the List of Approved Applications From the Following List of All Applications Submitted for the Housing Tax Credit Program

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d) Proposed Amendments to Housing Tax Credit Projects:

03-145 Sterling Springs Villas, Midland, Texas

Item 3 Presentation, Discussion and Possible Approval of Programmatic Items: C. Kent Conine

a) Forgiveness of Housing Trust Fund Predevelopment Loan for City of Orange for $50,000

b) Strategic Plan for Fiscal Years 2005-2009

Item 4 Presentation, Discussion and Possible Approval of Department Rules: Edwina Carrington

Final Adoption of New Title 10, Part 1, Chapter 35 – Multifamily Housing Revenue Bond Rules for 2005

Item 5 Presentation, Discussion and Possible Approval of Multi-Family: Vidal Gonzalez

Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits With TDHCA as the Issuer:

Proposed Issuance of Multifamily Mortgage Revenue Bonds for Sphinx at Delafield, Dallas, Texas in an Amount Not to Exceed $11,500,000 and Issuance of Determination Notice (Requested Amount of $729,073 and Recommended Amount of $729,073) for Housing Tax Credits for Sphinx at Delafield, Dallas, Texas, Texas #04-419

Item 6 Presentation and Discussion of: Edwina Carrington

a) FY 2005 Draft Operating Budget

b) FY 2005 Draft Housing Finance Operating Budget

EXECUTIVE SESSION

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

Consultation with Attorney Pursuant to §551.071, Texas Government Code, on §2306.6710(b)(1)(B), Texas Government Code, and the 2004 Qualified Allocation Plan and Rules §50.9(g)(2), Concerning “Quantifiable Community Participation” from “Neighborhood Organizations” On Record with the State or County in Which the Development is to be Located and Whose Boundaries Contain the Development Site”; Appeals; 2004 Qualified Allocation Plan and Rules

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

Executive Directors Report

1. Biennial Operating Plan and Legislative Appropriations Request Process

2. Speaking Engagement on June 14, 2004 at National Association of Real Estate Brokers in Houston, Texas on Making Money With Low Income Housing Tax Credits


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

Individuals who require auxiliary aids, services or 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 Delores Groneck, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.
EXECUTIVE OFFICE

BOARD ACTION REQUEST
June 28, 2004

Action Item


Required Action

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

Background

The Board is required to keep minutes of each of their meetings. Staff recommends approval of the minutes.
CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of May 13, 2004 was called to order by the Chair of the Board Elizabeth Anderson at 9:10 a.m. It was held at the Texas Department of Housing and Community Affairs Boardroom, 507 Sabine, Austin, Texas. Roll call certified a quorum was present.

Members present:
Elizabeth Anderson – Chair
C. Kent Conine – Vice Chair
Shadrick Bogany – Member
Patrick Gordon – Member
Vidal Gonzalez – Member
Norberto Salinas – Member (joined the meeting in progress)

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

PUBLIC COMMENT

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

Ms. Anderson called for public comment and the following either gave comments at this time or preferred to wait until the agenda item was presented.

The Honorable Frank Madla, Senator, State of Texas, Austin, Texas
Senator Madla congratulated the Board on the staff of the department. He stated Ms. Carrington does an outstanding job and she has been responsive and very willing to work through all the calls she gets from members of his staff. He further stated that a small community in far west Texas, the City of Toyah, was hit very hard with rains. There were around 41 businesses and homes that were damaged by these rains and the city has submitted an application to the department for assistance under the HOME Program. This is an agenda item for this meeting and he urged the Board to give it favorable consideration.

The Honorable Corbin Van Arsdale, Representative, State of Texas, Austin, Texas
Representative Van Arsdale thanked the Board for letting him speak early in the agenda. He stated he found Ms. Carrington to be very easy to work with, very good about communicating information and very courteous. He has enjoyed working with Ms. Carrington and looks forward to working with her in the future. He stated he has received more constituent response and a broader constituent response on the proposed Pinnacle Apartments in his district in Houston than he has had on any other proposed project. He stated the developer's resident relationship has not been very good as there wasn't any contact or any sort of groundwork laid. The developer wanted everything to be in writing at the public hearing and the developer would not orally entertain any sort of dialogue with the residents. There has not been a good neighborly attitude from the developer on this project. There is a one big issue in this proposed area of Houston and that is flooding as the development is in the 100 year flood plain. The school district is Cyress-Fairbanks ISD and is one of the fastest growing school districts in the State of Texas. It is a very large school but they will have to use temporary buildings as children will be coming into the district from this proposed project.
Henry Gorham, Chairman of Board of Blue Light Village Housing, Corpus Christi, Texas

Mr. Gorham stated the Blue Light Village Housing in Corpus Christi is an apartment complex that is more than 30 years old with 152 units that are all affordable housing. Due to the age of this project, there is a need to renovate the entire property and bring it up to what is needed by the people who live there. They have held meetings with the tenants and received the desires from the tenants and there is a great need for air conditioning. He asked for approval of this project.

Ms. Anderson noted that Scott Sims from the Speakers Office was in attendance at this meeting.

Ms. Anderson closed public comment at 9:45 a.m. but those people who requested to speak at the time of the agenda items will do so at that time. She also recognized Rev. Harvey Clemons from Houston who is a former Board member.

Recognition of Former Board Chairman, Michael Jones

Ms. Anderson welcomed Mr. Jones and his wife, Pam to the meeting.

Ms. Carrington stated Mr. Jones served on the Board over 7 years and during these years there were 100 meetings held and he only missed 5. He served with 17 other board members and it was a pleasure to have a Board Chair who is supportive, smart and humorous. Mr. Jones was always accessible to her and would always return calls, etc. She stated he cares about TDHCA and served during the days when there were many problems at the Department. She presented Mr. Jones with a plaque from the Department.

Mr. Jones thanked the Board members, the Department and staff for all their hard work. He stated he enjoyed his service and he was very proud of TDHCA.

Ms. Anderson stated she and the other board members were delighted that he and Mrs. Jones were attending this meeting.

Mr. Conine stated it was a pleasure for him to recognize Mike and Pam. He stated that due to Mr. Jones’ leadership the department came from a period in its history where things were turbulent and tough, accusations flying all over the place, to one now that is a shining star as far as state agencies go. There has never been a state agency that has made such a dramatic turnover in such a short period of time and a large part of that was due to Mr. Jones and his leadership on the Board. The citizens of Texas owe a debt of gratitude to Mr. Jones and he personally wanted to thank him for what he has done.

Mr. Bogany stated Mr. Jones really made it a lot easier for him when he started serving on the board and Mr. Jones’ friendship and leadership has been outstanding. Mr. Jones always did what was right and did not give in to pressure. If one had a dictionary and looked up leadership and character, that Mr. Jones’ name would be there and he appreciated the leadership during the period that Mr. Jones was here.

Mr. Gonzalez stated he appreciated Mr. Jones taking the new Board members under his wing and the leadership he provided made everyone proud of the Board they serve on. He thanked Mr. Jones for his friendship, his help and his advice.

Mr. Salinas stated he appreciated Mr. Jones putting up with him since 2001 and he appreciated Mr. Jones being the leader in the many good things this agency has done. He thanked Mr. Jones for all he has done for Texas and for giving him the opportunity to serve with him. He appreciated all the advice from Mr. Jones and was glad that he was able to meet Mr. Jones and have the friendship that he has with him.

Ms. Anderson stated Mr. Jones listened to all sides and did what was right, and balances the interests of neighborhoods and interests of housing needs and the interests of the advocates, the legislature and the taxpayers. Mr. Jones left very large shoes that will be impossible to fill. His judgment, his steadiness, his legal acumen and his profound sense of fairness are things that served this agency very well. All of the people of the State of Texas owe this true gentleman a tremendous debt of gratitude. She appreciated him being at the Board meeting and presented him with a token of appreciation which stated: “Dear Chairman
Jones, On behalf of the governing board and all the employees of the Texas Department of Housing and Community Affairs, as well as the thousands of Texans that the department has assisted during your tenure on the governing board, we present you with this token of appreciation for, and in honor of, your service to the department and to Texas. We are grateful for your leadership and commitment to the department’s mission.

Mr. Jones thanked the Board and stated that they all have really worked on this board. They do an important thing and he thanked each of them for their great contributions to the State of Texas and for them to be willing to continue to do that. He also thanked the entire staff.

**ACTION ITEMS**

1. **Presentation, Discussion and Possible Approval of Minutes of the Board Meetings of April 8, 2004**
   - Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the Minutes of the Board Meeting of April 8, 2004.
   - Passed Unanimously

2. **Presentation and Discussion of Report from the Programs Committee:**
   - (a) **Update on Issues Raised at the Programs Committee and Board Meetings of April 8, 2004**
   - (b) **Amendments to the 2004 Consolidated – One Year Action Plan**
   - (c) **Update of Department’s Draft Performance Measures for 2006-1007**
   - (d) **Discussion for Funding Sources for Preservation**
     - Mr. Conine stated the Programs Committee met the day before and reviewed the HOME program and focused on where the state was relative to the nation in the HOME Program functions and the various percentages of each of the programs in the HOME Program. They also discussed the Consolidated Plan, performance measures and funding sources for Preservation and will review these items again at future meetings.

3. **Presentation, Discussion and Possible Approval of Programmatic Items:**
   - (a) **Use of Returned Below Market Interest Rate Program (BMIR) Funds to Fund Willow Bend Creek Sponsored by Ability Resources, Inc., in Ft. Worth, Texas in Lieu of HOME Funds**
     - Ms. Carrington stated this is a request to substitute committed HOME funds in the amount of $623,226 with Below Market Interest Rate Program funds that had not previously been transferred to the Multifamily Housing Preservation Incentive Program. This is a change of a source of funding for Ability Resources Inc. for the development of Willow Bend Creek. In addition, the Department is requesting approval to transfer $112,821 in remaining BMIR funds to the Multifamily Housing Preservation Incentive Program.
     - Motion made by C. Kent Conine and seconded by Shad Bogany to approve the use of returned Below Market Interest Rate Program Funds to fund Willow Bend Creek sponsored by Ability Resources, Inc. in lieu of HOME funds.
     - Passed Unanimously

   - (b) **Recommendations for Funding to Rural Economic Assistance League, Inc. and the Institute of Rural Development with Declined Funds from the Gonzalez Economic Development Corporation**
     - Ms. Carrington stated staff is requesting approval of 2002-2003 HOME Investment Partnership Program Awards for owner occupied assistance under the general set aside and the total award would be $520,000. The Institute of Rural Development is located in Kingsville and staff is requesting approval of an award of $250,000 with an additional $10,000 in administrative funds. The Rural Economic Assistance League is located in Alice and staff is recommending $250,000 in project funds and $10,000 for administrative funds. Each will be doing 5 units of owner-occupied. The Gonzalez Economic Development Corporation declined their award which is the source of funding for these two awards.
     - Passed Unanimously
Motion made by Shad Bogany and seconded by Norberto Salinas to approve the Rural Economic Assistance League, Inc. and the Institute of Rural Development each for $250,000 in program funds and each $10,000 in administrative funds.
Passed Unanimously

(c) Single Family Mortgage Revenue Bond Program 61 Lender List
Ms. Carrington stated staff is requesting approval of a list of lenders for Program 61 and noting that this list can have lenders added throughout the year. There was a map provided on where the branch offices will be located for each lender.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the Program 61 lender list.
Passed Unanimously

(d) HOME Program Disaster Relief Awards for:
Brooks County for $514,800 and City of Toyah for $514,800
Ms. Carrington stated these two disaster relief awards will be funded out of HOME Program deobligated funds. The City of Toyah had damage due to excessive rains and the area was declared a disaster by the Governors Office. Brooks County was also declared a disaster by the Governors Office. Staff is recommending $514,800 ($495,000 in program funds and $19,800 in administrative funds) for Brooks County and the City of Toyah.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the City of Toyah and Brooks County each for $514,800.
Passed Unanimously

(e) Recommendation for United Cerebral Palsy (UCP) HOME Program Award Utilizing Deobligated Funds in the Amount of $500,000
Ms. Carrington stated staff is requesting approval of home buyer assistance in the amount of $530,000 for Home of Your Own Coalition, Hope For You. This organization serves persons with disabilities and this is a set aside for funding in the states Consolidated Plan. These funds will come from deobligated funds under the special projects category. When the funds come in from HUD this amount will go back into other activities. This is an advance funding for this entity so they can continue with their work and will not have to discontinue any services.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the $530,000 recommendation ($500,000 project funds and $30,000 admin funds) for United Cerebral Palsy.
Passed Unanimously

Bob Cash, Office of State Representative Kevin Bailey, Austin, Texas
Mr. Cash stated that Representative Bailey wanted a statement read into the record concerning Bristol Apartments which stated:

"Dwayne Henson has one development in my district, Shoreham Apartments, which is located at 2450 Aldine, West Hill. Mr. Henson has another development located in my district, before a change in my district boundaries, called Brickmore Apartments, located at 16101 Imperial Valley, Houston. Mr. Henson has always been very sensitive to the needs of neighborhoods adjacent to his developments. My office has yet to receive one serious complaint about properties developed by Mr. Henson.

The high standards of applicant screening, the managerial style, and the architectural quality of these developments has made them assets and add value to our neighborhoods. Mr. Henson and his employees have worked hard to avoid burdening our schools and maintaining traffic flow. While Mr. Henson's site at Green's Parkway, the Bristol Apartments, is adjacent to my district, I want to take this opportunity to support that development, because I know it will be a positive contribution to the community."
Motion made by Shad Bogany and seconded by Norberto Salinas to approve the Rural Economic Assistance League, Inc. and the Institute of Rural Development each for $250,000 in program funds and each $10,000 in administrative funds.
Passed Unanimously

(c) Single Family Mortgage Revenue Bond Program 61 Lender List
Ms. Carrington stated staff is requesting approval of a list of lenders for Program 61 and noting that this list can have lenders added throughout the year. There was a map provided on where the branch offices will be located for each lender.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the Program 61 lender list.
Passed Unanimously

(d) HOME Program Disaster Relief Awards for:
Brooks County for $514,800 and City of Toyah for $514,800
Ms. Carrington stated these two disaster relief awards will be funded out of HOME Program deobligated funds. The City of Toyah had damage due to excessive rains and the area was declared a disaster by the Governors Office. Brooks County was also declared a disaster by the Governors Office. Staff is recommending $514,800 ($495,000 in program funds and $19,800 in administrative funds) for Brooks County and the City of Toyah.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the City of Toyah and Brooks County each for $514,800.
Passed Unanimously

(e) Recommendation for United Cerebral Palsy (UCP) HOME Program Award Utilizing Deobligated Funds in the Amount of $500,000
Ms. Carrington stated staff is requesting approval of home buyer assistance in the amount of $530,000 for Home of Your Own Coalition, Hope For You. This organization serves persons with disabilities and this is a set aside for funding in the states Consolidated Plan. These funds will come from deobligated funds under the special projects category. When the funds come in from HUD this amount will go back into other activities. This is an advance funding for this entity so they can continue with their work and will not have to discontinue any services.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the $530,000 recommendation ($500,000 project funds and $30,000 admin funds) for United Cerebral Palsy.
Passed Unanimously

Bob Cash, Office of State Representative Kevin Bailey, Austin, Texas
Mr. Cash stated that Representative Bailey wanted a statement read into the record concerning Bristol Apartments which stated:

"Dwayne Henson has one development in my district, Shoreham Apartments, which is located at 2450 Aldine, West Hill. Mr. Henson has another development located in my district, before a change in my district boundaries, called Brickmore Apartments, located at 16101 Imperial Valley, Houston. Mr. Henson has always been very sensitive to the needs of neighborhoods adjacent to his developments. My office has yet to receive one serious complaint about properties developed by Mr. Henson.

The high standards of applicant screening, the managerial style, and the architectural quality of these developments has made them assets and add value to our neighborhoods. Mr. Henson and his employees have worked hard to avoid burdening our schools and maintaining traffic flow. While Mr. Henson's site at Green's Parkway, the Bristol Apartments, is adjacent to my district, I want to take this opportunity to support that development, because I know it will be a positive contribution to the community."
Presentation, Discussion and Possible Approval of Department Rules:

(a) Proposed New Title 10, Part 1, Chapter 35 – Multifamily Housing Revenue Bond Rules
Ms. Carrington stated staff is requesting approval of the draft 2005 Multifamily Private Activity Bond Rules. These rules will be published to receive public comment. The changes to the rules are minimal from the rules that the Board approved last year. There are three public hearings to be held on these rules.

There was discussions held on the support and opposition to a project stated in the rules and Ms. Carrington advised that the development community has been advised that the letters from local elected officials will not be scored. They will be made part of the files but just not scored.

On page 16 of the rules under income level, staff will add “low income” level.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the proposed Multifamily Housing Revenue Bond Rules for publication in the Texas Register to receive public comments. Passed Unanimously

(b) New Title 10, Part 1, Chapter 1, §1.16-Rule Regarding Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers
Ms. Carrington stated staff is requesting adoption of the final regarding ethics and disclosure requirements for outside financial advisors and service providers. This will apply mostly to those professionals that are hired through the single family mortgage revenue bond program.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the New Title 10, Part 1, Chapter 1, §1.16 Rule-Regarding Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers. Passed Unanimously

(c) Proposed New Title 10, Part 1, Chapter 1, §1.17-Rule on Department Policy Concerning Alternative Dispute Resolution and Negotiated Rulemaking
Ms. Carrington stated SB 264 requires that the department develop and implement a policy to encourage the use of appropriate alternative dispute resolution to assist in the resolution of both internal and external disputes under the agency’s jurisdiction.

Chris Wittmayer, General Counsel, stated that the Center for Public Policy Dispute Resolution had 3 additional recommendations which are: (1) add on page 1, Sec. b definitions (b)(1) – “The Governmental Dispute Resolution Act does not grant the department authority to engage in binding arbitration”; (2) add on last page – paragraph 3 – (after facilitated by Department employee) “or a third party: and (3) add on the last page –paragraph 4 (j) “the department may participate in intergovernmental efforts to share qualified government employees to act as impartial third parties. They agree to reimburse the furnishing entity in kind or monetarily for the full or partial cost of providing the qualified impartial third party”.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the Proposed New Title 10, Part 1, Chapter 1, §1.17-Rule on Department Policy Concerning Alternative Dispute Resolution and Negotiated Rulemaking. Passed Unanimously

Presentation and Discussion of Report from Audit Committee:

(a) KPMG FY 2003 Statewide Federal Single Audit Report
(b) Status of Prior Audit Issues
(c) Section 8 Family Self Sufficiency Program
(d) Status of Central Database

Mr. Bogany stated that an Audit Committee Meeting was held on May 12 and went over various items and he asked the Internal Auditor to give a report.
David Gaines, Internal Auditor, stated the Committee reviewed the statewide federal single audit report and as a result of the audit there were 11 findings and 9 of those have been implemented by management. On prior audit issues, 5 of the 7 are being reported as fully implemented or resolved by management. There have been discussions with HUD on one of the issues and these talks are continuing to settle this finding.

Mr. Conine asked staff to maybe have this as an agenda item when HUD visits the department on May 20.

Mr. Gaines stated on the Section 8 Family Self Sufficiency Program there was a problem that had surfaced that may affect the plan. HUD approved Brazoria County as a public housing agency and the county is now eligible to deliver the Section 8 program. The department is assessing the impact of this recent development.

Mr. Conine asked for a report on this at the next meeting.

Mr. Gaines stated the committee discussed the status of the central database and went over the issues and accomplishments as the department goes forward with the central database.

Mr. Bogany stated he would like to keep the consultant on until this item is completed.

Mr. Dally advised that the department does have the money to keep the consultant working on this project. He also stated that it would be a good use of the consultant's time and he will present this item at a future meeting.

Mr. Bogany stated that the committee went through the personnel evaluation of the Internal Auditor. He stated that they believe the Internal Group is performing at a very high standard.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the evaluation for Mr. David Gaines, Internal Auditor. Passed Unanimously

(6) Presentation, Discussion and Possible Approval of Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits With TDHCA as the Issuer:

(a) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Evergreen at Plano Independence, Plano, Texas in an Amount Not to Exceed $14,750,000 and Issuance of Determination Notice (Requested Amount of $585,335 and Recommended Amount of $585,335) for Housing Tax Credits for Evergreen at Plano Independence, Plano, Texas #04-409

Ms. Carrington stated this project is located in Plano and will have 250 units with one and two bedrooms as an elderly development. Staff is recommending approval.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the issuance of Multifamily Mortgage Revenue Bonds for Evergreen at Plano Independence, Plano, Texas in an Amount Not to Exceed $14,750,000 and Issuance of Determination Notice in the recommended amount of $585,335 for Housing Tax Credits for Evergreen at Plano Independence, Plano, Texas, #04-409 and approval of Resolution No. 04-024. Passed Unanimously

(b) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Montgomery Pines, Porter, Texas in an Amount Not to Exceed $12,300,000 and Issuance of Determination Notice (Requested Amount of $622,992 and Recommended Amount of $621,509) for Housing Tax Credits for Montgomery Pines, Porter, Texas #04-411

Ms. Carrington stated this project is in Porter (Montgomery County) and will have 224 units as a family development with one, two and three bedrooms.
Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the issuance of Multifamily Mortgage Revenue Bonds for Montgomery Pines, Porter, Texas in an Amount Not to Exceed $12,300,000 and Issuance of Determination Notice in the recommended amount of $621,509 for Housing Tax Credits for Montgomery Pines, Porter, Texas, $04-411 and approval of Resolution No. 04-025.
Passed Unanimously

Gerald Russell stated he was in attendance to answer any questions the Board may have on Montgomery Pines.

(c) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Pinnacle Apartments, Houston, Texas in an Amount Not to Exceed $14,500,000 and Issuance of Determination Notice (Requested Amount of $709,370 and Recommended Amount of $707,967) for Housing Tax Credits for Pinnacle Apartments, Houston, Texas #04-415
Ms. Carrington stated this project is in Houston, Texas and will have 248 units as a family development with one, two and three bedroom units. There was much public opposition against this project at the TEFRA hearing.

Tom Gouris, Director of Real Estate Analysis, stated they had concerns on the debt service structure, flooding issues on the property and the financial structure using a fixed rate but was working with the developer to handle all their concerns.

Lewis Hill, President of Ravenswood Sellers and Park Home Association, Houston, Texas
Mr. Hill stated the community voiced many concerns at the hearing held and these were on school capacity, lack of service level jobs, and lack of adequate medical facilities, road congestion and public transportation. He stated there are four apartment complexes in this area with over 500 units. These are not full and they have a high vacancy rate. This organization was opposed to the project.

Steve Ford, Developer, Houston, Texas
Mr. Ford stated he was the developer of Pinnacle Apartments. He stated a TEFRA hearing was held and there was communication from the organizations. He stated he responded to all e-mails from groups within 24-48 hours after receiving them. He did state that his group did not give any testimony at the hearing but elected to handle all concerns in writing. There were about 170-200 people who attended the hearing and only 6 people there were in favor of the project. He stated this project will have after school facilities for children. Mr. Ford then discussed in great detail the concerns that everyone had and went over the school issue, the flooding issue and how they plan to handle the traffic congestion, etc.

Mr. Bogany stated he had seen the property and knew of the opposition at the hearing and felt the department should come up with rules and regulations for holding a TEFRA hearing. He also felt the developers could do a better job in providing information at these hearings.

Scott Landen, Katy, Texas
Mr. Landen stated he lives in one of Mr. Ford’s developments and it is close to his work and stated he enjoyed living at this development which has many amenities.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the issuance of Multifamily Mortgage Revenue Bonds for Bristol Apartments, Houston, Texas in an Amount not to Exceed $14,500,000 and Issuance of Determination Notice in the recommended amount of $707,967 for Housing Tax Credits for Bristol Apartments, Houston, Texas, #04-415 and approval of Resolution No. 04-023.
Passed Unanimously

(d) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Bristol Apartments, Houston, Texas in an Amount Not to Exceed $12,625,000 and Issuance of Determination Notice (Requested Amount of $898,771 and Recommended Amount of $898,771) for Housing Tax Credits for Bristol Apartments, Houston, Texas #04-416
Ms. Carrington stated this project is also located in Houston, Texas and will have 248 units for families.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the issuance of Multifamily Mortgage Revenue Bonds for Bristol Apartments, Houston, Texas in an amount not to exceed $12,625,000 and issuance of determination notice in the recommended amount of $898,711 for Housing Tax Credits for Bristol Apartments, Houston, Texas #04-416 and approval of Resolution No. 04-022.
Passed Unanimously

(e) Selection of Underwriters for the Multi-Family Bond Program
Ms. Carrington stated staff is recommending the addition of one senior manager and one to remain list. These are: Newman and Associates and Citigroup.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the addition of Newman and Associates and for Citigroup to remain on the list.
Passed Unanimously

(7) Presentation, Discussion and Possible Approval of Housing Tax Credit Items:
(a) Interagency Contract Between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs on the Housing Tax Credit Rural Regional Allocation
Ms. Carrington stated this is the second year for the interagency contract with the Office of Rural Community Affairs and this contract addresses how the department will cooperate and work with ORCA as it relates to the administration of the rural allocation in the housing tax credit program.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the interagency contract between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs.

Mr. Conine asked if this contract could state “the TDHCA board and/or its designees” to attend the hearing with the department and ORCA.

Amendment to the motion made by C. Kent Conine and seconded by Mayor Salinas to add “Each year the TDHCA board and/or its designees”.
Passed Unanimously

Mr. Wittmayer stated he had spoken with the General Counsel from ORCA and he felt the July 7th meeting would work for them. What he recommended was to amend the contract by striking out “each year” and just put “on July 7, 2004 the TDHCA board and the ORCA executive committee shall hold a joint workshop or publish hearing to take public comment and discuss the proposed QAP. At the workshop, the ORCA executive committee shall provide its input on the threshold of the scoring criteria applied to the applications eligible for the tax credit rural set-aside. Underwriting criteria no longer in the QAP will also be discussed at this joint workshop or publish hearing.” The department will strike out “at a separate joint workshop”.

Chairman Anderson proposed that the suggestions of Mr. Wittmayer should be added to the contract and substituting on “July 7” for each year and removing the last six words of the paragraph “or at a separate joint workshop”.

Mr. Conine stated he would like to use the words public hearing instead of workshop and this was part of his amendment.

Motion made by C. Kent Conine to include the recommendation for the date of July 7 and to use the words public hearing and to include the statements of the Board Chair.
Passed Unanimously
Motion made by C. Kent Conine and seconded by Shad Bogany to have the board chair have the authority to designate either the entire board or a subgroup of this board for that July 7 meeting. Passed Unanimously

The original motion with amendments was then voted on.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the interagency contract between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs with the changes and amendments stated. Passed Unanimously

(b) Revision to Policy on Process/Procedures for USDA Rural Rescue Developments
Ms. Carrington stated staff is requesting minor revisions to the 2004 tax credit USDA Rural Rescue Developments Policy. These changes would be listing the year the allocation would come for a forward commitment.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the changes to the policy for USDA Rural Rescue Developments. Passed Unanimously

(c) Issuance of Determination Notices on Tax Exempt Bond Transactions with Other Issuers:
04-405 Primrose at Aldine Bender, Houston, Texas
Harris County Housing Finance Corp. is the Issuer
(Requested Amount of $861,839 and Recommended Amount of $848,953
Ms. Carrington stated this project is to be in Houston, Texas and is an elderly development of 248 units. Staff is recommending approval of this project.

Jeff Spicer, Developer, Houston, Texas
Mr. Spicer was available to answer any questions the board might have on this project.

Craig Alter, Southwest Housing, Dallas, Texas
Mr. Alter presented additional support letters that the board members had not received in time for the mailing of their board package.

Mr. Gouris stated they had in supportive services of the underwriting report a broad scope of services they provided for projects. There are some senior developments that do have some day care functions occasionally as there are seniors that have children living with them and this is permissible. On the market study there were concerns on the higher than normal inclusive capture but seniors developments are allowed to go over the 25%.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the issuance of a determination notice for Primrose at Aldine Bender, Houston, Texas for $848,953. Passed Unanimously

04-413 Corinth Estates, Corinth, Texas
Denton County Housing Finance Corp. is the Issuer
(Requested Amount of $662,566 and Recommended Amount of $662,566
Ms. Carrington stated this is also an elderly transaction in Corinth and staff is recommending approval.

Robert Voelker, Developer, Dallas, Texas
Mr. Voelker stated this is a family development and not an elderly transaction.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the issuance of a determination notice for Corinth Estates, Corinth, Texas for $662,566. Passed Unanimously
(d) Proposed Amendments to Housing Tax Credit Projects:

(1) 03-236 Little York Villas, Houston, Texas
Ms. Carrington stated this amendment is for Little York Villas located in Houston, Texas and is a material change. They are reducing the size of the clubhouse and increasing the size of the two and three bedroom units. Staff is recommending approval of this project.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve the amendment for Little York Villas, Houston, Texas.
Passed Unanimously

(2) 03-415 Southwest Pines Apartments, Tyler, Texas
Ms. Carrington stated this is a bond transaction and is located in Tyler, Texas and there was a necessity for a change in the developments site plan due to a creek that ran through the property. The number of buildings has been reduced from 14 to 12 but they have increased the number of one bedroom units and the number of two bedroom units has decreased slightly. The number of units did not change. Staff is recommending approval of this amendment.

Motion made by Shad Bogany and seconded by Vidal Gonzalez to approve the amendment for Southwest Pines Apartments, Tyler, Texas.
Passed Unanimously

(e) Extension of Construction Loan Closing Deadline for Little York Villas, Houston, Texas
Ms. Carrington stated this request is for an extension of the closing date of a construction loan as the applicant has indicated they have experienced delays in obtaining building permits and finalizing their partnership agreement with the syndicator. Staff is recommending the extension from June 11 to July 12, 2004.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the extension of the construction loan closing deadline for Little York Villas, Houston, Texas from June 11, 2004 to July 12, 2004.
Passed Unanimously

(f) Meadows of Oakhaven, Pleasanton, Texas, 02-131, to Consider Award of 2004 Forward Commitment
Ms. Carrington this is a request for a reallocation of returned credits and a waiver of the 2004 qualified allocation plan and rules for that development. Staff is not recommending the reallocation and the waiver. This development was awarded an allocation of 9% credits in October of 2002. It was awarded $407,934 and was to be located in Pleasanton and came out of the rural set-aside. There have been numerous delays in each state of completion of this development and the board has granted many extensions on this particular development.

Staff is not recommending approval as required deadlines have not been met and staff believes it would set an unfavorable precedent if the board does take this action. The applicant is asking to return the credits he received in 2002 and then out of the 2004 credits he would be reallocated the same amount for this development.

Michael Gilbert, Developer, San Antonio, Texas
Mr. Gilbert stated they have been competing in the program for 9 years and have projects in Fredericksburg, Floresville, and Pasadena and all these are performing and fulfilling their responsibilities as affordable housing developments. On this project they have experienced problems with a lack of adequate funding as there was a shortfall of about $805,000. There were problems with Muni Mae and they tried to work with another lender but this did not work. They now feel that their funding has been worked out and asked for approval of this item.
Motion made by C. Kent Conine and seconded by Shad Bogany to accept the recommendation of staff and deny an award of 2004 forward commitment for Meadows of Oakhaven, Pleasanton, Texas, 02-131.
Passed Unanimously

(g) Housing Tax Credit Construction Inspection Fees Outstanding and Related Qualified Allocation Plan Requirements
Ms. Carrington stated that the collection of fees was previously handled by the program areas but now is being handled by the Financial Services area. When this was transferred to the Financial Services area, there was about $203,000 due from developers. Since then the Financial Services area has billed and collected $826,298.12 and there is $15,598.01 still to be collected.

Ms. Anderson commended the Financial Services area for their work in getting these dollars into the department.

(h) Request for Additional Housing Tax Credits for Lake West Townhomes, 0005T, in the Amount of $38,115 (Total Amount of Tax Credits for Lake West Townhomes is $570,370)
Ms. Carrington stated this is a request for additional tax credits for Lake West Townhomes in Dallas and they are requesting an additional $38,115 in tax credits. Staff is recommending approval.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the request for additional tax credits for Lake West Townhomes, 0005T in the amount of $38,115 for a total of $570,370 in tax credits.
Passed Unanimously

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

OPEN SESSION
Action in Open Session on Items Discussed in Executive Session

There was no executive session held.

REPORT ITEMS
Executive Directors Report
1. Chart Reflecting Activities for Marketing, Trade Shows, Speaking Engagements – April – August 2004
Ms. Carrington announced that the Department will participate in the Urban Affairs Committee Meeting on May 20, 2004 to be held in the State Capitol Extension, Austin, Texas and invited Board Members to attend.
Ms. Carrington stated the Urban Affairs Committee Meeting will be held on May 20, 2004 and she invited the board members to attend this meeting.

2. Letter from Attorney General's Office Addressing Scoring of Written Comments From Local Elected Officials in the Low Income Housing Tax Credit Program
Ms. Carrington stated the department had received a response from the Attorney Generals Office and the board members had received a copy of this letter.

Ms. Carrington also advised the Board that several staff members will be participating in the NCSHA Conference being held in Portland later this month.

She also stated that the department has on its internal website an electronic water cooler and it provides information about news articles, staff, etc.
The staff will review to see how to get the Board access to the internal internet.

Mr. Conine asked if there were any programs or policies or rules in existence that the board needs to look at for TEFRA hearings. He would like to make them more user friendly and function better as an opportunity to engage the community.

Ms. Carrington stated there is no federal law on policies and procedures other than requiring one to have a TEFRA hearing. The staff has made some changes over the last year on comments the board members have made.

Ms. Anderson asked that the department publicize that they are holding the hearing but to tell the public that they are interested in all kinds of comments, including comments on how to improve the hearing process.

Mr. Bogany stated the developers who have controversial projects should invite the public to some of their current projects and to volunteer these projects as voting places, etc. and this way, the projects would get exposure.

Ms. Anderson asked that staff uses creativity and to try to find a way to do outreach in the development community and get the community involved. She asked that staff try to solicit comments that really give the board insight of what people want and would be good for the department to do.

Ms. Carrington asked if the board would consider holding the public hearing on the morning of July 8th instead of being set on the July 7th date.

Motion to reconsider the date for the public hearing made by C. Kent Conine and seconded by Shad Bogany and substitute on or about July 7 or 8 for the hearing held jointly with ORCA. Passed Unanimously

ADJOURN

Motion made by Vidal Gonzalez and seconded by Shad Bogany to adjourn the meeting. Passed Unanimously

The meeting adjourned at 1:30 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary
MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 28, 2004

Action Item

Appeal termination of one 2004 Housing Tax Credit (HTC) Application.

Requested Action

Issue a determination on the appeal.

Background and Recommendations

I. Corrigan Gardens, Ltd., #04062

This Applicant was originally sent a notice on May 6, 2004, notifying the applicant that their application was being terminated for failure to submit the Environmental Site Assessment and Market Study to the Department by March 31, 2004. As stated in §50.9(f)(14)(D)(ii) of the 2004 Qualified Allocation Plan (QAP), “the entire exhibit must be submitted on or before 5:00 p.m. CST, March 31, 2004. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration.”

Upon receipt of the termination, the applicant submitted an appeal to the Executive Director on May 13, 2004, disputing the termination. The Applicant asserted that Mr. Rick Sims was placed in police custody for 72 hours which prevented him from delivering the reports to the Department in a timely manner. On May 27, 2004, the Executive Director responded to the appeal stating that while the circumstances were unfortunate, the appeal was denied because the reports were not submitted by the deadline (CST March 31, 2004) established in the QAP. The applicant submitted an appeal to the Board on May 28, 2004.

It should also be noted that this development is located in the City of Corrigan, which has more than twice the state average of units per capita supported by affordable housing tax credits or private activity bonds. An exception to this rule is possible if the Applicant submits a resolution from the City that indicates prior approval of the Development and a written statement of support from the City. The Applicant has not submitted either of these items. In fact, a letter which states “The applicant has received no such support or approval nor has a resolution from the City Council of the City of Corrigan been received by the Department. Since this requirement is statutory, the Board has no authority to waive this rule.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant: Corrigan Gardens, Ltd.
Site Location: East of Hwy 59 on FM 287
City/County: Corrigan / Polk County
Regional Allocation Category: Rural
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**Staff Recommendation:**
The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal of the termination.
May 28, 2004

Edwina P. Carrington/Executive Director
Texas Department of Housing and
Community Affairs
507 Sabine
Suite 400
P.O. Box 13941
Austin, Texas 78711-3941
(512) 475-3340
(512) 475-3800

Re: Corrigan Gardens, TDHCA#04052

Dear Ms. Carrington and the Board of the Texas Department of Housing and Community Affairs:

2nd Request for an Appeal Review

On May 13, 2004 our development requested for an appeal due to situations that arose and we had no control over.

We are asking that the board reconsider our application at this time. Please, we ask this because of the tireless effort that we put into completing our application and the scoring we received on our pre-application.

Once again, we worked hard to make this application be what we thought it should be and as well as what TDCHA requested as a processor of the application.

The Alfred Freeman CDC/Corrigan Gardens are asking for another appeal review for the application that was submitted #04052.
Thank you for your consideration in this matter
May 6, 2004

Lonnie Freeman
Corrigan Gardens Ltd.
813 Martin Luther King Blvd.
Houston, Texas 75939
Telephone: (936) 328-1620
Telex: (936) 398-0338

Re: Corrigan Gardens, TDHCA# 04062

Dear Mr. Freeman:

On March 1, 2004, you submitted an application for the above-referenced development. In that application you provided engagement letters to temporarily satisfy the requirement for an Environmental Site Assessment (ESA) and Market Study. As stated in §50.9(d)(14)(D)(ii) of the 2004 Qualified Allocation Plan (QAP), "the entire exhibit must be submitted on or before 5:00 p.m. CST, March 31, 2004. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration". Unfortunately, we did not receive the ESA or Market Study on or before that date.

Therefore, please be informed that pursuant to this section of the QAP, the Department has terminated this Application and no further action will be taken on it.

Please be aware that an Appeals Policy exists for the Housing Tax Credit Program. If you wish to appeal this application termination decision, you must file your appeal with the Department no later than May 13, 2004. The restrictions and requirements relating to the filing of an appeal can be found in §50.18(b) of the 2004 QAP.

It should also be noted that the above-referenced application is located in the City of Corrigan. Pursuant to §50.5(a)(7) of the 2004 Qualified Allocation Plan, this application is ineligible unless it, "(A) has obtained prior approval of the Development from the governing body of the appropriate municipality or county containing the Development in the form of a resolution; and (B) has included in the Application a written statement of support from that governing body referencing this..."
Mr. Freeman
May 6, 2004
Page 2 of 2

rule and authorizing an allocation of housing tax credits for the Development”. The Department has ruled that all Developments ineligible under this section have until May 31, 2004 to submit items (A) and (B). This information should be taken into consideration if the Applicant does wish to appeal. If the appeal were to be granted, the applicant would still be required to submit this documentation by the May 31, 2004 deadline.

If you have any questions, please do not hesitate to contact Jennifer Joyce at 512.475.3995. She will be available for questions regarding this termination after May 9, 2004.

Sincerely,

[Signature]

Brooke Boston
Multifamily Finance Production Division Director
May 6, 2004

Lonnie Freeman
Cortigan Gardens Ltd.
813 Martin Luther King Blvd.
Houston, Texas 77028
Telephone: (936) 328-1620
Telecopier: (936) 398-0338

Re: Corrigan Gardens, TDHCA# 04062

Dear Mr. Freeman:

On March 1, 2004, you submitted an application for the above-referenced development. In that application you provided engagement letters to temporarily satisfy the requirement for an Environmental Site Assessment (ESA) and Market Study. As stated in §50.9(f)(14)(D)(ii) of the 2004 Qualified Allocation Plan (QAP), "the entire exhibit must be submitted on or before 5:00 p.m. CST, March 31, 2004. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration". Unfortunately, we did not receive the ESA or Market Study on or before that date.

Therefore, please be informed that pursuant to this section of the QAP, the Department has terminated this Application and no further action will be taken on it.
May 27, 2004

Lonnie Freeman
Corrigan Gardens Ltd.
813 Martin Luther King Blvd.
Houston, Texas  77029
Telephone: (936) 328-1620
Telescriber: (936) 398-0338

Re:   Corrigan Gardens, TDHCA# 04062

Dear Mr. Freeman:

Appeal Review
I have carefully reviewed the application you submitted, as well as the appeal that we received from you on May 13, 2004 on the above-referenced development.

On May 6, 2004 the Department terminated your application because we determined that an Environmental Site Assessment (ESA) and Market Study were not submitted to the Department on or before 5:00 p.m. CST, March 31, 2004, as required by §50.9(f)(14)(D)(ii) of the 2004 Qualified Allocation Plan (QAP).

Appeal Determination
The Department has noted that the above mentioned reports were late because Mr. Rick Sims was placed in police custody for 72 hours. While this is unfortunate, for the reasons outlined above, please be informed that your appeal is denied and no further action will be taken on it.

Section 50.18(b)(4) of the 2004 QAP states that if you are not satisfied with this response to your appeal, you may appeal directly in writing to the Board of the Texas Department of Housing and Community Affairs. Please note that an appeal filed with the Board must be received by the Board before the seventh day preceding the date of the Board meeting at which the relevant commitment decision is expected to be made. To have an appeal considered by the Board at the June 10 Board meeting, the appeal must be received by Delores Gronock, Board Secretary, no later than June 2, although it is strongly suggested that you submit it by May 28, 2004.

If you have questions or comments, please call (512) 475-2340.

Sincerely,

Edwina P. Carrington
Executive Director

EPC/JLI/MFMU
April 26, 2004

In reply to: Affordable Housing Tax Credit Pre-Application #04062

Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
P.O. Box 13941
Austin, Texas 78711-3941

Attention: Jennifer Joyce

To Whom It May Concern:

It was my pleasure to speak on behalf of the City of Corrigan during the public hearing held in Lufkin, Texas on April 21, 2004 regarding the above referenced Housing Tax Credit application. I appreciate the opportunity provided to voice the city’s concerns and hear more from those in support of this project.

During the hearing, I indicated that I had been reviewing the specifics of application #04062 and raised a concern regarding the Real Estate Option To Purchase Unimproved Property that was included in the application. This agreement stated that the applicant had agreed to pay $175,000.00 for 19.1929 acres of undeveloped property that has been appraised by the county appraisal district for $26,578.00.

Upon further review of the application and the 2004 Housing Tax Credit Program Qualified Allocation Plan and Rules, I have found an error in the Corrigan Gardens application that could possibly render the applicant ineligible and I would like to bring this error to your attention. According to Section §50.5(a)(7) of the QAP and rules an applicant would be ineligible if the development is to be located in a municipality that has more than twice the state average of units per capita supported by Housing Tax Credits or private activity bonds. Corrigan is listed on TDHCA's Comparison of Place and State Housing Tax Credit Program Credit per Capita Distribution dated 1-14-04 as having more than twice the state average, yet on page two of Supplement Tab 1C of the Corrigan Gardens application the applicant marked “No” for question number 5 - Ineligibility Exception regarding Section §50.5(a)(7).

I am enclosing documentation to highlight the aforementioned error. I also understand that the applicant would still be eligible to apply if they have prior approval from the City Council in the form of a resolution and have a written statement of support referencing
the rule and authorizing allocation of housing tax credits for the development. The applicant has received no such support or approval nor has a resolution been considered by City Council regarding the Corrigan Gardens development.

Thank you for your consideration in this matter. Please feel free to contact me at (936) 398-4126 if I may provide any further information for your consideration.

Sincerely,

Mandy K. Risinger
City Manager

Enclosures (5)

cc: [Redacted]
   Tom Bowman, CCISD
   Rep. Dan Ellis
   Sen. Todd Staples
(A) by an individual who is:
(i) a student and receiving assistance under Title IV of the Social Security Act (42 U.S.C. §§ 601 et seq.), or
(ii) enrolled in a job training program receiving assistance under the Job Training Partnership Act (29 U.S.C. §§ 1501 et seq., generally; for full classification, consult USCS Tables volumes) or under other similar federal, state, or local laws, or
(iii) entirely by full-time students if such students are:
(I) single parents and their children and such parents and children are not dependents (as defined in section 152) of another individual, or
(II) married and file a joint return."

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

(77) Third Party - A Third Party is a Person who is not an:
(A) Applicant, General Partner, Developer, or General Contractor, or
(B) an Affiliate or a Related Party to the Applicant, General Partner, Developer or General Contractor, or
(C) Person(s) receiving any portion of the contractor fee or developer fee.

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

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

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

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

§50.4. State Housing Credit Ceiling.

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

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

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

(3) The Applicant, Development Owner, Developer or Guarantor at the time of Application is: subject to an enforcement action under state or federal securities law; is subject to a federal tax lien; or is the subject of an enforcement proceeding with any Governmental Entity; or

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

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

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

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

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

(B) at least one-third of all the units in the Development are public housing units or Section 8 Development-based units; or,

(C) [2306.6703] The Development provides at least 15,000 square feet of improved communal space (including the Development area. Square footage is determined by a statement of the number of square feet); or

(D) The Applicant proposes to construct a new Development that is located one linear mile (measured by a straight line on a map) or less from a Development that:

(A) serves the same type of household as the new Development, regardless of whether the Developments serve families, elderly individuals, or another type of household;

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

(C) has not been withdrawn or terminated from the Housing Tax Credit Program.

(D) An Application is not ineligible under this paragraph if:

(i) the Development is using federal HOPE VI funds received through the United States Department of Housing and Urban Development; locally approved funds received from a public improvement district or a tax increment financing district; funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Section 12701 et seq.); or funds provided to the state and participating jurisdictions under the Housing and Community Development Act of 1974 (42 U.S.C. Section 5301 et seq.); or

(ii) the Development is located in a county with a population of less than one million; or

(iii) the Development is located outside of a metropolitan statistical area; or

(iv) the local government where the Development is to be located has by vote specifically allowed the construction of a new Development located within one linear mile or less from a Development described under subparagraphs (A) through (C) of this paragraph. [2306.6703]

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

(b) Disqualification and Debarment. The Department will disqualify an Application, and/or debar a Person (see 2306.6721, Texas Government Code), if it is determined by the Department that those issues identified in paragraphs (1) through (6) of this subsection exist. The Department shall debar a Person for the longer of, one year from the date of debarment, or until the violation causing the debarment has been remedied. Causes for disqualification and debarment include: [2306.6721]

(1) The provision of fraudulent information, knowingly false documentation, or other intentional or negligent material misrepresentation in the Application or other information submitted to the Department at any stage of the evaluation or approval process; or,
## Comparison of Place and State Housing Tax Credit Program Credit per Capita Distribution

Note: Huffman, Karrack, New Caney, and Porter are places that have previously received credits but are not recognized as places by the US Census Bureau. It is likely they would have been included in this table if 2000 Census population data was available. If you are considering an application in these areas check with the Department for further guidance.

Prepared by the TDHCA Housing Center for Research, Planning, and Communications
Population Data: 2003 Texas Population Estimate from the Texas State Data Center
Unit Data: TDHCA Property Inventory

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<tr>
<th>Place</th>
<th>HTC Units</th>
<th>Population Est</th>
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HTC per capita 1/2004, 3/20004
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DEVELOPMENT NAME: Corrigan Gardens

1. SET-ASIDE ELECTION

Pursuant to Section 42(g)(1)(A) & (B), the term "qualified low income housing development" means any project or residential rental property, if the development meets one of the requirements below, whichever is elected by the taxpayer. Once an election is made, it is irrevocable. Select only one:

☐ At least 20% or more of the residential units in such development are both rent restricted and occupied by individuals whose income is 50% or less of the area median gross income, adjusted for family size.
☒ At least 40% or more of the residential units in such development are both rent restricted and occupied by individuals whose income is 60% or less of the area median gross income, adjusted for family size.

2. UNIT COMPOSITION

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<td>Battered Women</td>
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<td>Other: (specify)</td>
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3. SUPPORTIVE SERVICES

Will supportive services be provided to tenants? ☒ Yes ☐ No  Services will be: ☒ Mandatory ☐ Optional
Cost of the services is included in rent? ☒ Yes ☐ No  If "No", the estimated monthly tenant expense is: $___

Description of services: Counseling, Academic and Vocational Training, Work Experience, Job Development, Permanent Housing Placement

Name of Service Provider: THP LLC

Contact Name: Rick Sims

Address: 10933 Maple Leaf

City: Houston State: Tx Zip: 77016 Phone: (281) 449-1023

4. SELECTION CRITERIA POINT REDUCTIONS (HTC Competitive Applications Only)

Have you requested an extension on a 2003 Carryover? ☐ Yes ☒ No
If so, list all development numbers for which an extension was filed: ____________________________

Has the Developer or Principal of the Applicant been removed by a lender, equity provider or limited partner in the last five years? ☐ Yes ☒ No
If so, provide a detailed description of every removal including the development number and the date of removal.

If your Development is located in Bexar, Harris, Dallas or Tarrant County and you are seeking additional points for location in a county that has designated a development zone or set-aside for persons with disabilities, please explain the basis for the request and describe the additional benefits that would accrue to your Development.

As described in §50.5(a)(8) of the QAP, is the proposed Development located in Bexar, Harris, Dallas or Tarrant County and located within one mile of an existing tax credit development? ☐ Yes ☒ No
If you are either of these, provide documentation of an acceptable exception, under §50.5(a)(7) or (8) behind Tab 1B.
If your Development is located in Bexar, Harris, Dallas or Tarrant County, to your knowledge, is the Development within one linear mile of another tax credit application/award in the 2004 calendar year (Tax Exempt Bond or

"Type of Unit" categories are not mutually exclusive. (For a 200 unit family development w/1 manager's unit and 5% of the units set-aside for persons with disabilities, the table would read 200 Family units, 1 employee occupied and 10 units for Handicapped/Developmentally Disabled with corresponding %s of total units.)
REAL ESTATE OPTION TO PURCHASE UNIMPROVED PROPERTY

With any easements, and appurtenances, but subject to the following: a. any zoning and other ordinances, b. any covenants of record; c. any easements of record for public utilities, roads, and highways; and d. any existing liens, minerals rights, or other interest of record (the Real Estate) upon the following terms:

1. **OPTION PRICE:** The option price for the Real Estate is $100,000.00 (One Hundred Thousand Dollars).

2. **OPTION FEE:** Buyer has paid the Seller the sum of one dollar ($1.00) as exclusive consideration for this option to buy. Seller acknowledges receipt of the option fee, which is non refundable under any circumstances. The Option Fee is consideration for this contract only, and it will not be credited to the buyer for the down payment or closing monies.

3. **TERM:** The term of this option to buy is January 1, 2004, through August 1, 2004. If any Earnest Money Contract containing a non-refundable down payment of ten thousand dollars ($10,000.00) has not been executed by all parties hereto on or before August 1, 2004, this Contract shall expire by its own terms.

4. If Buyer exercises this option to Buy by August 1, 2004, closing and funding in full shall be on or before August 15, 2004, at Lawyer Title Company, 617 Caroline Street, Houston, Texas 77002. Buyer shall pay for the cost of survey, all inspections, and all costs incidental to closing, save and except for Seller's Title Policy, the cost of which shall be paid by the Seller.

5. **POSSESSION:** Seller shall give Buyer possession of the Real Estate on the date of closing provided Buyer is not in default under the contract.

6. **DEED:** Upon payment in full of purchase price, Seller shall convey the Real Estate to Buyer or their assignee, by general warranty deed, free and clear of all liens, restrictions, and encumbrances as provided herein.
Signed this 7th day of January 7, 2004

Buyer

Lonnie Freeman, Managing GP
Corrigan Gardens Ltd
813 Martin Luther King Blvd.
Corrigan, Texas 75939

Seller

Alvin Freeman

Johnnie Marie Brooks 1/3/04

[Official Stamp]
Action Items
Explanation of process and rationale for scoring of letters for Quantifiable Community Participation for the 2004 Housing Tax Credit cycle.

Required Action
No action required.

Background and Recommendations
The Executive Award and Review Advisory Committee (The Committee) met the week of June 17, 2004 to review the 234 letters submitted for Quantifiable Community Participation. The Committee met for 3½ hours each day for five days. All members of the Committee were required to be present at all meetings reviewing and scoring the letters. The attached document, providing an explanation of the processing and rationale for the scoring of letters for Quantifiable Community Participation, was provided to the public on June 17, 2004, via posting on our website, to better understand the scores released for this item. It is provided to the board for information.
THE BELOW STATEMENT WAS REVISED AS IT RELATES TO THE CALCULATION OF QCP POINTS AND LETTERS.

Following this statement is a Housing Tax Credit Application Scoring Log that reflects final scores as of Monday, June 7, 2004. The log does not include any applications that have been withdrawn or terminated. Several applications (as noted) show their requested score, in lieu of the final score, because the application is still under review and pending receipt of additional information. For those showing a final score, the final score includes points awarded for letters of support or opposition from state senators and representatives. Additionally, it includes points awarded for Quantifiable Community Participation (QCP). Below is a brief description of how the QCP scores were calculated by the Department.

The scores on the log do not reflect point deductions that may still be made for extensions on construction loan closings for 2003 applications consistent with Section 50.9(g)(18)(A) of the QAP. The scores also do not reflect possible point losses that may occur from applications that were awarded points for targeting units at 30% of AMGI or leveraging, consistent with Section 50.9(g)(13) or (14), and for which no evidence of a funding source is provided to the Department by June 14, 2004.

Description of Calculation of QCP Scores
Consistent with §50.9(g)(2) of the 2004 Qualified Allocation Plan and Rules (QAP), the Executive Award and Review Advisory Committee ("the Committee") evaluated every letter received for consideration for QCP - there were 234 letters received giving input on 75 applications. This includes some letters that were not originally included in our review released on June 7, 2004, but that were submitted for evaluation under this item. Letters were first evaluated to determine if all of the submission requirements of the statute and QAP were satisfied. Of the 234 letters, 220 did not satisfy one or more of the submission requirements. While not an inclusive list, some examples of requirements that were not met include: the letter and enclosures not showing that the organization was on record with the state or county; the letter and enclosures not showing that the boundaries of the organization contain the proposed Development; the letter not providing the total number of members of the organization and/or a brief description of the process used to determine the members position; and the letter and enclosures not showing that the organization is a "neighborhood organization." The remaining 14 letters and enclosures (and other documentation received by the Department) were evaluated and assigned a score by the Committee, ranging from +12 to 0 to -1. Those 14 letters provided input scores for 13 applications - in other words, one application received two letters. The score assigned to each letter became the score for the application; in the case of the application for
which two letters were scored, the score was calculated by taking the sum of the score for each letter.

The sum of the scores for these 14 letters totaled 91 points. The QAP states, "Applicants that accurately certify that they do not know of any neighborhood organizations that are on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development, and for which no letters were received, will be awarded the higher of zero points or the average number of points received by all Applications for this exhibit." Thus, those applications for which no letters were received and for which a certification was submitted, receive the average; there were 83 of these applications. Therefore, of 182 total applications received, less the 13 that were assigned a score and less the 83 getting the average, there are a remaining 86 applications - those that received a letter and those that did not have a certification – that received a zero. See calculation below:

<table>
<thead>
<tr>
<th>Calculation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Applications</td>
<td>182</td>
</tr>
<tr>
<td>Less Applications with Scored Letters</td>
<td>-13</td>
</tr>
<tr>
<td>Less Applications Receiving Average</td>
<td>-83</td>
</tr>
<tr>
<td>Applications Receiving Zero Points</td>
<td>86</td>
</tr>
</tbody>
</table>

In calculating the "average" for the group with no letters and a certification, the numerator is the number points awarded to all applications -- 91 points total as noted above. The denominator is the total number of applications (182) less the number of applications that had no letter and did have a certification (83) for a net denominator of 99. This population was removed because they are the group the average is being calculated for so they would not be used in the denominator. This calculation then yields an average score per application of 0.9191, which when rounded using basic mathematic principles, is a score of 1. Thus, the Applications that accurately certified that they do not know of any neighborhood organizations that are on record with the state or county in which the Development is proposed to be located and for which no letters were received are awarded the score of 1. See calculation below:

\[
\text{Total Point Awarded} = \frac{91}{99} = 1
\]
HOUSING TAX CREDIT APPLICATIONS RECOMMENDATIONS

Please see addendum to this board book posted on the TDHCA website.
Action Item

Request for amendment to HTC application involving material changes.

Requested Action

Approve request for amendment.

Background and Recommendations

Pertinent facts about the development requesting an amendment are summarized below. The request is recommended for approval by staff.

Sterling Springs Villas, HTC Development No. 03145

Summary of Request: Applicant requests approval to reduce the number of duplexes along Golf Course Road from 12 to 10. The site plan and building configurations will change to accommodate the units that would be displaced so that there would be no gain or loss of units, or of net rentable area, to the development as a whole. The total number of buildings in the development would change from 36 to 35.

Governing QAP: 2003 QAP, Section 49.18(c)(4)
Applicant: LHD Sterling Springs, L.P.
General Partner: Landmark TC Management, LLC
Principals/Interested Parties: Kent Hance, Sr., Kent (Ron) Hance, Jr., Susan Hance Sorrells
Syndicator: Lend Lease Real Estate Investments
Construction Lender: JP Morgan Chase
Permanent Lender: JP Morgan Chase
City/County: Midland/Midland
Set-Aside: General
Type of Development: New Construction
Units: 124 HTC and 6 market rate units
Allocation: $845,579
Allocation per HTC Unit: $6,819
Other Funding: None

Underwriting Reevaluation: An evaluation by the Real Estate Analysis Division is pending.

Staff Recommendation: Staff recommends that the request be approved.
May 31, 2004

Ms. Brooke Boston
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Austin, TX 78711

Re: Sterling Springs Villas, TDHCA # 03145

Dear Brooke,

In September of 2003 LHD Sterling Springs, LP requested changes to Sterling Springs Villas and received approval for these changes from the TDHCA Board on October 9, 2003, as noted in the attached information. In subsequent planning with the City of Midland, an additional change has been requested. It is the desire of the City of Midland to reduce the number duplexes along Golf Course Road. In order to do this, Sterling Springs Villas will need to reduce the building number from 36 buildings to 35 buildings and requests permission to make this change. The number of units, the unit mix, square footage, and the basic site plan will remain the same. The development costs and operating proforma are unchanged.

This change would not affect the points received by the application and this was the only application in the region in 2003.

We respectfully request that you approve this change from 36 buildings to 35 buildings. After your review and consideration of this request, please sign below and return this letter to our office.

Thank you for your time and attention.

Sincerely,

Ron Hance
Manager of the General Partner

I have reviewed the above changes and accept them as stated.
ARCHITECT: CROSS ARCHITECTS
301 N. ALLEN
ALLEN, TEXAS 75013
PH. 972.727.0044
FAX. 270.342.5715
brumsey@crossarchitects.com

STERLING SPRINGS APARTMENTS
Request forgiveness of the repayment of a predevelopment loan made through the Housing Trust Fund.

**Required Action**

Approve or deny the requests to forgive the repayment of $50,000 for the City of Orange.

**Background**

**City of Orange – Loan #85102000015**

On March 27, 2003 the Department entered into a loan agreement with the City of Orange (“Orange”) to fund $50,000 in predevelopment costs associated with the Navy Park Addition, a 100-acre housing development in the City of Orange. The funds were used to develop a neighborhood redevelopment plan performed by Wilbur Smith Associates. The plan provides a strategy for the social and economic revitalization of the Navy Park Addition. On March 23, 2004, the Navy Park Neighborhood Plan was approved and adopted by the City Council.

While the plan does call for the creation of commercial businesses in existing structures and parks on vacant parcels of land, it does not include new construction of affordable housing. According to a letter submitted by Jimmie Lewis, Director of Planning for the City of Orange, “New Construction was not a high priority to the residents; therefore no new construction will be produced as a result. The only new construction revealed in the plan was the need for a community center.” Therefore, they are requesting forgiveness of the predevelopment loan. Under §51.6(2) of the Housing Trust Fund Rules, in place at the time, provided that the predevelopment costs “shall be provided in the form of a loan to be repaid to the Housing Trust Fund….The Board may waive repayment of the loan, in whole or in part, if there are impediments to project development that the Board determines are reasonably beyond the control of the applicant.”

**Recommendations**

As noted above, there is no construction planned for the Navy Park Addition. Staff recommends that the loan to the City of Orange in the amount of $50,000 be forgiven.
May 13, 2004

Emily Price
Texas Department of Housing
and Community Affairs
P.O. Box 13941
Austin, TX 78711

RE: Navy Park Revitalization Plan, Pre-Development Loan - City of Orange

Dear Ms. Price:

This letter will serve as an explanation of why the City of Orange has requested a waiver of repayment for its pre-development loan under Section 51.6 of the TDHCA Housing Trust Fund rules.

Navy Park is a 254-unit subdivision built in 1941 by the U. S. Navy in an effort to meet the housing need produced by the onset of World War II. Today all but approximately 15 units are still in existence and most are occupied by low income residents. This neighborhood has been a target of redevelopment in the Community Development Division for several years. Since 1985 the Rental Rehabilitation Program and the HOME Rental Rehabilitation Program targeted this neighborhood. There were numerous projects completed that made many homes decent, safe and sanitary to live in. However, some units were not managed properly and the homes became substandard once again. Over the years it has become evident that programs with just a financial handout were not the answer. Government sponsored surveys concluded that residents living in blighted areas not only needed financial assistance but that they needed supportive services to teach them how to take pride in their homes and neighborhoods.

Approximately 3 - 4 years ago Navy Park residents tried to organize a group to make this neighborhood better. The group invited many city staff from various departments to their meetings. However, most of the time the meetings became “What is the CITY going to do for our neighborhood?” not “What can WE do for our neighborhood?”. A few members of this group came to the Community Development Division asking for assistance. The Community Development Division contacted it’s U. S. Department of Housing and & Urban Development
(HUD) Community Builder for advice in redeveloping this neighborhood. A meeting hosted by Congressman Turner’s office was held with Ann Gray, city staff and HUD staff to brainstorm the possibilities. HUD staff, at a later date, also brought in foundations and banking institutions to tour the neighborhood and get their advice. Everyone who had interest in the neighborhood expressed the importance of having a master neighborhood plan before continuing. Ann Gray as well as city staff and HUD staff searched for funding avenues to have a neighborhood plan funded. Finally HUD called and stated that funds were available through the State of Texas Housing Trust Fund Pre-Development Loan Program. On June 7, 2002 the manager of the Texas Housing Trust Fund came to Orange to tour Navy Park. He informed us that pre-development loan funds could be used for the development of a Neighborhood Plan and advised that the Pre-Development Loan Program favored funding non-profit organizations. The city collaborated with Nautical Affordable Housing to submit an application for funding for the development of a Neighborhood Plan for Navy Park. The funds were awarded in November 2003 and received on June 25, 2003.

The consultant chosen to write the plan, Wilbur Smith and Associates, began the process with a “possibilities meeting” in which residents and community leaders came together to discuss the strengths and weaknesses of the neighborhood. There was a great deal of brainstorming and discussions, among approximately 80 people in attendance, about Navy Park. The priorities were voted on by the participants of this meeting. Anything that was emphasized in the plan was emphasized by the residents about what they wanted for their neighborhood.

In the past Navy Park was not considered a Historic site and federal funds were allowed to demolish a couple of structures. However, in 1997 the State Historical Commission realized the significant history of the neighborhood. The war effort was the reason Orange grew from a population of 7,500 to 60,000 within a 5-year period. Navy Park is the last remaining neighborhood of 4 built by the U.S. Navy. It was brought out at the planning meeting that these structures should be preserved.

The Neighborhood Plan was completed and a meeting was held on February 21, 2004 for Wilbur Smith Associates to present the proposed plan to the residents of the neighborhood, community leaders and elected officials. There were over 118 in attendance. On February 3, 2004 the Planning & Zoning Commission reviewed the document and made a favorable recommendation to the City Council to approve the plan. Ordinance readings were considered by City Council on March 9 and March 23, 2004 and the Navy Park Neighborhood Plan was approved and adopted.

The goals and objectives which are stated in the plan were from information taken directly from the residents. It was clear in the beginning of the process that this plan would belong to the neighborhood. New construction was not a high priority to the residents; therefore no new construction will be produced as a result. The only new construction revealed in the plan was the need for a community center. Land was donated but no funds were available to construct the facility. The day care facility operating in the neighborhood closed business before the plan was approved and adopted by the city and that existing structure was donated for the purpose of a community center. Today many social service organizations are housed there including a literacy service, women’s & children’s shelter office, Catholic Charities offering parenting
classes, and a homeless service organization. There will be no profits from which this pre-
development loan can be repaid.

Once the plan is approved by the U. S. Department of Housing and Urban Development as a
designated Neighborhood Revitalization Strategy Area, a board of directors created from the
neighborhood will take ownership and guide the revitalization efforts to Navy Park. Goals
identified, but not limited to, include establishing small, "mom & pop" commercial opportunities
in existing structures, utilizing vacant parcels of land within Navy Park to improve quality of life
(such as pocket parks), protecting the character of the neighborhood, eliminating criminal
elements of the neighborhood, providing a means to allow the community to focus on protecting
the integrity of the neighborhood, establishing connections between Navy Park and the
surrounding neighborhoods, ensuring that the streets, alleys and infrastructure are safe and
maintained, improving opportunities for pedestrian and bicycle travel, preserving and restoring
the historic character of Navy Park, and improving opportunities for residents of Navy Park to
establish businesses and utilize entrepreneurial skills.

Thank you for taking this matter to the board of the Texas Department of Housing and
Community Affairs and for their consideration. The Navy Park planning process was a greater
success than we had imagined and the attendance and participation of the residents shows full
support of the community to fulfill the goals and objectives of their plan.

If you need any further information, please feel free to contact me at 409/883-1034.

Sincerely,

Jimmie Lewis
Director of Planning
Ms. Stephanie A. D'Couto  
Team Leader  
Loan Servicing Department  
P. O. Box 13941  
Austin, TX 78711-3941  

Re: Navy Park Project - Pre-Development Loan - City of Orange

Dear Ms. D'Couto:

The City of Orange is in receipt of your request of repayment of the pre-development loan captioned above. Please be advised that the City is requesting a waiver of repayment under Section 51.6 of the TDHCA Housing Trust Fund Rules. We would appreciate it if you would suspend your request for repayment of these funds until such time as the request of the City is considered by the TDHCA board. This suspension should not present a hardship to the TDHCA, since the funds for the pre-development loan were not disbursed until June of 2003, some three months after execution of the loan agreement. We would appreciate your kind consideration in this matter, and if you need any further information, please contact me.

Yours very truly,

Jimmie Lewis  
Director of Planning and Community Development
April 16, 2004

Mr. Jerry Sparks  
Economic Development Manager  
Ark-Tex Council of Governments  
P. O. Box 5307  
Texarkana, TX 75505  

Re:  Navy Park Project - Pre-Development Loan - City of Orange  

Dear Mr. Sparks:  

Attached hereto is a letter from the Texas Department of Housing and Community Affairs dated April 6, 2004, requesting payment in full of the $50,000.00 pre-development loan made to the City of Orange in connection with our Navy Park Project. As you know from our previous discussions, this loan was obtained to commission and pay for a study by Wilbur Smith Associates to plan for the future of this historic area of the city of Orange. A copy of that study is enclosed. From the outset, it was made clear to all parties that no new construction for any type of building project would result from this study, and that pursuant to §51.6 of the Housing Trust Fund Rules of the Texas Department of Housing and Community Affairs, a waiver of repayment of this loan would be sought.

The cited section of the Housing Trust Fund Rules (§51.6) provides that "The board may waive repayment of the loan, in whole or in part, if there are impediments to project development that the board determines are reasonably beyond the control of the applicant. From the outset of contemplating the commission of the study, we have been told that the city of Orange could receive a waiver of repayment of the monies, since no construction would result as a result of the study. We believe that the information we received and the actual facts surrounding the commission of the study make it very clear that there are "impediments to project development" since no construction will ensue.

Pursuant to our discussion, we would appreciate it if you would present this study and the request of the city of Orange for a waiver of repayment of this loan. We
would not have sought the funds or commissioned the study but for the reassurances given to us that the obligation to repay the costs could and would be waived.

If you need any further information on this matter, please contact me.

Yours very truly,

Jimmie Lewis
Director of Planning & Community Development
Item

Texas Department of Housing and Community Affairs’ Strategic Plan for Fiscal Years 2005-2009.

Required Action

Approval of the Strategic Plan for Fiscal Years 2005-2009.

Background

A Strategic Plan is a formal document that communicates an agency’s goals, directions, and outcomes to various audiences, including the Governor and the Legislature, client and constituency groups, the general public, and the agency’s employees.

The TDHCA Strategic Plan for Fiscal Years 2005-2009 (the Plan) is developed as required by Government Code, Chapter 2056. The Board previously reviewed the draft Plan at its June 10, 2004 board meeting. In accordance with the joint instructions from the Governor’s Office of Budget and Planning and the Legislative Budget Board, the Plan contains the following elements:

- Correlation Between Statewide Goals and Benchmarks
- TDHCA’s Mission and Philosophy
- An External/Internal Assessment of the Department including:
  - Overview of Agency Scope and Functions
  - Organizational Aspects
  - Fiscal Aspects
  - Service Population Demographics
  - Technological Developments
  - Economic Variables
  - Impact of Federal Statutes/Regulations
  - Other Legal Issues
  - Self-Evaluation and Opportunities for Improvement
- Goals, Objectives, and Outcome Measures
- Strategies and Output, Efficiency, and Explanatory Measures
- Description of the Agency’s Planning Process
- Current Organization of Agency
- Five-Year Projections for Outcomes
Measure Definitions
Workforce Plan
Result of Survey or Organizational Excellence

The Plan not only reflects the Department’s commitment to its mission, but is also a statement of consensus about the direction that TDHCA anticipates moving in the next five years.

The Plan is due to the Legislative Budget Board and Governor’s Office of Budget and Planning on July 2, 2004. While there are no public comment requirements associated with the development of the Strategic Plan, the Department made it available to the public for two weeks via its web site (www.tdhca.state.tx.us) from June 3, 2004 until June 17, 2004. Hard copies were made available through the Department’s Housing Center (512) 475-3976. There were no public comments received.
Action Items

2005 Final Multifamily Housing Revenue Bond Rules.

Required Action

1. Adoption of Title 10, Part 1, Chapter 35, Section 35.1 – 35.10.

Background

At the May 13, 2004 Board Meeting, the Board approved the Proposed Draft of Title 10, Part 1, Chapter 35 – Multifamily Housing Revenue Bond Rules. This proposed draft was published in the Texas Register on May 28, 2004 for the public to provide comments. In order to receive additional comments on the proposed rules, Texas Department of Housing and Community Affairs staff held public hearings in the cities of Dallas, Austin and Houston. Two people attended these hearings, however, no comments were made.

The Department received a few comments in writing which are provided below along with the Department’s responses:

§35.6(d)(4) – Pre-Application Scoring Criteria – Quality and Amenities

Comment:

Comments from Elizabeth Rippy of Vinson and Elkins suggested that the following be added: If there are changes to the Application prior to closing that have an adverse effect on the score and ranking order and that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points). Substitutions in amenities will be allowed as long as the overall score is not affected.

Department Response:

The Department currently includes this language in §35.6(g) – Evaluation Criteria. To clarify which section the language pertains to, it will be restated in §35.6(d)(4).

§35.6(d)(4) - Quality and Amenities (maximum 34 points) Acquisition / Rehab will receive double points not to exceed 34 points).
Application prior to closing that have an adverse effect on the score and ranking order and that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points). Substitutions in amenities will be allowed as long as the overall score is not affected.)

§35.6(d)(5) – Pre-Application Scoring Criteria – Tenant Services

Comment:

Comments from Elizabeth Rippy of Vinson and Elkins suggested the following be added: Tenant Services shall include only direct costs (tenant service contract amount, supplies for services, internet connections, initial cost of computer equipment, etc.). Indirect costs such as overhead and utility allocations may not be included.

Department Response:

The Department agrees and will add the language to clarify what can be used as tenant service expenses.

Tenant Services (Tenant Services shall include only direct costs (tenant services contract amount, supplies for services, internet connections, initial cost of computer equipment, etc.). Indirect costs such as overhead and utility allocations may not be included).

(A) $10.00 per Unit per month (10 points);
(B) $7.00 per Unit per month (5 points);
(C) $4.00 per Unit per month (3 points).
The Texas Department of Housing and Community Affairs (the “Department”) proposes new §§35.1 – 35.10, concerning the Multifamily Housing Revenue Bond rules. These new sections are proposed in order to implement changes that will effectively improve the 2005 Private Activity Bond Program.

The scope of the public comment concerning the Multifamily Housing Revenue Bond Rules pertains to the following sections:

SUMMARY OF COMMENT RECEIVED UPON PUBLICATION OF THE PROPOSED RULES IN THE TEXAS REGISTER AND COMMENTS PROVIDED AT PUBLIC HEARINGS HELD BY THE DEPARTMENT ON ITEMS THAT RELATE DIRECTLY TO THE MULTIFAMILY HOUSING REVENUE BOND RULES.

§35.6(d)(4) – Pre-Application Scoring Criteria; Quality and Amenities

Comment:

Comments from Elizabeth Rippy of Vinson and Elkins suggested that the following be added: If there are changes to the Application prior to closing that have an adverse effect on the score and ranking order and that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points). Substitutions in amenities will be allowed as long as the overall score is not affected.

Department Response:
The Department currently includes this language in §35.6(g) – Evaluation Criteria. To clarify which section the language pertains to, it will be restated here.

§35.6(d)(4) - Quality and Amenities (maximum 34 points) Acquisition / Rehab will receive double points not to exceed 34 points). (If there are changes to the Application prior to closing that have an adverse effect on the score and ranking order and that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points). Substitutions in amenities will be allowed as long as the overall score is not affected.)

Board Response:

§35.6(d)(5) – Pre-Application Scoring Criteria; Tenant Services

Comment:

Comments from Elizabeth Rippy of Vinson and Elkins suggested the following be added: Tenant Services shall include only direct costs (tenant service contract amount, supplies for services, internet connections, initial cost of computer equipment, etc…). Indirect costs such as overhead and utility allocations may not be included.
Department Response:

The Department agrees and will add the language to clarify what can used in the tenant service expense.

Tenant Services (Tenant Services shall include only direct costs (tenant services contract amount, supplies for services, internet connections, initial cost of computer equipment, etc…). Indirect costs such as overhead and utility allocations may not be included).

   (A) $10.00 per Unit per month (10 points);
   (B) $7.00 per Unit per month (5 points);
   (C) $4.00 per Unit per month (3 points).

Board Response:

The proposed new sections are proposed pursuant to the authority of the Texas Government Code, Chapter 2306.

The proposed new sections affect no other code, article or statue.

§33.35.1. Introduction
The purpose of this Chapter 33 is to state the Texas Department of Housing and Community Affairs (the “Department”) requirements for issuing Bonds, the procedures for applying for multifamily housing revenue Bond financing, and the regulatory and land use restrictions imposed upon Housing Developments financed with the issuance of Bonds for the 2005 Private Activity Bond Program Year. The rules and provisions contained in Chapter 33 of this title are separate from the rules relating to the Department’s administration of the Housing Tax Credit Program. Applicants seeking a tax credit allocation should consult the Department’s 2004 Qualified Allocation Plan and Rules (“QAP”). Chapter 50 of this title relating to the Housing Tax Credit Program in effect for the program year for which the Housing Tax Credit application will be submitted.

§33.35.2. Authority
The Department receives its authority to issue Bonds from Chapter 2306 of the Texas Government Code (the "Act"). All Bonds issued by the Department must conform to the requirements of the Act. Notwithstanding anything herein to the contrary, tax-exempt Bonds which are issued to finance the Housing Development of multifamily rental housing are specifically subject to the requirements of the laws of the State of Texas, including but not limited to the Act, Chapter 1372 of the Texas Government Code relating to Private Activity Bonds, and to the requirements of the Code (as defined in this chapter).

§33.35.3. Definitions.
The following words and terms, when used in the chapter, shall have the following meaning, unless context clearly indicates otherwise.

(1) Applicant--means any Person or Affiliate of a Person who is a member of the General Partner, who files a Pre-Application or a full Application with the Department requesting the Department issue Bonds to finance a Housing Development.

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

(3) Board--means the Governing Board of the Department.

(4) Bond--means an evidence of indebtedness or other obligation, regardless of the sources of payment, issued by the Department under the Act, including a bond, note, or bond or revenue anticipation note, regardless of whether the obligation is general or special, negotiable, or
nonnegotiable, in bearer or registered form, in certified or book entry form, in temporary or permanent form, or with or without interest coupons.

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

(6) **Development**—means property or work or a development, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, or use by individuals and families of Low Income and Very Low Income and Families of Moderate Income in need of housing. The term includes:

(A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewerage facilities, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community, and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances; and

(B) multifamily dwellings in rural and urban areas.

(7) **Development Owner**—means an Applicant that is approved by the Department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a Housing Development subject to the regulatory powers of the Department and other terms and conditions required by the Department and the Act.

(8) **Eligible Tenants**—means

(A) individuals and families of Extremely Low, Very Low and Very Low Income,

(B) Families of Moderate Income (in each case in the foregoing subparagraph (A) and (B) of this paragraph as such terms are defined by the Issuer under the Act), and

(C) Persons with Special Needs, in each case, with an Anticipated Annual Income not in excess of 140% of the area median income for a four-person household in the applicable standard metropolitan statistical area; provided that all Low-Income Tenants shall count as Eligible Tenants.

(9) **Extremely Low Income**—means the income received by an individual or family whose income does not exceed thirty percent (30%) of the area median income or applicable federal poverty line, as determined by the Act.

(10) **Family of Moderate Income**—means a family:

(A) that is determined by the Board to require assistance taking into account

(i) the amount of total income available for the housing needs of the individuals and family,

(ii) the size of the family,

(iii) the cost and condition of available housing facilities,

(iv) the ability of the individuals and family to compete successfully in the private housing market and to pay the amounts required by private enterprise for sanitary, decent, and safe housing, and

(v) standards established for various federal programs determining eligibility based on income; and

(B) that does not qualify as a family of Low Income.

(11)**Housing Development**—means property or work or a development, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, or use by individuals and families of Low Income and Very Low Income and Families of Moderate Income in need of housing. The term includes:
buildings, structures, land, equipment, facilities, or other real or personal properties that are
necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities,
parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as
administrative, community, and recreational facilities the Department determines to be
necessary, convenient, or desirable appurtenances; and
(B) multifamily dwellings in rural and urban areas.

(12) Ineligible Building Type – as defined in the Department’s QAP and Rules in effect for the
program year for which the Bond and Housing Tax Credit applications are submitted.

(12) Institutional Buyer—means
(A) an accredited investor as defined in Regulation D promulgated under the Securities Act of
1933, as amended (17 CFR Sec. 230.501(a)), but excluding any natural person or any
director or executive officer of the Department (17 CFR §§ 230.501(a)(4) through (6)) or
(B) a qualified institutional buyer as defined by Rule 144A promulgated under the Securities
Act of 1933, as amended (17 CFR Sec. 230.144A).

(13) Low Income—means the income received by an individual or family whose income does not
exceed eighty percent (80%) of the area median income or applicable federal poverty line, as
determined by the Act.

(14) Land Use Restriction Agreement (LURA)—means an agreement between the Department and
the Housing Development Owner which is binding upon the Housing Development
Owner’s successors in interest that encumbers the Housing Development with respect to the requirements of law, including this title, the Act
and Section 42 of the Code.

(15) Owner—means an Applicant that is approved by the Department as qualified to own, construct,
acquire, rehabilitate, operate, manage, or maintain a Housing Development subject to the regulatory powers of the Department and other terms and conditions required by
the Department and the Act.

(16) Persons with Special Needs—means persons who
(A) are considered to be disabled under a state or federal law,
(B) are elderly, meaning 60 years of age or older or of an age specified by an applicable federal
program,
(C) are designated by the Board as experiencing a unique need for decent, safe housing that is
not being met adequately by private enterprise, or
(D) are legally responsible for caring for an individual described by subparagraph (A), (B) or
(C) of this paragraph above and meet the income guidelines established by the Board.

(17) Private Activity Bonds—means any Bonds described by §141(a) of the Code.

(18) Private Activity Bond Program Scoring Criteria—means the scoring criteria established by
the Department for the Department’s Multifamily Housing Revenue Bond Program,
§3335.6(b) of this title. The Scoring Criteria are also available on the Department website.

(19) Private Activity Bond Program Threshold Requirements—means the threshold requirements
established by the Department for the Department’s Multifamily Housing Revenue Bond
Program, §3335.6(b) of this title. The Threshold Requirements are also available on the
Department’s website.

(20) Program—means the Department's Multifamily Housing Revenue Bond Program.

(21) Proper Site Control – Regarding the legal control of the land to be used for the Development,
means the earnest money contract is in the name of the Applicant (principal or member of the
General Partner); fully executed by all parties and escrowed by the title company.

(22) Property—means the real estate and all improvements thereon, whether currently existing
or proposed to be built thereon in connection with the Housing Development, and
including all items of personal property affixed or related thereto.

(23) Qualified 501(c)(3) Bonds—means any Bonds described by §145(a) of the Code.
§3335.4. Policy Objectives & Eligible Housing Development

The Department will issue Bonds to finance the preservation or construction of decent, safe and affordable housing throughout the State of Texas. Eligible Housing Developments may include those which are constructed, acquired, or rehabilitated and which provide housing for individuals and families of Low Income, Very Low Income, or Extremely Low Income, and Families of Moderate Income.

§3335.5. Bond Rating and Investment Letter

(a)(b) Bond Ratings. All publicly offered Bonds issued by the Department to finance Housing Developments shall have and be required to maintain a debt rating the equivalent of at least an "A" rating assigned to long-term obligations by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc. If such rating is based upon credit enhancement provided by an institution other than the Applicant or Development Owner, the form and substance of such credit enhancement shall be subject to approval by the Board, which approval shall be evidenced by adoption by the Board of a resolution authorizing the issuance of the credit-enhanced Bonds. Remedies relating to failure to maintain appropriate credit ratings shall be provided in the financing documents relating to the Housing Development.

(b)(c) Investment Letters. Bonds rated less than "A," or Bonds which are unrated must be placed with one or more Institutional Buyers and must be accompanied by an investment letter acceptable to the Department. Subsequent purchasers of such Bonds shall also be qualified as Institutional Buyers and shall sign and deliver to the Department an investment letter in a form acceptable to the Department. Bonds rated less than "A," and Bonds which are unrated shall be issued in physical form, in minimum denominations of one hundred thousand dollars ($100,000), and shall carry a legend requiring any purchasers of the Bonds to sign and deliver to the Department an investment letter in a form acceptable to the Department.
(a) Application Costs, Costs of Issuance, Responsibility and Disclaimer. The Applicant shall pay all costs associated with the preparation and submission of the Application – including costs associated with the publication and posting of required public notices – and all costs and expenses associated with the issuance of the Bonds, regardless of whether the Application is ultimately approved or whether Bonds are ultimately issued. At any stage during the Application process, the Applicant is solely responsible for determining whether to proceed with the Application, and the Department disclaims any and all responsibility and liability in this regard.

(b) Pre-application. An Applicant who requests financing from the Department for a Housing Development shall submit a pre-application in a format prescribed by the Department. Within fourteen (14) days of the Department’s receipt of the pre-application, the Department will be responsible for federal, state, and local community notifications of the proposed Housing Development. Upon review of the pre-application, if the Housing Development is determined to be ineligible for Bond financing by the Department, the Department will send a letter to the Applicant explaining the reason for the ineligibility. If the Housing Development is determined to be eligible for Bond financing by the Department, the Department will score and rank the pre-application based on the Private Activity Bond Program Scoring Criteria as set out described in figure 1 subsection (d) of this subsection. The Department will score and rank the pre-application with higher scores ranking higher within each priority defined by §1372.0321, Texas Government Code. All Priority 1 Applications will be ranked above all Priority 2 Applications which will be ranked above all Priority 3 Applications, regardless of score. This ranking will be used throughout the calendar year. In the event two or more Applications receive the same score, the Department will use, as a tie-breaking mechanism, the number of points awarded for Quality and Amenities for the Housing Development. If a tie still exists, the Department will consider grant preference to the pre-application with the lower the number of net rentable square feet per bond amount requested. Pre-Applications must meet the threshold requirements as stated in The Private Activity Bond Program Threshold Requirements as set out in figure 2 subsection (c) of this subsection. The Private Activity Bond Program Threshold Requirements will be posted on the Department’s website. After scoring, the Housing Development and the proposed financing structure will be presented to the Department’s Board for consideration of a resolution declaring the Department’s intent to issue Bonds (the “inducement resolution”) with respect to the Housing Development. After Board approval of the inducement resolution, the scored and ranked Applications will be submitted to the Texas Bond Review Board for its lottery processing. The Texas Bond Review Board will draw the number of lottery numbers that equates to the number of eligible Applications submitted by the Department. The lottery numbers drawn will not equate to a specific Housing Development. The Texas Bond Review Board will thereafter assign the lowest lottery number drawn to the highest scored and ranked Application as previously submitted determined by the Department. The Housing Development may be deemed to be eligible or ineligible are explained below in subsection (e) of this section, entitled Evaluation Criteria. The Private Activity Bond Program Scoring Criteria form will be posted on the Department’s website. The pre-application shall consist of the following information:

Figure 1: 10 TAC §33.6(b)

Figure 2: 10 TAC §33.6(b)

(1) Completed Uniform Application forms in the format required by the Department;
(2) Texas Bond Review Board’s Residential Rental Attachment;
(3) Relevant Development Information (form on website);
(4) Public Notification Information (form on website);
(5) Certification and agreement to comply with the Department's rules;
(6) Agreement of responsibility of all cost incurred;
(7) An organizational chart showing the structure of the Applicant and the ownership structure of
any principals of the Applicant;
(8) Evidence that the Applicant and principals are registered with the Texas Secretary of State,
or if the Applicant has not yet been formed, evidence that the name of the Applicant is
reserved with the Secretary of State;
(9) Organizational documents such as partnership agreements and articles of incorporation, as
applicable, for the Applicant and its principals;
(10) Documentation of non-profit status if applicable; Evidence of good standing from the
Comptroller of Public Accounts of the State of Texas for the Applicant and its principals;
Corporate resumes and individual resumes of the Applicant and any principals;
(11) A copy of an executed earnest money contract between the Applicant and the seller of the
Property. This earnest money contract must be in effect at the time of submission of the
application and expire no earlier than December 1 of the year preceding the applicable
program year. The earnest money contract must stipulate and provide for the Applicant's
option to extend the contract expiration date through March 1 of the program year, subject
only to the seller's receipt of additional earnest money or extension fees, so that the
Applicant will have site control at the time a reservation is granted. If the Applicant owns
the Property, a copy of the recorded warranty deed is required;
(12) Evidence of zoning appropriate for the proposed use, or application for the appropriate
zoning or statement that no zoning is required;
(13) A local map showing the location of the proposed Property site;
(14) A boundary survey or subdivision plat which clearly identifies the location and boundaries
of the subject Property;
(15) Name, address and telephone number of the Seller of the Property;
(16) Construction draw and lease-up proforma for Housing Developments involving new construction;
(17) Past two years' operating statements for existing Housing Developments;
(18) Current market information which includes rental comparisons;
(19) Verification/Evidence of delivery of federal, state, and local community notifications;
(20) Self-Scoring Criteria; and
(21) Such other items deemed necessary by the Department per individual application.

(c) Pre-Application Threshold Requirements.
(1) As the Department reviews the Application, the Department will use the following
assumptions, even if not reflected in the Application. Prequalification Assumptions:
(A) Development Feasibility:
   (i) Debt Coverage at UnRatio must be greater than or equal to 1.10;
   (ii) Annual Expenses at must be at least $3,800 per unit or $3.75 per square
        foot;
   (iii) Deferred Developer Fees at are limited to 80% of Developer’s Fees;
   (iv) Contractor Fee at are limited to 6% of direct costs plus site work cost;
   (v) Overhead at are limited to 2% of direct costs plus site work cost;
   (vi) General Requirements at are limited to 6% of direct costs plus site work cost;
   (vii) Developer Fees at cannot exceed 15% of the project’s Total Eligible Basis;
(B) Construction Costs Per Unit Assumption. The Acceptable range is $47 to $61
    per unit (Acquisition / Rehab developments are exempt from this requirement);
(C) Interest Rate Assumption. 6.00% for 30 year financing and 6.75% for 40 year financing;

(D) Size of Unit (Acquisition / Rehab developments are exempt from this requirement);
   (i) One bedroom Unit must be greater than or equal to 650 square feet for family and 550 square feet for senior Units.
   (ii) Two bedroom Unit must be greater than or equal to 900 square feet for family and 750 square feet for senior Units.
   (iii) Three bedroom Unit must be greater than or equal to 1,000 square feet for family.

(2) Appropriate Zoning. Evidence of appropriate zoning for the proposed use or evidence of application made and pending decision;

(3) Executed Site Control. Properly executed and escrow receipted site control through 12/1/04 with option to extend through 3/1/05;

(4) Previous Participation and Authorization to Release Credit Information (located in the uniform application);

(5) Current Market Information (must support affordable rents);

(6) Completed TDHCA Uniform Application and application exhibits;

(7) Completed Multifamily Rental Worksheets;

(8) Public Notification Information (see application package);

(9) Relevant Developer Information (see application package);

(10) Completed 2004 Bond Review Board Residential Rental Attachment;

(11) Signed letter of Responsibility for All Costs Incurred;

(12) Signed MRB Program Certification Letter;

(13) Evidence of Paid Application Fees ($1,000 to TDHCA, $1,500 to Vinson and Elkins and $5,000 to Bond Review Board);

(14) Boundary Survey or Plat;

(15) Local Area map showing the location of the Property and Community Services / Amenities within a three (3) mile radius;

(16) Utility Allowance from the Appropriate Local Housing Authority;

(17) Organization Chart with evidence of Entity Registration or Reservation with the Secretary of State; and

(18) Required Notification. Evidence of notifications shall include a copy of the exact letter and other materials that were sent to the individual or entity and proof of delivery in the form of a signed certified mail receipt, signed overnight mail receipt or confirmation letter from each official. Each notice must include the information required for “Community Notification” within the Application Package. Notification must be sent to all the following individuals and entities. If the QAP and Rules in effect for the program year for which the Bond and Housing Tax Credit applications are submitted reflect a notification process that is different from the process listed below, then the QAP and Rules will override the notification process listed below:

   (A) State Senator and Representative that represents the community containing the development;

   (B) Presiding Officer of the governing body of any municipality containing the development and all elected members of that body (Mayor, City Council members);

   (C) Presiding Officer of the governing body of the county containing the development and all elected members of that body (County Judge and/or Commissioners);

   (D) School District Superintendent of the school district containing the development;

   (E) Presiding Officer of the School Board of Trustees of the school district containing the development;
(F) City and County Clerks (Evidence must be provided that a letter, meeting the requirements of the “Clerk Notification” letter in the application materials, was sent to the city clerk and county clerk no later than August 9, 2004. A copy of the return letter from the city and county clerks must be provided); and

(G) Neighborhood Organizations on record with the state or county whose boundaries contain the development (All entities identified in the letters from the city and county clerks must be provided with written notification and evidence of that notification must be provided. If the Applicant can provide evidence that the proposed Development is not located within the boundaries of an entity on a list from the clerk(s), then such evidence in lieu of notification may be acceptable. If no letter is received from the city or county clerk by seven (7) days prior to the date of Application submission, the Applicant must submit a statement attesting to the fact that no return letter was received. If the Applicant has knowledge of neighborhood organizations on record with the state or county within whose boundaries the development is located, written notification must be provided to them. If the Applicant has no knowledge of such neighborhood organizations within whose boundaries the Development is located, they must submit a statement to that effect with the Application).

(d) Pre-Application Scoring Criteria.

(1) Construction Cost Per Unit includes: site work, contractor profit, overhead, general requirements and contingency. Calculation will be hard costs per square foot of net rentable area. Must be greater than or equal to $60 per square foot (1 point) (Acquisition / Rehab will automatically receive 1 point).

(2) Size of Units. Average size of all units combined in the development must be greater than or equal to 950 square foot for family and must be greater than or equal to 750 square foot for elderly (5 points). (Acquisition / Rehab developments will automatically receive 5 points).

(3) Period of Guaranteed Affordability for Low Income Tenants. Add 10 years of affordability after the extended use period for a total affordability period of 40 years (1 point).

(4) Quality and Amenities (maximum 34 points) Acquisition / Rehab will receive double points not to exceed 34 points. (If there are changes to the Application prior to closing that have an adverse affect on the score and ranking order and that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer’s fees and support or opposition points). Substitutions in amenities will be allowed as long as the overall score is not affected.)

(A) Washer / Dryer Connections (1 point);
(B) Microwave Ovens (in each unit) (1 point);
(C) Storage Room (outside the unit) (1 point);
(D) Covered Parking (at least one per unit) (3 points);
(E) Garages (equal to at least 35% of units) (5 points);
(F) Ceiling Fans (living rooms and bedrooms) (1 point);
(G) Ceramic Tile Flooring (entry way and all bathroom) (2 points);
(H) 75% or Greater Masonry (includes rock, stone, brick, stucco and cementious board product; excludes EFIS) (5 points);
(I) Playground and Equipment or Covered Community Porch (3 points);
(J) BBQ Grills and Tables (one each per 50 unit\textsuperscript{units}) or Walking Trail (minimum length of ¼ mile) (3 points);
(K) Full Perimeter Fencing and Gated (3 points);
(L) Computers with internet access / Business Facilities (8 hour availability) (2 points);
(M) Game Room or TV Lounge (2 points);
(N) Workout Facilities or Library (with comparable square footage as workout facilities) (2 points).

(4)(5) Tenant Services (per unit / above line on the expenses) (Tenant Services shall include only direct costs (tenant services contract amount, supplies for services, internet connections, initial cost of computer equipment, etc…). Indirect costs such as overhead and utility allocations may not be included).

(A) $10.00 per unit per month (10 points);
(B) $7.00 per unit per month (5 points);
(C) $4.00 per unit per month (3 points).

(5) Zoning appropriate for the proposed use or state of not zoning required (appropriate zoning for the intended use must be in place at the time of application submission date, September 2, 2003 August 30, 2004, in order to receive points) (5 points).

(6) Proper Site Control (fully executed and escrow receipted as defined in §35.3(21) of this title control through 12/01/03 with option to extend through 03/01/04 and all information correct at the time of application submission date, September 2, 2003 August 30, 2004, in order to receive points) (5 points).

(7) Development Support / Opposition (Maximum net points of +12 to -12. Each letter will receive a maximum of +1.5 to -1.5. All letters received by October 24, 2003 by 5:00 PM, October 22, 2004 will be used in scoring).

(A) Texas State Senator and Texas State Representative (maximum +3 to -3 points);
(B) Presiding officer of the governing body of any municipality containing the Development and the elected district member of the governing body of the municipality containing the Development (maximum +3 to -3 points);
(C) Presiding officer of the governing body of the county containing the Development and the elected district member of the governing body of the county containing the Development (if the site is not in a municipality, these points will be doubled) (maximum +3 to -3 points);
(D) Local School District Superintendent and Presiding Officer of the Board of Trustees for the School district containing the Development (maximum +3 to -3 points).

(8) Penalties for Missed Deadlines in the Previous Year’s Bond and / or Tax Credit program year. (This includes approved and used extensions) (-1 point with maximum 3 point deduction).

(9) Local Political Subdivision Development Funding Commitment that enables additional Units for the Very Low Income (CDBG, HOME or other funds through local political subdivisions) (must be greater than or equal to 2% of the bond amount requested and must provide at least 5% of the total Development Units at or below 30% AMFI or an additional 5% of the total Development Units if the Applicant has chosen category Priority 1B on the residential rental attachment) (2 points).

(10) Proximity to Community Services / Amenities (Community services / amenities within three (3) miles of the site. A map must be included with the Application showing a three (3) mile radius notating where the services / amenities are located) (maximum 12 points)

(A) Grocery Store (1 point);
(B) Pharmacy (1 point);
(C) Convenience store (1 point);
(D) Retail Facilities (Target, Wal-Mart, Home Depot, etc…) (1 point);
(E) Bank / Financial Institution (1 point);
(F) Restaurant (1 point);
(G) Public Recreation Facilities (park, civic center, YMCA) (1 point);
(H) Fire / Police Station (1 point);
(I) Medical Facilities (hospitals, minor emergency, etc…) (1 point);
(J) Public Library (1 point);
(K) Public Transportation (1/2 mile from site) (1 point);
(L) Public School (only one school required for point (1 point).

(11) Proximity to Negative Features (within 300 feet of any part of the Development site boundaries. A map must be included with the application showing where the feature is located. Developer must provide a letter stating there are none of the negative features listed below within the stated area if that is correct. (maximum -20 points)
(A) Junkyards (5 points);
(B) Active Railways (excluding light rail) (5 points);
(C) Interstate Highways / Service Roads (5 points);
(D) Solid Waste / Sanitary Landfills (5 points);
(E) High Voltage Transmission Towers (5 points).

(12) Financing Commitments. After approval by the Board of the inducement resolution, and before submission of a final application, the Applicant will be solely responsible for making appropriate arrangements with financial institutions which are to be involved with the issuance of the Bonds or the financing of the Development, and to begin the process of obtaining firm commitments for financing from each of the financial institutions involved.

(d) Final Application. An Applicant who elects to proceed with submitting a final Application to the Department must provide a final Application and such supporting material as is required by the Department at least sixty (60) days prior to the scheduled meeting of the Board at which the Housing Development and the Bond issuance are to be considered, unless the Department directs the Applicant otherwise in writing. The final application must adhere to the Department’s QAP and Rules in effect for the program year for which the Bond and Housing Tax Credit applications are submitted. The Department may determine that supporting materials listed in paragraphs (1) through (42) of this subsection shall be provided subsequent to the final Application deadline in accordance with a schedule approved by the Department. Failure to provide any supporting materials in accordance with the approved schedule may be grounds for terminating the Application and returning the reservation to the Texas Bond Review Board. The final application and supporting material shall consist of the following information:

(1) A Public Notification Sign shall be installed on the Housing Development site no later than fourteen (14) days after the submission of Volume I and II of the Tax Credit Application to the Department (pictures and invoice receipts must be submitted as evidence of installation within fourteen (14) days of the submission). Minimum signage requirements and language, as set out in figure 3 of this paragraph. The sign must be at least four (4) feet by eight (8) feet in size and be located within twenty (20) feet of, and facing, the main road adjacent to the site. The sign shall be continuously maintained on the site until the day the TDHCA Board takes final action on the Application for the development. The information and lettering on the sign must meet the requirements identified in the Application. As an alternative to installing a Public Notification Sign and at the same required time, the Applicant may instead, at the Applicant’s Option, mail written notification to all addresses located within the footage distance required by the local municipality zoning ordinance or 1,000 feet, if there is no local zoning ordinance or if the zoning ordinance does not require notification, of any part of the proposed Development
site. This written notification must include the information otherwise required for the sign, as set out in figure 3 of this paragraph. If the Applicant chooses to provide this mailed notice in lieu of signage, the final Application must include a map of the proposed Development site and mark the 1,000 foot or local ordinance area showing street names and addresses; a list of all addresses the notice was mailed to; an exact copy of the notice that was mailed; and a certification that the notice was mailed through the U.S. Postal Service and stating the date of mailing. In addition (within the 14 days), the Applicant must notify any public official that has changed since the submission of the pre-application and any neighborhood organizations that are known and were not notified at the time of the pre-application submission.

Figure 3: 10 TAC §33.6(d)(1)

(2) Completed Uniform Application forms in the format required by the Department;
(3) Certification of no changes from the pre-application to the final application. If there are changes to the Application that have an adverse affect on the score and ranking order and that would have resulted in the application being placed below another application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer’s fees and support or opposition points);
(4) Certification and agreement to comply with the Department’s rules;
(5) A narrative description of the Housing Development;
(6) A narrative description of the proposed financing;
(7) Firm letters of commitment from any lenders, credit providers, and equity providers involved in the transaction;
(8) Documentation of local Section 8 utility allowances;
(9) Site plan;
(10) Unit and building floor plans and elevations;
(11) Complete construction plans and specifications;
(12) General contractor’s contract;
(13) Completion schedule;
(14) Copy of a recorded warranty deed if the Applicant already owns the Property, or a copy of an executed earnest money contract between the Applicant and the seller of the Property if the Property is to be purchased, or other form of site control acceptable to the Department;
(15) A local map showing the location of the Property;
(16) Photographs of the Site;
(17) Survey with legal description;
(18) Flood plain map;
(19) Evidence of zoning appropriate for the proposed use from the appropriate local municipality that satisfies one of these subparagraphs (A) through (C) of this paragraph:
   (A) no later than fourteen (14) days before the Board meets to consider the transaction, the Applicant must submit to the Department written evidence that the local entity responsible for initial approval of zoning has approved the appropriate zoning and that they will recommend approval of the appropriate zoning to the entity responsible for final approval of zoning decisions;
   (B) provide a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that the Development is located within the boundaries of a political subdivision which does not have a zoning ordinance;
   (C) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating the Development is permitted under the
provision of the zoning ordinance that apply to the location of the Development or that there is not a zoning requirement.

(20) Evidence of the availability of utilities;
(21) Copies of any deed restrictions which may encumber the Property;
(22) A Phase I Environmental Site Assessment performed in accordance with the Department's Environmental Site Assessment Rules and Guidelines (§1.35 of this title);
(23) Title search or title commitment;
(24) Current tax assessor's valuation or tax bill;
(25) For existing Housing Developments, current insurance bills;
(26) For existing Housing Developments, past two (2) fiscal year end development operating statements;
(27) For existing Housing Developments, current rent rolls;
(28) For existing Housing Developments, substantiation that income-based tenancy requirements will be met prior to closing;
(29) A market study performed in accordance with the Department's Market Analysis Rules and Guidelines (§1.33 of this title);
(30) Appraisal of the existing or proposed Housing Development performed in accordance with the Department's Underwriting Rules and Guidelines (§1.32 of this title);
(31) Statement that the Development Owner will accept tenants with Section 8 or other government housing assistance;
(32) An organizational chart showing the structure of the Applicant and the ownership structure of any principals of the Applicant;
(33) Evidence that the Applicant and principals are registered with the Texas Secretary of State, as applicable;
(34) Organizational documents such as partnership agreements and articles of incorporation, as applicable, for the Applicant and its principals;
(35) Documentation of non-profit status if applicable;
(36) Evidence of good standing from the Comptroller of Public Accounts of the State of Texas for the Applicant and its principals;
(37) Corporate resumes and individual resumes of the Applicant and any principals;
(38) Latest two (2) annual financial statements and current interim financial statement for the Applicant and its principals;
(39) Latest income tax filings for the Applicant and its principals;
(40) Resolutions or other documentation indicating that the transaction has been approved by the general partner;
(41) Resumes of the general contractor's and the property manager's experience; and
(42) Such other items deemed necessary by the Department per individual application.

(e)(h) Evaluation Criteria. The Department will evaluate the Housing Development for eligibility at the time of pre-application, and at the time of final Application. If there are changes to the Application that have an adverse affect on the score and ranking order and that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer’s fees and support or opposition point). The Housing Development and the Applicant must satisfy the conditions set out in paragraphs (1) through (6) of this subsection in order for a Housing Development to be considered eligible:

(1) The proposed Housing Development must further the public purposes of the Department as identified in the Act.
(2) The proposed Housing Development and the Applicant and its principals must satisfy the Department's Underwriting Rules and Guidelines (§1.32 of this title). The pre-
application must include sufficient information for the Department to establish that the Underwriting Guidelines can be satisfied. The final Application will be thoroughly underwritten according to the Underwriting Rules and Guidelines (§1.32 of this title).

(3) The Housing Development must not be located on a site determined to be unacceptable for the intended use by the Department.

(4) Any Housing Development in which the Applicant or principals of the Applicant have an ownership interest must be found not to be in Material Non-Compliance under the compliance Rules in effect at the time of pre-application submission. Any corrective action documentation affecting the Material Non-compliance status score must be submitted to the Department no later than thirty (30) days prior to final application submission.

(5) Neither the Applicant nor any principals of the Applicant is, at the time of Application:
   (a) barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs; or
   (b) has been convicted of a state or federal crime involving fraud, bribery, theft, misrepresentation, misappropriation of funds, or other similar criminal offenses within fifteen (15) years; or
   (c) is subject to enforcement action under state or federal securities law, action by the NASD, subject to a federal tax lien, or the subject of an enforcement proceeding with any governmental entity; or
   (d) neither applicant nor any principals of the applicant have a development under their ownership or control with a Material Non-compliance score of 30 or more; or
   (d)(e) otherwise disqualified or debarred from participation in any of the Department's programs.

(6) Neither the Applicant nor any of its principals may have provided any fraudulent information, knowingly false documentation or other intentional or negligent misrepresentation in the Application or other information submitted to the Department.

(b)(i) Bond Documents. After receipt of the final Application, bond counsel for the Department shall draft Bond documents which conform to the state and federal laws and regulations which apply to the transaction.

(b)(j) Public Hearings; Board Decisions. For every Bond issuance, the Department will hold a public hearing in accordance with §2306.0661, Texas Government Code and §147(f) of the Code, in order to receive comments from the public pertaining to the Housing Development and the issuance of the Bonds. Publication of all notices required for the public hearing shall be at the sole expense of the Applicant. The Board’s decisions on approvals of proposed Housing Development will consider all relevant matters. Any topics or matters, alone or in combination, may or may not determine the Board’s decision. The Department’s Board will consider the following topics in relation to the approval of a proposed Housing Development:

(1) The Development Owner market study;
(2) The location, including supporting broad geographic dispersion;
(3) The compliance history of the Development Owner;
(4) The financial feasibility;
(5) The Housing Development’s proposed size and configuration, in relation to the housing needs of the community in which the Development is located and the needs of the area, region and state;
(6) The housing needs of the community in which the Housing Development is located and the needs of the area, region and state;

(7) The Housing Development’s proximity to other low income Housing Developments including avoiding over concentration;

(8) The availability of adequate public facilities and services;

(9) The anticipated impact on local school districts, giving due consideration to the authorized land use;

(10) Zoning and other land use considerations;

(11) Fair Housing law, including affirmatively furthering fair housing;

(12) Any matter considered by the Board to be relevant to the approval decision and in furtherance of the Department’s purposes and the policies of Chapter 2306, Texas Government Code.

(h)(k) Approval of the Bonds.

(1) Subject to the timely receipt and approval of commitments for financing, an acceptable evaluation for eligibility, the satisfactory negotiation of Bond documents, and the completion of a public hearing, the Board, upon presentation by the Department's staff, will consider the approval of the Bond issuance, final Bond documents and, in the instance of privately placed Bonds, the pricing of the Bonds. The process for appeals and grounds for appeals may be found under §§1.7 and 1.8 of this title. The Department’s conduit housing transactions will be processed in accordance with the Texas Bond Review Board rules Title 34, Part 9, Chapter 181, Subchapter A. The Bond issuance must receive an approving opinion from the Department’s bond counsel with respect to the legality and validity of the Bonds and the security therefore, and in the case of tax-exempt Bonds, with respect to the excludability from gross income for federal income tax purposes of interest on the Bonds.

(2) Alternative Dispute Resolution Policy. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures (“ADR”) under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR procedure, the person may send a proposal to the Department’s Dispute Resolution Coordinator (fax: (512) 475-3978). For additional information on the Department’s ADR Policy, see the Department’s General Administrative Rule on ADR at Title 10 Texas Administrative Code §1.17. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures (“ADR”) under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should
describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.

(i) Local Permits. Prior to the closing of the Bonds, all necessary approvals, including building permits, from local municipalities, counties, or other jurisdictions with authority over the Housing Development must have been obtained or evidence that the permits are obtainable subject only to payment of certain fees must be provided to the Department.

(m) Closing. Once all approvals have been obtained and Bond documents have been finalized to the respective parties' satisfaction, the Bond transaction will close. Upon satisfaction of all conditions precedent to closing, the Department will issue Bonds in exchange for payment therefor. The Department will then loan the proceeds of the Bonds to the Applicant and disbursements of the proceeds may begin.

§ 3335.7. Regulatory and Land Use Restrictions.

(a) Filing and Term of LURA. A Regulatory and Land Use Restriction Agreement or other similar instrument (the "LURA"), will be filed in the property records of the county in which the Housing Development is located for each Housing Development financed from the proceeds of Bonds issued by the Department. For Housing Developments involving new construction, the term of the LURA will be the longer of 30 years, the period of guaranteed affordability or the period for which Bonds are outstanding. For the financing of an existing Housing Development, the term of the LURA will be the longer of the longest period which is economically feasible in accordance with the Act, or the period for which Bonds are outstanding.

(b) Housing Development Occupancy. The LURA will specify occupancy restrictions based on the income of its tenants, and will restrict the rents that may be charged for Units occupied by tenants who satisfy the specified income requirements. Pursuant to §2306.269, Texas Government Code, the LURA will prohibit a Development Owner from excluding an individual or family from admission to the Housing Development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (the "Housing Act"), and from using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than two and one half (2.5) times the individual's or family's share of the total monthly rent payable to the Development Owner of the Housing Development. Housing Development occupancy requirements must be met on or prior to the date on which Bonds are issued unless the Housing Development is under construction. Adequate substantiation that the occupancy requirements have been met, in the sole discretion of the Department, must be provided prior to closing. Occupancy requirements exclude units for managers and maintenance personnel that are reasonably required by the Housing Development.

(c) Set Asides.

(1) Housing Developments which are financed from the proceeds of Private Activity Bonds or from the proceeds of Qualified 501(c)(3) Bonds must be restricted under one of the following two set-asides:

(a) at least twenty percent (20%) of the Units within the Housing Development that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed fifty percent (50%) of the area median income, or
(b) at least forty percent (40%) of the Units within the Housing Development that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed sixty percent (60%) of the area median income.

(2) The Development Owner must designate at the time of Application which of the two set-asides will apply to the Housing Development and must also designate the selected priority for the Housing Development in accordance with §1372.0321, Texas Government Code. Units intended to satisfy set-aside requirements must be distributed evenly throughout the Housing Development, and must include a reasonably proportionate amount of each type of unit available in the Housing Development.

(3) No tenant qualifying under either of the set-asides shall be denied continued occupancy of a Unit in the Housing Development because, after commencement of such occupancy, such tenant’s income increases to exceed the qualifying limit; provided, however, that, should a tenant’s income, as of the most recent determination thereof, exceed 140% of the then applicable income limit and such tenant constitutes a portion of the set-aside requirement of this section, then such tenant shall only continue to qualify for so long as no Unit of comparable or smaller size is rented to a tenant that does not qualify as a Low-Income Tenant. (These are the federal set-aside requirements)

(d) Global Income Requirement. All of the Units that are available for occupancy in Housing Developments financed from the proceeds of Private Activity Bonds or from the proceeds of Qualified 501(c)(3) Bonds shall be occupied or held vacant (in the case of new construction) and available for occupancy at all times by persons or families whose income does not exceed one hundred and forty percent (140%) of the area median income for a four-person household.

(f) Taxable Bonds. The occupancy requirements for Housing Developments financed from the issuance of taxable Bonds will be negotiated, considered, and approved by the Department on a case by case basis.

(g) Special Needs. At least five percent (5%) of the Units within each Housing Development must be designed to be accessible to Persons with Special Needs and hardware and cabinetry must be stored on site or provided to be installed on an as needed basis in such Units. The Development will comply with accessibility requirements in the Fair Housing Act Design manual. The Development Owner will use its best efforts (including giving preference to Persons with Special Needs) to:  
(1) make at least five percent (5%) of the Units within the Housing Development available for occupancy by Persons with Special Needs; 
(2) make reasonable accommodations for such persons; and 
(3) allow reasonable modifications at the tenant's sole expense pursuant to the Housing Act.
regarding the Development Owner's outreach and marketing program to Persons with Special Needs.

(h) Fair Housing. All Housing Development financed by the Department must comply with the Fair Housing Act which prohibits discrimination in the sale, rental, and financing of dwellings based on race, color, religion, sex, national origin, familial status, and disability. The Fair Housing Act also mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, in order to provide accessible housing for individuals with disabilities.

(i) Tenant Services. The LURA will require that the Development Owner offer a variety of services for residents of the Housing Development through a Tenant Services Program Plan which is subject to annual approval by the Department.

(j) The LURA will require the Development Owner:
(1) To obtain, complete and maintain on file Tenant Income Certifications from each Eligible Tenant, including:
(A) a Tenant Income Certification dated immediately prior to the initial occupancy of each new Eligible Tenant in the Housing Development; and
(B) thereafter, annual Tenant Income Certifications which must be obtained on or before the anniversary of such Eligible Tenant's occupancy of the Unit, and in no event less than once in every 12-month period following each Eligible Tenant's occupancy of a Unit in the Housing Development. For administrative convenience, the Development Owner may establish the first date that a Tenant Income Certification for the Housing Development is received as the annual recertification date for all tenants. The Development Owner will obtain such additional information as may be required in the future by §142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations which are tax-exempt private activity bonds described in §142(d) of the Code. The Development Owner shall make a diligent and good-faith effort to determine that the income information provided by an applicant in a Tenant Income Certification is accurate by taking steps required under §142(d) of the Code pursuant to provisions of the Housing Act.
(C) The Development shall comply with Title 10, Part 1, Chapter 60, Subchapter A.
(2) As part of the verification, such steps may include the following, provided such action meets the requirements of §142(d) of the Code and the gross income of individuals shall be determined in a manner consistent with the determinations of low income families under section 8 of the United States Housing Act of 1937:
(A) obtain pay stubs for the most recent one-month period sufficient to annualize income;
(B) obtain income tax returns for the most recent two years;
(C) conduct a consumer credit search or obtain third party written verification of income;
(D) obtain an income verification from the applicant’s current employer;
(E) obtain an income verification from the Social Security Administration; or
(F) if the applicant is self-employed, unemployed, does not have income tax returns or is otherwise not reasonably able to provide other forms of verification as required above, obtain another form of independent verification as would, in the Development Owner's reasonable commercial judgment, enable the Development Owner to determine the accuracy of the applicant's income information. The Development
Owner shall retain all Tenant Income Certifications obtained in compliance with this subsection (b) of this section until the date that is six years after the last Bond is retired.

(3) To obtain from each tenant in the Housing Development, at the time of execution of the lease pertaining to the Unit occupied by such tenant, a written certification, acknowledgment and acceptance in such form as provided by the Department to the Development Owner from time to time that
(A) such lease is subordinate to the Mortgage and the LURA;
(B) all statements made in the Tenant Income Certification submitted by such tenant are accurate;
(C) the family income and eligibility requirements of the LURA and the Loan Agreement are substantial and material obligations of tenancy in the Housing Development;
(D) such tenant will comply promptly with all requests for information with respect to such requirements from the Development Owner, the Trustee and the Department; and
(E) failure to provide accurate information in the Tenant Income Certification or refusal to comply with a request for information with respect thereto will constitute a violation of a substantial obligation of the tenancy of such tenant in the Housing Development;

(4) To maintain complete and accurate records pertaining to the Low-Income Units and to permit, at all reasonable times during normal business hours and upon reasonable notice, any duly authorized representative of the Department, the Trustee, the Department of the Treasury or the Internal Revenue Service to enter upon the Housing Development Site to examine and inspect the Housing Development and to inspect the books and records of the Development Owner pertaining to the Housing Development, including those records pertaining to the occupancy of the Low-Income Units;

(5) On or before each February 15 during the qualified development period, to submit to the Department (to the attention of the Portfolio Management and Compliance Division) a draft of the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Housing Development continues to meet the requirements of §142(d) of the Code and on or before each March 31 during the qualified development period, to submit such completed form to the Secretary of the Treasury and the Department;

(6) To prepare and submit the compliance monitoring report. To cause to be prepared and submitted to the Department and the Trustee on the first day of the state restrictive period, and thereafter by the tenth calendar day of each March, June, September, and December, or other quarterly schedule as determined by the Department with written notice to the Development Owner, a certified compliance monitoring report and Development Owner’s certification in such form as provided by the Departments to the Development Owner from time to time; and

(7) To provide regular maintenance to keep the Housing Development sanitary, decent and safe.

(8) To establish a reserve account consistent with the requirements of §2306.186, Texas Government Code.

(9) To prepare and submit the Housing Sponsor Report to the Department no later than March 1st of each year.

§3335.8. Fees.

(a) Application and Issuance Fees. The Department shall set fees to be paid by the Applicant in order to cover the costs of pre-application review, Application and Development review, the
Department’s expenses in connection with providing financing for a Housing Development, and as required by law. (§1372.006(a), Texas Government Code)
(b) Administration and Portfolio Management and Compliance Fees. The Department shall set ongoing fees to be paid by Development Owners to cover the Department’s costs of administering the Bonds and portfolio management and compliance with the program requirements applicable to each Housing Development.

§3335.9. Waiver of Rules
Provided all requirements of the Act, the Code, and any other applicable law are met, the Board may waive any one or more of the Rules set forth in §§3335.3 through 3335.8 of this title relating to the Multifamily Housing Revenue Bond Program in order to further the purposes and the policies of Chapter 2306, Texas Government Code; to encourage the acquisition, construction, reconstruction, or rehabilitation of a Housing Development that would provide decent, safe, and sanitary housing, including, but not limited to, providing such housing in economically depressed or blighted areas, or providing housing designed and equipped for Persons with Special Needs; or for other good cause, as determined by the Board.

§3335.10. No Discrimination
The Department and its staff or agents, Applicants, Development Owners, and any participants in the Program shall not discriminate under this Program against any person or family on the basis of race, creed, national origin, age, religion, handicap, family status, or sex, or against persons or families on the basis of their having minor children, except that nothing herein shall be deemed to preclude a Development Owner from selecting tenants with Special Needs, or to preclude a Development Owner from selecting tenants based on income in renting Units to comply with the set asides under the provisions of this Chapter.
Housing Tax Credit Program
Board Action Request
June 28, 2004

Action Item
Request, review, and board determination of one (1) four percent (4%) tax credit application with TDHCA as the issuer.

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

<table>
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<tr>
<th>Development No.</th>
<th>Name</th>
<th>Location</th>
<th>Issuer</th>
<th>Total Units</th>
<th>LI Units</th>
<th>Total Development</th>
<th>Applicant Proposed Tax Exempt Bond Amount</th>
<th>Requested Credit Allocation</th>
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<td>Sphinx at Delafield</td>
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MULTIFAMILY FINANCE PRODUCTION DIVISION

2004 Private Activity Multifamily Revenue Bonds

Sphinx at Delafield Apartments
SW corner of Hoyle Avenue and Delafield Lane
Dallas, Texas
St. Augustine Villas Housing, L.P.
204 Units
Priority 1A – 50% of units at 50% AMFI remaining at 60% AMFI

$11,500,000 Tax Exempt – Series 2004

TABLE OF EXHIBITS

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TAB 5   Department’s Real Estate Analysis
TAB 6   Rental Restrictions Explanation
        Results and Analysis
TAB 7   Development Location Maps
TAB 8   TDHCA Compliance Summary Report
TAB 9   Public Input and Hearing Transcript (April 13, 2004)
**MULTIFAMILY FINANCE PRODUCTION DIVISION**

**BOARD ACTION REQUEST**

**June 28, 2004**

**Action Item**

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2004 and Housing Tax Credits for the Sphinx at Delafield Apartments development.

**Summary of the Sphinx at Delafield Apartments Transaction**

The pre-application was received on September 2, 2003. The application was scored and ranked by staff. The application ranked fourteenth out of a total of forty-four applications. The application was induced at the October 2003 Board meeting and submitted to the Texas Bond Review Board for inclusion in the lottery. The application received a Reservation of Allocation on February 17, 2004. This application was submitted under the Priority 1A category. 50% of the units will serve families at 50% of the AMFI and 50% of the units will serve families at 60% of the AMFI (rent and income will be capped at 50% and 60% AMFI). A public hearing was held on April 13, 2004. There were twenty-six (26) people in attendance (all in support) with one (1) person speaking for the record. A copy of the transcript is behind Tab 9 of this presentation. This development is supported by State Senator Royce West, State Representative Terri Hodge, County Commissioner John Wiley Price and City Councilmember Maxine Reese. The Pleasant Wood/Grove Community Development Corporation, which has been working diligently with the city of Dallas to revitalize this area, is in support of the development. The proposed site is located to the east of Loop 12 in east Dallas at the corner of Hoyle Avenue and Delafield Lane.

**Summary of the Financial Structure**

The applicant is requesting the Department’s approval and issuance of variable rate tax exempt bonds in an amount not to exceed $11,500,000. The bonds will be credit enhanced by GNMA and carry a AAA rating. Newman & Associates will underwrite the transaction at a strike interest rate of 4.55%. The construction and lease up period will be for thirty months plus one 6 month optional extension with payment terms of interest only during construction. There will be a 40 year term and amortization.

**Recommendation**

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2004 and Housing Tax Credits for the Sphinx at Delafield Apartments development because of the demonstrated quality of construction of the proposed development, the feasibility of the development (as demonstrated by the commitments from the FHA Lender, equity provider, and the underwriting report by the Department’s Real Estate Analysis Division) and the demand for additional affordable units as demonstrated by the occupancy rates of other affordable units in the market area.
DEVELOPMENT: Sphinx at Delafield, Dallas, Dallas County, Texas

PROGRAM: Texas Department of Housing & Community Affairs
2004 Multifamily Housing Revenue Bonds
(Reservation received 2/17/2004)

ACTION REQUESTED: Approve the issuance of multifamily revenue bonds (the “Bonds”) by the Texas Department of Housing and Community Affairs (the “Department”). The Bonds will be issued under Chapter 1371 of the Texas Government Code and under Chapter 2306 of the Texas Government Code, the Department's enabling Act (the “Act”), which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used for the purpose of providing funds to finance a Federal Housing Administration insured mortgage loan (the “Mortgage Loan”) to be originated by Malone Mortgage Company America, Ltd. (the “FHA Lender”) to St. Augustine Villas Housing, L.P., a Texas limited partnership (the "Borrower"), for the acquisition, construction, equipping and long-term financing of a new, 204-unit multifamily residential rental development to be constructed on approximately 12.41 acres of land located at the southwest corner of Hoyle Avenue and Delafield Lane, Dallas, Dallas County, Texas 75227. (the "Development").

BOND AMOUNT: $11,500,000 Series 2004, Tax Exempt Bonds

(*) The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Development and the amount for which Bond Counsel can deliver its Bond Opinion.

ANTICIPATED CLOSING DATE: The Department received a volume cap allocation for the Bonds on February 17, 2004 pursuant to the Texas Bond Review Board's 2004 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before July 16, 2004, the anticipated closing date is July 15, 2004.

BORROWER: St. Augustine Villas Housing, L.P., a Texas limited partnership, the general partner of which is St. Augustine Villas Housing Development, L.L.C., a Texas limited liability company. The principals/members of the general partner are Jay O. Oji and Joseph N. Agumadu.
COMPLIANCE HISTORY: The Compliance Status Summary completed on June 15, 2004 reveals that the principals of the general partner above have a total of four (4) properties being monitored by the Department. One property has received a compliance score. All scores are below the material non-compliance score of thirty (30).

ISSUANCE TEAM: Malone Mortgage Company America, Ltd. (“FHA Lender”)  
Wachovia Securities. (“Equity Provider”)  
GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, a Division of GMAC Commercial Holding Capital Markets Corp. (“Underwriter”)  
Wells Fargo Bank National Association. (“Trustee”)  
Vinson & Elkins L.L.P. (“Bond Counsel”)  
RBG Dain Rauscher Inc. (“Financial Advisor”)  
McCall, Parkhurst & Horton, L.L.P. (“Disclosure Counsel”)  

BOND PURCHASER: The Bonds will be publicly offered on a limited basis on or about July 7, 2004, at which time the final pricing and Bond Purchaser(s) will be determined.

DEVELOPMENT DESCRIPTION: The Development is a 204-unit multifamily residential rental development to be constructed on approximately 12.41 acres of land located at the southwest corner of Hoyle Avenue and Delafield Lane, Dallas, Dallas County, Texas 75227. (the "Development"). The proposed site density will be 16 units per acre and will consist of fifteen (15) two or three story building types constructed of brick veneer and hardi-plank siding, wood trim, and pitched composition shingle roofs. The development will contain a total of 210,504 net rentable square feet and an average unit size of 1032 square feet. The complex will have perimeter fencing with control access gates. Unit amenities will include frost-free refrigerator, microwave, self cleaning oven, dishwasher, disposal, large storage areas, washer/dryer connections, ceiling fans, energy efficient HVAC systems and pre-wiring for cable television and high-speed internet service. The property will have clubhouse, leasing, office and community room space and a laundry building.

<table>
<thead>
<tr>
<th>Units</th>
<th>Unit Type</th>
<th>Square Feet</th>
<th>Proposed Rent</th>
<th>Net Rent</th>
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<tr>
<td>22</td>
<td>1-Bedrooms/1-Baths</td>
<td>750</td>
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<td>1-Bedrooms/1-Baths</td>
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<td>2-Bedrooms/2-Baths</td>
<td>984</td>
<td>$793.00</td>
<td>60%</td>
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</table>
### SET-ASIDE UNITS:

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

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

### RENT CAPS:

For Bond covenant purposes, the rental rates of the units will be restricted such that for one half of the units, the maximum rent will not exceed thirty percent (30%) of the income, adjusted for family size, for a family whose income equals fifty percent (50%) of the area median income and one half of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size for a family whose income equals sixty percent (60%) of the area median income.

### TENANT SERVICES:

Borrower will provide Tenant Services provided by Social Services management Consultants, Inc. (“SSMCI”) based on the tenant profile upon lease-up that conforms to the Department’s program guidelines.

### DEPARTMENT ORIGINATION FEES:

- $1,000 Pre-Application Fee (Paid)
- $10,000 Application Fee (Paid)
- $57,500 Issuance Fee (.50% of the bond amount paid at closing)

### DEPARTMENT ANNUAL FEES:

- $11,500 Bond Administration (0.10% per annum of the aggregate principle amount of the Bonds outstanding)
- $5,100 Compliance Fee ($25/unit/year adjusted annually for CPI)

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

### ASSET OVERSIGHT FEE:

- $5,100 TDHCA or assigns ($25/unit/year adjusted annually for CPI)
TAX CREDITS:
The Borrower has applied to the Department to receive a Determination Notice for the 4% tax credit that accompanies the private-activity bond allocation. The tax credit equates to $641,021 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising approximately $5,845,404 of equity for the transaction.

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

As stated above, the Mortgage Loan will be originated by the FHA Lender as evidenced by a note from the Borrower (the "Mortgage Note"). The FHA Lender will make advances on the Mortgage Loan to the Borrower for the acquisition, construction, equipping and long-term financing of the Development. The Mortgage Loan will be secured by, among other things, a Deed of Trust for the benefit of the FHA Lender.

The FHA Lender will issue mortgage-backed securities in the form of Construction Loan Certificates and a Development Loan Certificate (the “GNMA Certificates”) to be purchased by the trustee from Bond proceeds at a price of par plus accrued interest thereon. The trustee will collect the payments on the GNMA Certificates to pay bondholders.

The Bonds will be secured primarily by the payments on the GNMA Certificates and from other security pledged under the Indenture. Prior to the acquisition of the GNMA Certificates by the Trustee, the Bonds will be secured by certain of the Bond proceeds held under the Indenture and invested by the Trustee pursuant to an investment agreement. Upon the purchase thereof by the Trustee, the Bonds will be secured primarily by the GNMA Certificates to be issued by the FHA Lender, guaranteed as to principal and interest by the Government National Mortgage Association (“Ginnie Mae”) and to be backed by the Mortgage Loan.

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

**CREDIT ENHANCEMENT:**

As stated above, the GNMA Certificates are guaranteed as to
principal and interest by Ginnie Mae, which allows for an
anticipated rating of AAA/Aaa and an anticipated interest rate of
4.55% on the Tax Exempt Bonds. Without the credit
enhancement, the Tax-Exempt Bonds would not be investment
grade and would therefore command a higher interest rate from
investors on similar maturity bonds.

**FORM OF BONDS:**

The Bonds will be issued in book entry form and in
denominations of $5,000 or any integral multiples thereof.

**MORTGAGE LOAN:**

The Mortgage Loan is a non-recourse obligation of the
Borrower, which means, subject to certain exceptions, that the
Borrower is not liable for the payment thereof beyond the
amount realized from the pledged security. The Mortgage Loan
is funded by the FHA Lender. Two types of GNMA Certificates
are intended to be issued by the FHA Lender in connection with
the Mortgage Loan to the Borrower: (i) Construction Loan
Certificates which are to be issued with respect to each
construction loan advance under the Mortgage Loan, and (ii) the
Development Loan Certificate which is to be issued with respect
to the permanent Mortgage Loan with payment provisions which
correspond to the monthly scheduled installments of principal
and interest on the Mortgage Note. The Delivery Date or
maturity of the construction loan means the date on which the
Development Loan Certificate is delivered to the Trustee, which
shall be on or before January 31, 2006 (the “Delivery Date”) (a
preliminary date that is subject to change), unless extended in
accordance with the Trust Indenture.

**MATURITY/SOURCES & METHODS OF REPAYMENT:**

The Bonds will bear interest at a fixed rate until maturity, which
is anticipated to be July 1, 2044.

The Bonds will be payable from: (1) payments on the GNMA
Certificates; (2) earnings derived from amounts held in Funds &
Accounts (discussed below) or on deposit in an investment
agreement; and (3) funds deposited to the Acquisition Fund
specifically for capitalized interest.

The Bonds will be structured to have level debt service from
commencement of amortization until maturity.
REDEMPTION OF
BONDS PRIOR TO
MATURITY:

The Bonds are subject to redemption under any of the following circumstances:

Optional Redemption:

The Tax-Exempt Bonds are subject to optional redemption by the Borrower on or after August 20, 2014 (a preliminary date that is subject to change) with certain applicable premiums in the event the Borrower exercises any option to prepay the Mortgage Note and amounts are paid under the GNMA Certificates representing such prepayments.

Mandatory Redemption:

(1) The Bonds will be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof, without any premium, plus accrued interest, on the dates of redemption specified in the Indenture.

(2) The Bonds are subject to extraordinary mandatory redemption:

(a) in part, following the Delivery Date of the Development Loan Certificate in the amount of the difference between Bonds then outstanding and the Construction Loan Certificates delivered to the Trustee;
(b) in whole, following the maturity date of the Construction Loan Certificates if the Development Loan Certificate is not delivered to the Trustee on or before the Delivery Date;
(c) in part, following the date on which the Development Loan Certificate is delivered to the Trustee, in an amount equal to the remainder, if any, of the difference between the Bonds then outstanding less the amount of the Development Loan Certificate delivered to the Trustee;
(d) in whole or in part to the extent the Trustee receives payments on the GNMA Certificates exceeding regularly scheduled payments of principal and interest thereon; or
(e) in whole, following the delivery date of the Initial Construction Loan Certificate, if the Initial Construction Loan Certificate is not delivered to the Trustee on or before the delivery date of the Initial Construction Loan Certificate in the amount specified in the Indenture.

**FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:**

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will initially be issued as fully registered securities and when issued will be registered in the name of Cede & Co., as nominee for DTC. One fully registered global bond in the aggregate principal amount of each stated maturity of the Bonds will be deposited with DTC.

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

The Trust Indenture will initially create up to five (5) funds with the following general purposes:

1) Acquisition Fund (containing a Capitalized Interest Account therein) – Fund into which Bond proceeds shall be deposited and shall be applied to the acquisition of the GNMA Certificates and accrued interest thereon.

2) Bond Fund (containing a Special Mandatory Redemption Account therein) – Fund into which amounts, if any, paid by the Underwriter as accrued interest; all income, revenues, proceeds and other amounts received from or in connection with the GNMA Certificates; all earnings and gains from the investment of money held in the Bond and Acquisition Fund; and amounts transferred from the Acquisition Fund to the Bond Fund for mandatory redemption of the Bonds in the Special Mandatory Redemption Account attributable to the receipt by the Trustee of payments under the GNMA Certificates exceeding regularly scheduled payments of principal and interest thereon.
3) Costs of Issuance Fund - A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee;

4) Rebate Fund - Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Tax-Exempt Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds; and

5) Expense Fund – Fund into which the Trustee deposits amounts paid by the Borrower pursuant to the Loan Agreement and uses such moneys to pay certain fees and expenses of the Department.

DEPARTMENT ADVISORS:

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

1. **Bond Counsel** - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 2003. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.

2. **Bond Trustee** – Wells Fargo Bank National Association, was selected as bond trustee by the Department pursuant to a request for proposals process in April 2003.

3. **Financial Advisor** – RBC Dain Rauscher Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in June 2003.

4. **Disclosure Counsel** – McCall, Parkhurst & Horton, L.L.P. was selected by the Department as Disclosure Counsel through a request for proposals process in August 2003.

ATTORNEY GENERAL REVIEW OF BONDS:

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.
RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (GNMA COLLATERALIZED MORTGAGE LOAN—SPHINX AT DELAFIELD) SERIES 2004; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan—Sphinx at Delafield) Series 2004 (the “Bonds”), pursuant to and in accordance with the terms of a Trust Indenture (the “Indenture”) by and between the Department and Wells Fargo Bank, National Association, as trustee (the “Trustee”), for the purpose of obtaining funds to finance the Project (defined below), all under and in accordance with the Constitution and laws of the State of Texas; and

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

WHEREAS, the Board, by resolution adopted on October 9, 2003, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, it is anticipated that the Department, the Borrower, Malone Mortgage Company America, Ltd., as lender (the “Lender”), and the Trustee will execute and deliver a Loan Agreement (the
“Loan Agreement”) (i) for the purpose of providing funds to finance the loan to be originated by the Lender (the “Loan”) to provide financing for the cost of acquisition and construction of the Project and related costs, and (ii) pursuant to which repayment of the Loan will be secured by a first lien Deed of Trust from the Borrower for the benefit of the Lender; and

WHEREAS, the Department now desires to authorize the use and distribution of a preliminary official statement (the “Preliminary Official Statement”) in connection with the offering of the Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the “Purchase Agreement”) with the Borrower, GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the “Underwriter”), and any other party to the Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter and/or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Underwriter and/or another party to such Purchase Agreement; and

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

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

WHEREAS, the Board has examined proposed forms of the Indenture, the Loan Agreement, the Regulatory Agreement, the Asset Oversight Agreement, the Preliminary Official Statement and the Purchase Agreement, all of which are attached to and comprise a part of this Resolution; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Section 1.12, to authorize the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient in connection therewith; NOW, THEREFORE,

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

ARTICLE I
ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That the Chair of the Governing Board or the Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of and the redemption provisions related to, the Bonds, all of which determinations shall be
conclusively evidenced by the execution and delivery by the Chair of the Governing Board or the Executive Director of the Department of the Indenture and the Purchase Agreement; provided, however, that: (a) the interest rate on the Bonds shall not exceed 6.0% per annum; provided, that in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum rate of interest permitted by applicable law; (b) the aggregate principal amount of the Bonds shall not exceed $11,500,000; (c) the final maturity of the Bonds shall occur not later than July 1, 2044; and (d) the price at which the Bonds are sold to the Underwriter and/or any additional party to the Purchase Agreement shall not exceed the principal amount thereof.

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

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

Section 1.5--Approval, Execution and Delivery of the Purchase Agreement. That the form and substance of the Purchase Agreement is hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Purchase Agreement and to deliver the Purchase Agreement to the Borrower and the Underwriter and any additional party to the Purchase Agreement as appropriate.

Section 1.6--Approval, Execution, Use and Distribution of the Preliminary Official Statement and the Official Statement. That the form and substance of the Preliminary Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are hereby approved, ratified, confirmed and authorized; that the Chair and the Executive Director are hereby severally authorized to deem the Preliminary Official Statement “final” for purposes of Rule 15c2-12 of the Securities and Exchange Commission; that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department’s seal to the Preliminary Official Statement and the Official Statement, as required; and that the distribution and circulation of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Bond Purchase Agreement and as may be approved by the Executive Director of the Department and the Department’s counsel.

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

Section 1.8--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department’s seal to, and to deliver to the appropriate parties, all such other agreements, commitments, assignments, bonds, certificates, contracts, documents,
instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.9—Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B - Indenture
Exhibit C - Loan Agreement
Exhibit D - Regulatory Agreement
Exhibit E - Preliminary Official Statement
Exhibit F - Purchase Agreement
Exhibit G - Asset Oversight Agreement

Section 1.10--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.11--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department’s seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary to the Board.

Section 1.12--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Project’s meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Project.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

Section 2.2--Approval of Submission to the Attorney General of Texas. That the Board hereby authorizes, and approves the submission by the Department’s Bond Counsel to the Attorney General of the State of Texas, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.
Section 2.3--Certification of the Minutes and Records. That the Secretary is hereby severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

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

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

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

Section 2.7--Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Purchase Agreement and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State of Texas.

Section 2.8--Approval of Requests for Rating from Rating Agency. That the action of the Executive Director of the Department or any successor and the Department’s consultants in seeking a rating from Moody’s Investors Service, Inc. and/or Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 2.9--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be GMAC Commercial Holding Capital Markets Corp. d/b/a Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp.

ARTICLE III
CERTAIN FINDINGS AND DETERMINATIONS

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

(a) Need for Housing Development.

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

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

(iii) that the Borrower is financially responsible,
that the financing of the Project is a public purpose and will provide a public benefit, and

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

(b) Findings with Respect to the Borrower.

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

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

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

(c) Public Purpose and Benefits.

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

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

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

Section 3.3--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.
Section 3.4--Waiver of Rules. That the Board hereby waives the rules contained in Chapter 33, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

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

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

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

Section 4.4--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department’s website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.
PASSED AND APPROVED this 28th day of June, 2004.

By:___________________________________
    Elizabeth Anderson, Chair

[SEAL]

Attest:_________________________
    Delores Groneck, Secretary
EXHIBIT A

DESCRIPTION OF PROJECT

Section 1. Project and Owner.

Owner: St. Augustine Villas Housing, L.P., a Texas limited partnership

Project: The Project is a 204-unit multifamily facility to be known as Sphinx at Delafield and to be located at the southwest corner of Hoyle Avenue and Delafield Lane, Dallas, Dallas County, Texas. The Project will include a total of 15 two- and three-story residential apartment buildings with approximately 210,856 net rentable square feet and an approximate average unit size of 1,034 square feet. The unit mix will consist of:

44 one-bedroom/one-bath units
88 two-bedroom/two-bath units
72 three-bedroom/two-bath units
204 Total Units

Unit sizes will range from approximately 760 square feet to approximately 1,226 square feet.

The Project will include a recreation center with offices, a business center, a fitness room, a community room, a computer room, a laundry room, kitchen facilities, and public restrooms. On-site amenities will include a swimming pool, a children’s play area, playground equipment, and a picnic area. All individual units will have washer/dryer connections.

Section 2. Project Amenities.

Project Amenities shall include:

- Washer/Dryer Connections
- Microwave Ovens (in each unit)
- Storage Room (outside the unit)
- Garages (equal to at least 35% of units)
- Ceiling Fans (living room and bedrooms)
- Ceramic Tile Flooring (entry way and bathroom)
- 75% or Greater Masonry (includes rock, stone, brick, stucco and cementious board product; excludes efis)
- Playground and Equipment and Covered Community Porch
- BBQ Grills and Tables (one each per 50 units) or Walking Trail (minimum length of ¼ mile) or Gazebo with Seating for Twelve
- Full Perimeter Fencing and Gated
- Computers with Internet Access / Business Facilities (8 hour availability)
- Game Room or TV Lounge
- Workout Facilities or Library (with comparable square footage as workout facilities)
**DEVELOPMENT AND OWNER INFORMATION**

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**Annual Tax Credit Allocation Calculation**

| Applicant Request:        | $729,073 |
| Eligible Basis Amt:       | $743,738 |
| Equity/Gap Amt.:          | $869,496 |

**Annual Tax Credit Allocation Recommendation:** $729,073

Total Tax Credit Allocation Over Ten Years: $7,290,730

**PROPERTY INFORMATION**

**Unit and Building Information**

- Total Units: 204
- HTC Units: 204 (100%)
- Gross Square Footage: 215,379
- Net Rentable Square Footage: 210,856
- Average Square Footage/Unit: 972
- Number of Buildings: 15
- Currently Occupied: N

**Development Cost**

- Total Cost: $18,538,363
- Total Cost/Net Rentable Sq. Ft.: $87.92

**Income and Expenses**

- Effective Gross Income: $1,700,120
- Total Expenses: $865,218
- Net Operating Inc.: $834,902
- Estimated 1st Year DCR: 1.08

**DEVELOPMENT TEAM**

- Consultant: Not Utilized
- Manager: Innovative Management
- Attorney: Shackelford, Melton & McKinley
- Architect: JHP + P Architects
- Accountant: Thomas Stephens, LLC
- Engineer: Victor Lisiak
- Market Analyst: Butler Burgher
- Lender: Malone Mortgage Company
- Contractor: BBL-Texas, LLC
- Syndicator: Wachovia Securities

**PUBLIC COMMENT**

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

04419 Board Summary for June 28th.doc 6/21/2004 8:50 AM
CONDITION(S) TO COMMITMENT

1. Per §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).

2. Annual debt service for the bonds after conversion from the construction period may not exceed $759,002 including mortgage insurance payments.

3. Receipt, review and acceptance prior to the issuance of bonds or a determination notice of evidence that the property is no longer subject to any purchase options held by other parties.

4. Receipt, review, and acceptance of a noise study from the ESA inspector by bond closing.

5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

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

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance Production Date

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

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

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director

Date

Chairman of Executive Award and Review Advisory Committee

TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).

Chairperson Signature:

Elizabeth Anderson, Chairman of the Board

Date
## Estimated Sources & Uses of Funds

### Sources of Funds

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004 Series Bond Proceeds</td>
<td>$11,500,000</td>
</tr>
<tr>
<td>Equity Funds from Borrower (Tax credit proceeds)</td>
<td>$5,650,000</td>
</tr>
<tr>
<td>Deferred Developer's Fee (Note at Completion)</td>
<td>$545,568</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td><strong>$17,695,568</strong></td>
</tr>
</tbody>
</table>

### Uses of Funds

<table>
<thead>
<tr>
<th>Use</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit to Mortgage Loan Fund (Construction funds)</td>
<td>$13,496,414</td>
</tr>
<tr>
<td>Deposit to Revenue Fund (30-Day Payment Lag)</td>
<td>$45,365</td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td>$479,917</td>
</tr>
<tr>
<td>Negative Arbitrage Deposite</td>
<td>$697,315</td>
</tr>
<tr>
<td>Developer's Fee/Overhead</td>
<td>$2,041,882</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td><strong>$17,695,568</strong></td>
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</tbody>
</table>

## Estimated Costs of Issuance of the Bonds

### Direct Bond Related

<table>
<thead>
<tr>
<th>Cost</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Issuance Fee (.5% of Issuance)</td>
<td>$57,900</td>
</tr>
<tr>
<td>Department Application Fee</td>
<td>$11,000</td>
</tr>
<tr>
<td>Department Bond Administration Fee (2 years)</td>
<td>$23,160</td>
</tr>
<tr>
<td>Bond Counsel (Note 1)</td>
<td>$77,000</td>
</tr>
<tr>
<td>Disclosure Counsel (Note 1)</td>
<td>$5,000</td>
</tr>
<tr>
<td>Developer Legal Expenses</td>
<td>$65,000</td>
</tr>
<tr>
<td>Department Financial Advisor</td>
<td>$25,000</td>
</tr>
<tr>
<td>Rating Agency Fee</td>
<td>$12,500</td>
</tr>
<tr>
<td>OS Printing &amp; Mailing</td>
<td>$3,750</td>
</tr>
<tr>
<td>Trustee Fee (Note 1)</td>
<td>$7,795</td>
</tr>
<tr>
<td>Trustee's Counsel (Note 1)</td>
<td>$5,000</td>
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<tr>
<td>Attorney General Transcript Fee</td>
<td>$1,250</td>
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<tr>
<td>Texas Bond Review Board Application Fee</td>
<td>$5,000</td>
</tr>
<tr>
<td>Texas Bond Review Board Fee</td>
<td>$3,400</td>
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<tr>
<td>TDHCA Compliance Fee (1st Year Escrow)</td>
<td>$5,100</td>
</tr>
<tr>
<td><strong>Total Direct Bond Related</strong></td>
<td><strong>$307,855</strong></td>
</tr>
</tbody>
</table>

### Underwriter's Spread

<table>
<thead>
<tr>
<th>Cost</th>
<th>Amount</th>
</tr>
</thead>
</table>
### Sphinx at Delafield Apartments

**Underwriter's Fee/Expenses**
- $115,800

**Underwriter's Counsel**
- $30,000

**Total Underwriter's Spread**
- $145,800

**Credit Enhancement Costs**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD Lender Fees</td>
<td>$231,600</td>
</tr>
<tr>
<td>Lender's Application Fee</td>
<td>$34,740</td>
</tr>
<tr>
<td>HUD Lender Counsel</td>
<td>$35,500</td>
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</table>

**Total Credit Enhancement Costs**
- $301,840

**Other Transaction Costs**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Credit Application &amp; Commitment Fee</td>
<td>$74,180</td>
</tr>
</tbody>
</table>

**Total Transaction Costs**
- $74,180

**Real Estate Closing Costs**

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title, Recording &amp; Survey</td>
<td>$115,000</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$20,000</td>
</tr>
</tbody>
</table>

**Total Real Estate Costs**
- $135,000

**Estimated Total Costs of Issuance**
- $964,675

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

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

APPLICANT

Name: St. Augustine Villas Housing, L.P.  Type: For Profit
Address: 3030 LBJ Freeway, Suite 880  City: Dallas  State: TX
Zip: 75234  Contact: Jay O. Oji  Phone: (214) 342-1400  Fax: (214) 342-1409

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: St. Augustine Housing Development, LLC  (%):  Title: Managing General Partner
Name: Jay O. Oji  (%):  Title: 60% owner of MGP
Name: Joseph N. Agumadu  (%):  Title: 40% owner of MGP

PROPERTY LOCATION

Location: 8200 Hoyle Avenue  QCT  DDA
City: Dallas  County: Dallas  Zip: 75227

REQUEST

<table>
<thead>
<tr>
<th>Amount</th>
<th>Interest Rate</th>
<th>Amortization</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) $729,073</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2) $12,270,000</td>
<td>To be determined</td>
<td>40</td>
<td>40</td>
</tr>
</tbody>
</table>

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

Proposed Use of Funds: New Construction  Property Type: Multifamily

RECOMMENDATION

☐ RECOMMEND APPROVAL OF ISSUANCE OF UP TO $11,500,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS SUBJECT TO CONDITIONS.

☒ RECOMMEND APPROVAL OF HOUSING TAX CREDITS NOT TO EXCEED $729,073 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Annual debt service for the bonds after conversion from the construction period may not exceed $759,002 including mortgage insurance payments.
2. Receipt, review and acceptance prior to the issuance of bonds or a determination notice of evidence that the property is no longer subject to any purchase options held by other parties.
3. Receipt review and acceptance of a noise study from the ESA inspector by bond closing.
4. Should the terms or rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount be warranted.
No previous reports.

### DEVELOPMENT SPECIFICATIONS

<table>
<thead>
<tr>
<th>IMPROVEMENTS</th>
</tr>
</thead>
</table>

| Total Units: 204 | # Rental Buildings 15 | # Common Area Bldgs 1 | # of Floors 2 | Age: N/A yrs | Vacant: N/A | Net Rentable SF: 210,856 | Av Un SF: 972 | Common Area SF: 4,523 | Gross Bldg SF: 215,379 |

**STRUCTURAL MATERIALS**

The structures will have wood frames on post-tensioned concrete slabs. According to the plans provided in the application the exterior will be comprised of 40% masonry/brick veneer, 20% cement fiber siding, and 40% stucco. The interior wall surfaces will be painted or papered drywall. The pitched roofs will be finished with asphalt composite shingles.

**APPLIANCES AND INTERIOR FEATURES**

The interior flooring will be a combination of carpeting and vinyl. Each unit will include a range and oven, hood and fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub and shower, washer and dryer connections, laminated counter tops, individual water heaters, and 9-foot ceilings.

**ON-SITE AMENITIES**

A 4,523-square foot community building will include: activity room, management offices, laundry facilities, restrooms, and computer/business center. A swimming pool, a basketball court, and a playground are also to be located on the property. Perimeter fencing with limited access gates will enclose the site.

**SITE ISSUES**

**SITE DESCRIPTION**

- **Description**: The Sphinx at Delafield is a dense (19 units per acre) new construction development of 204 affordable housing units located in east Dallas. The development is comprised of 15 evenly distributed, medium-sized, garden style residential buildings as follows:
  - 6 Building Type I with 3 one-bedroom/one-bath units, 8 two-bedroom/one-bath units, 2 two-bedroom/one-bath units and 4 three-bedroom/two-bath units;
  - 4 Building Type II with 4 one-bedroom/one-bath units, 2 two-bedroom/one-bath units, 7 three-bedroom/two-bath units; and
  - 5 Building Type III with 2 one-bedroom/one-bath units, 2 two-bedroom/one-bath units, 2 two-bedroom/two-bath units and 4 three-bedroom/two-bath units.

- **Architectural Review**: Each of the units appears well arranged with an adequate amount of space in each of the rooms and work areas.

- **Supportive Services**: The Applicant has included $35,000 annually within the operating budget for supportive services, and named Social Services Management Consultants as the service provider.

**SITE and NEIGHBORHOOD CHARACTERISTICS**

- **Location**: The site is a rectangularly-shaped parcel located in the east area of Dallas, approximately seven miles from the central business district. The site is situated on the south side of Hoyle Avenue.

- **Adjacent Land Uses**:
  - North: Hoyle Avenue with light industrial businesses and Union Pacific Railroad beyond.
**Site Access:** The development is to have two main entrances, one from the east by Delafield, and the other to the north from Hoyle. Access to Interstate Highway 30 is approximately two miles north, which provides connections to all other major roads serving the Dallas area.

**Public Transportation:** Public transportation to the area is provided by the Dallas Area Rapid Transit System. The location of the nearest bus stop is approximately one half mile away at the corner of Buckner and Military Parkway.

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

**Site Inspection Findings:** TDHCA staff performed a site inspection on April 13, 2004 and found the location to be acceptable for the proposed development.

The site was zoned for light industrial uses. The Applicant applied to have the land rezoned for multifamily and received City Council approval for MF-2(A) on May 26, 2004.

The commitment for title insurance shows an option to purchase the property held by Vehicles, Inc, a Delaware Corporation. Receipt, review and acceptance prior to the issuance of bonds or a determination notice of evidence that the property is no longer subject to the option to purchase is a condition of approval.

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

A Phase I Environmental Site Assessment report dated February 24, 2004 was prepared by Reed Engineering Group. The assessment identified no evidence of recognized environmental conditions. The ESA inspector recognized that the site is located within 3,000 feet of a Union Pacific Railroad and three railroad spurs and attempted to contact Union Pacific Railroad to complete a noise study. At the time the report was completed, however, the information from Union Pacific Railroad had not been provided and therefore the noise study is said to be forth coming upon receipt of this information. This report is conditioned upon receipt review and acceptance of a noise study by the EDA inspector prior to bond closing.

**POPULATIONS TARGETED**

**Income Set-Aside:** The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside, although as a Priority 1 private activity bond lottery development the Applicant has elected the 50% at 50% / 50% at 60% option. All of the units will be reserved for low-income tenants: half reserved for households earning 50% or less of AMGI, and half for households earning 60% or less of AMGI.

<table>
<thead>
<tr>
<th>MAXIMUM ELIGIBLE INCOMES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Person</strong></td>
</tr>
<tr>
<td>60% of AMI</td>
</tr>
</tbody>
</table>

**MARKET HIGHLIGHTS**

A market feasibility study dated March 17, 2004 was prepared by Butler Burgher, Inc. (“Market Analyst”) and highlighted the following findings:

**Definition of Primary Market Area (PMA):** “The Primary Market Area (PMA) is defined as the portions of the City of Dallas, Mesquite, and Balch Springs that are located south of IH 30, west of IH 635 and north and east of US 175” (p. 59). This area encompasses approximately 32.85 square miles and is equivalent to a circle with a radius of 3.23 miles.

**Population:** The estimated 2003 population of the PMA was 128,280 and is expected to increase by 1.4% annually to approximately 137,292 by 2008. Within the primary market area there were estimated to be

**Total Primary Market Demand for Rental Units:** The Market Analyst calculated a total demand of 5,287 qualified households in the PMA, based on the current estimate of 39,877 households, the projected annual growth rate of 1.4%, renter households estimated at 40.52% of the population, income-qualified households estimated at 52.55%, and an annual renter turnover rate of 60%. (p. 77). The Market Analyst used an income band of $0 to $41,490 based upon the assumption that Section 8 Vouchers would be accepted at the property but provided no additional details regarding Section 8 Voucher availability to the lowest income residents in this market. Therefore, the Underwriter recalculated the income band with a minimum income of $18,480.

### ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY

<table>
<thead>
<tr>
<th>Type of Demand</th>
<th>Market Analyst</th>
<th>Underwriter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Units of Demand</td>
<td>% of Total Demand</td>
</tr>
<tr>
<td>Household Growth</td>
<td>192</td>
<td>4%</td>
</tr>
<tr>
<td>Resident Turnover</td>
<td>5,095</td>
<td>96%</td>
</tr>
<tr>
<td><strong>TOTAL ANNUAL DEMAND</strong></td>
<td><strong>5,287</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Ref: p. 5

**Inclusive Capture Rate:** The Market Analyst calculated an inclusive capture rate of 9.42% based upon 5,287 units of demand and 498 unstabilized affordable housing in the PMA (including the subject) (p. 77). The Underwriter calculated an inclusive capture rate of 14.23% based upon a revised supply of 402 unstabilized, comparable, affordable units divided by a demand of 2,824.

**Market Rent Comparables:** The Market Analyst surveyed six comparable apartment projects totaling 1,718 units in the market area.

### RENT ANALYSIS (net tenant-paid rents)

<table>
<thead>
<tr>
<th>Unit Type (% AMI)</th>
<th>Proposed</th>
<th>Program Max</th>
<th>Differential</th>
<th>Est. Market</th>
<th>Differential</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-Bedroom (50%)</td>
<td>$539</td>
<td>$539</td>
<td>$0</td>
<td>$669</td>
<td>-$130</td>
</tr>
<tr>
<td>1-Bedroom (60%)</td>
<td>$665</td>
<td>$664</td>
<td>+$1</td>
<td>$669</td>
<td>-$4</td>
</tr>
<tr>
<td>2-Bedroom (50%)</td>
<td>$642</td>
<td>$642</td>
<td>$0</td>
<td>$870</td>
<td>-$228</td>
</tr>
<tr>
<td>2-Bedroom (60%)</td>
<td>$793</td>
<td>$792</td>
<td>+$1</td>
<td>$870</td>
<td>-$77</td>
</tr>
<tr>
<td>3-Bedroom (50%)</td>
<td>$737</td>
<td>$737</td>
<td>$0</td>
<td>$1,010</td>
<td>-$273</td>
</tr>
<tr>
<td>3-Bedroom (60%)</td>
<td>$910</td>
<td>$910</td>
<td>$0</td>
<td>$1,010</td>
<td>-$100</td>
</tr>
</tbody>
</table>

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

**Primary Market Occupancy Rates:** “Gross occupancy levels had been stable around 90% but have recently decreased to the current 82.5%. M/PF Research, Inc. forecasts occupancy in this submarket to decrease 0.6% to 81.9% over the next year due to absorption of new completions, and supply and demand becoming more balanced” (p. 72).

**Absorption Projections:** “The D/FW area had a net positive absorption for the past three years and 8,990 units are forecast for absorption in the next 12 months” (p. 79).

“Absorption was negative for the submarket over the year ending 4th Quarter 2003 (-90 units), compared to the previous positive absorption in 2002 (410) and the forecast positive absorption in 2004 (420 units)” (p. 72).

“These calculations result in an average forecast demand of 96 units/year through 2008. These figures are based on 2004 Claritas, Inc.’s 2003 and 2008 projected demographic performance of the area” (p. 78).

Based on the absorption rates of comparable properties, an “absorption rate of 5 to 20 units per month is reasonable for the subject, as encumbered by LIHTC, resulting in a 7-month absorption period from completion to obtain stabilized physical occupancy” (p. 79).

“The subject developer has projected an encumbered vacancy and collection loss allowance of 93%, similar to the level required by TDHCA. The developer’s projection is similar to that indicated [by vacancy rates] in the market; it is a slightly aggressive estimate that may not be sustainable in the marketplace when also
considering collection loss. Therefore, we have estimated a stabilized vacancy and collection loss allowance of 8.0%” (p. 91).

**Known Planned Development:** “According to M/PF Research, Inc. 541 new units were added during the year ending 2003. … The new additions were affordable product, which will serve the lower income segments of the population” (p. 79).

“Another 584 units are forecast for completion by September 2004 and another 336 units are scheduled to be complete in January 2005” (p. 72).

**Effect on Existing Housing Stock:** “The addition of the subject units is not expected to impact the overall vacancy rate of the submarket since the subject is expected to quickly lease-up to stabilization with occupancy in the mid 90%” (p. 91).

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

### OPERATING PROFORMA ANALYSIS

**Income:** The Applicant’s rent projections are the maximum rents allowed under HTC program guidelines, and are achievable according to the Market Analyst. The Applicant included secondary income of $32.19 per unit which included 40 garages at $50 each and 80 covered parking spaces at $15 each. While the Market Study contained evidence that these were reasonable asking rates for such amenities, the Study did not provide an analysis of the vacancy rate or need to use these amenities in conjunction with other concessions to maintain overall occupancy. The Applicant included only garages in the final set of plans provided but did not exclude the costs for same from eligible basis. The Underwriter compared secondary income levels of several similar developments in the area and included the garage income with a 50% combined physical and economic vacancy rate for this amenity. The Applicant used a vacancy and collection loss rate of 7% which is less than the 7.5% TDHCA guideline and the 8% estimate by the Market Analyst and this also contributed to the gross income estimate $35,104 higher than the Underwriter’s estimate.

**Expenses:** The Applicant’s total expense estimate of $4,105 per unit is within 3.2% of the TDHCA database-derived estimate of $4,241 per unit for comparably-sized developments. Significant difference from TDHCA’s data were noted in general and administrative expenses ($32,430 lower), and payroll ($31,620 lower). The Applicant also appears to have overstated expenses for providing tenant services by $24,800 based on the contract the Applicant provided with the supportive services provider.

**Conclusion:** The Applicant’s net operating income (NOI) estimate is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity.

Due to the differences in income and expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.01 for the bonds only is less than the program minimum standard of 1.10. Therefore, the maximum annual debt service for this project should be limited to $759,002. Program staff are recommending a maximum issuance of $11,500,000 in tax exempt bonds, with a projected annual debt service of $754,941, which would result in a debt coverage ratio of 1.11. See financing discussion below.

### ACQUISITION VALUATION INFORMATION

<table>
<thead>
<tr>
<th>ASSESSED VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land:</strong> 13 acres</td>
</tr>
<tr>
<td><strong>Building:</strong></td>
</tr>
<tr>
<td><strong>Total Assessed Value:</strong></td>
</tr>
</tbody>
</table>

**Assessment for the Year of:** 2003

**Valuation by:** Dallas Central Appraisal District

**Tax Rate:** $2.88046

### EVIDENCE of SITE or PROPERTY CONTROL

| **Type of Site Control:** | Unimproved Commercial Property Contract |
| **Contract Expiration Date:** | 08/ 30/ 2004 |
| **Anticipated Closing Date:** | 07/ 01/ 2004 |
| **Acquisition Cost:** | $107,500 plus improvement of a parking |
| **Other Terms/Conditions:** | For 1.5 acres |
## TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
### MULTIFAMILY UNDERWRITING ANALYSIS

<table>
<thead>
<tr>
<th>Seller: D. Cecil Williams Trust</th>
<th>Related to Development Team Member: No</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Site Control:</strong></td>
<td>Unimproved Commercial Property Contract</td>
</tr>
<tr>
<td><strong>Contract Expiration Date:</strong></td>
<td>08/ 30/ 2004</td>
</tr>
<tr>
<td><strong>Anticipated Closing Date:</strong></td>
<td>07/ 01/ 2004</td>
</tr>
<tr>
<td><strong>Acquisition Cost:</strong></td>
<td>$500,000</td>
</tr>
<tr>
<td><strong>Other Terms/Conditions:</strong></td>
<td>For 10.6 acres</td>
</tr>
<tr>
<td><strong>Seller:</strong> Redden Electrical Contractors, Inc.</td>
<td><strong>Related to Development Team Member:</strong> No</td>
</tr>
</tbody>
</table>

## CONSTRUCTION COST ESTIMATE EVALUATION

**Acquisition Value:** The site is controlled under two contracts with separate sellers. One section of the site, 10.6 acres in area, will be sold for $500,000 by Redden Electrical contractors. Consideration for the second 1.5 acre part of the site includes $107,500 plus the condition that the buyer develops one acre of land retained by the seller as a parking lot. The earnest money contract stipulates that $150,000 will be held in escrow with the title agent to ensure the completion of the parking lot. No design plan for the development of the off-site parking lot was included with the application. Based on the estimate that the available space could accommodate approximately 98 parking spaces, the Underwriter used Marshall & Swift’s *Residential Cost Handbook* to estimate a probable cost of approximately $63,123 for the development of the off-site parking lot. Although development of the parking lot is part of the consideration for the purchase of the property, the Underwriter included the associated cost in the line for off-site costs in order to distinguish it from cash paid to purchase the site. The acquisition costs indicated under the two earnest money contracts submitted, including the estimated cost of developing an off-site parking lot, total $670,623. The Applicant’s allowance of $755,000 for acquisition costs in their cost schedule, therefore, is overstated based on the information provided. The Underwriter’s estimated acquisition costs of $670,623 ($1.27/SF, $55,423/acre, or $3,287/unit) is assumed to be reasonable since the acquisitions are at arm’s-length.

**Off-Site Costs:** See discussion in “Acquisition Value” above.

**Sitework Cost:** The Applicant’s claimed site work costs of $7,495 per unit are within the safe harbor guidelines for site work costs for multifamily projects.

**Direct Construction Cost:** The Applicant’s direct construction cost estimate is $54,266 or less than 1% higher than the Underwriter’s Marshall & Swift *Residential Cost Handbook*-derived estimate.

**Ineligible Costs:** Because the proposed garages will be offered to residents at a cost in addition to the maximum rents, the estimated cost to construct the garages was removed from eligible basis for both the Underwriter’s and the Applicant’s estimates.

**Fees:** The Applicant’s contractor’s and developer’s fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

**Conclusion:** The Applicant’s direct construction costs, and total development cost are within 5% of the Underwriter’s estimate. Therefore, the Applicant’s cost estimate as adjusted by the Underwriter is used to calculate eligible basis and determine the HTC allocation. As a result, the Applicant’s revised eligible basis of $16,115,666 would render a potential credit allocation of $743,738 which is more than the Applicant’s request of $729,073 and the latter will be used to compare to the gap of funds to determine the recommended credit amount.
**FINANCING STRUCTURE**

**INTERIM TO PERMANENT BOND FINANCING**

<table>
<thead>
<tr>
<th>Source:</th>
<th>Malone Mortgage Company</th>
<th>Contact:</th>
<th>Jeff Rogers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-Exempt Amount:</td>
<td>$11,581,700</td>
<td>Interest Rate:</td>
<td>5.60% (plus 0.50% MIP)</td>
</tr>
<tr>
<td>Additional Information:</td>
<td></td>
<td>Amortization:</td>
<td>38 yrs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Term:</td>
<td>40 yrs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Commitment:</td>
<td>X LOI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lien Priority:</td>
<td>1st</td>
</tr>
<tr>
<td>Annual Payment:</td>
<td>$784,593</td>
<td>Commitment Date:</td>
<td>04/ 09/ 2004</td>
</tr>
</tbody>
</table>

**TAX CREDIT SYNDICATION**

<table>
<thead>
<tr>
<th>Source:</th>
<th>Wachovia Securities</th>
<th>Contact:</th>
<th>Tim McCann</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address:</td>
<td>301 South College Street, TW-17</td>
<td>City:</td>
<td>Charlotte</td>
</tr>
<tr>
<td>State:</td>
<td>NC</td>
<td>Zip:</td>
<td>28288</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Phone:</td>
<td>(704) 374-3468</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fax:</td>
<td>(704) 383-9525</td>
</tr>
<tr>
<td>Net Proceeds:</td>
<td>$5,802,317</td>
<td>Net Syndication Rate (per $1.00 of 10-yr LIHTC)</td>
<td>82¢</td>
</tr>
<tr>
<td>Commitment Date:</td>
<td>04/ 09/ 2004</td>
<td>Additional Information:</td>
<td>Syndicator’s commitment is based on the receipt of $708,304 in tax credits annually.</td>
</tr>
</tbody>
</table>

**APPLICANT EQUITY**

| Amount: | $380,322 |
| Source: | Deferred Developer Fee |

**FINANCING STRUCTURE ANALYSIS**

**Interim to Permanent Bond Financing:** The tax-exempt bonds are to be issued by TDHCA and publicly offered. The mortgage loan will be FHA-insured under the 221(d)(4) program. The permanent financing commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application, and the Applicant’s operating proforma. The Applicant’s use of a lower interest rate and longer amortization period than stated by the lender resulted in a slightly lower annual debt service.

**HTC Syndication:** The tax credit syndication commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application. In particular, the syndicator indicated the provision of $5,802,317 in equity, rather than $5,972,418 as indicated by the Applicant, the difference being due to the syndicator’s anticipated receipt of $708,304 in tax credits annually, rather than the requested $729,073.

**Deferred Developer’s Fees:** The Applicant’s proposed deferred developer’s fees of $380,322 would amount to 19% of the total fees.

**Financing Conclusions:** Due to the difference in estimated net operating income, the Underwriter’s estimated debt coverage ratio (DCR) of 1.01 for the Applicant’s requested bond issuance of $12,270,000 is less than the program minimum standard of 1.10. While the estimated debt service for the recommended bond issuance of $11,500,000 would result in a DCR of 1.11, this estimate has been based on an assumed interest rate of 5.35% plus an annual mortgage insurance premium of 0.50%. If the pricing of the bonds is not so favorable, then it may be possible that the bonds issued may be less. Therefore, the maximum annual debt service for this development should not exceed $759,002, including the mortgage insurance premiums associated with the FHA insurance.

Based on the Applicant’s requested annual tax credits being lower than the amount derived from the revised estimate of eligible basis, the HTC allocation should not exceed $729,073 annually for ten years, resulting in syndication proceeds of approximately $5,972,420. To compensate for the reduction in loan funds and tax credit equity, the Applicant’s deferred developer fee will be increased to $1,065,942, which amounts to approximately 53% of the total fee and which should be repayable by the eighth year of stabilized operations.
DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and Developer are related entities. This is a common relationship for HTC-funded developments.

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

Financial Highlights:
- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Developer, Sphinx Development Corporation, submitted an unaudited financial statement as of December 31, 2003 reporting total assets of $2,812,351 and consisting of $79,162 in cash, $5,500 in earnest money escrows, $40,543 in machinery, equipment, and fixtures, and $2,607,984 in developer’s notes and partnership interests. Liabilities totaled $51,455, resulting in a net worth of $2,760,896.
- The principals of the General Partner, Jay O. Oji and Joseph N. Agumadu, submitted unaudited financial statements as of December 31, 2004 and are anticipated to be guarantors of the development.

Background & Experience:
- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Multifamily Production Finance Staff have verified that the contractor has met the Department’s experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant’s operating proforma is more than 5% outside of the Underwriter’s verifiable ranges.
- The recommended amount of deferred developer fee cannot be repaid within ten years and any amount unpaid past ten years would be removed from eligible basis.
- The site is not currently zoned appropriately for the proposed development and rezoning is subject to local approval.
- An option for the purchase of the property is held by another entity and should be cleared before issuance of bonds or a determination notice.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter: ____________________________ Date: June 18, 2004
Stephen Apple

Director of Real Estate Analysis: ____________________________ Date: June 18, 2004
Tom Gouris
### Incomes

<table>
<thead>
<tr>
<th>Description</th>
<th>Total Net Rentable Sq Ft</th>
<th>TDHCA</th>
<th>APPLICANT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>210,856</td>
<td>$1,786,246</td>
<td>$1,787,040</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Comptroller's Region 3</td>
<td>IREM Region Dallas</td>
</tr>
<tr>
<td>Secondary Income</td>
<td>$21,13</td>
<td>51,720</td>
<td>78,792</td>
</tr>
<tr>
<td>Other Support Income: (describe)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>POTENTIAL GROSS INCOME</strong></td>
<td><strong>$1,837,968</strong></td>
<td><strong>$1,865,832</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Vacancy &amp; Collection Loss</strong></td>
<td>% of Potential Gross Income: -7.50%</td>
<td>(137,848)</td>
<td>(130,608)</td>
</tr>
<tr>
<td>Employee or Other Non-Rental Units</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>EFFECTIVE GROSS INCOME</strong></td>
<td><strong>$1,700,120</strong></td>
<td><strong>$1,735,224</strong></td>
<td></td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>% of Equ</th>
<th>Per Unit</th>
<th>Per Sq FT</th>
<th>% of Equ</th>
</tr>
</thead>
<tbody>
<tr>
<td>General &amp; Administrative</td>
<td>4.90%</td>
<td>$408</td>
<td>0.39</td>
<td>2.93%</td>
</tr>
<tr>
<td>Management</td>
<td>5.00%</td>
<td>417</td>
<td>0.40</td>
<td>5.88%</td>
</tr>
<tr>
<td>Payroll &amp; Payroll Tax</td>
<td>10.26%</td>
<td>855</td>
<td>0.83</td>
<td>8.23%</td>
</tr>
<tr>
<td>Repairs &amp; Maintenance</td>
<td>5.57%</td>
<td>464</td>
<td>0.45</td>
<td>5.29%</td>
</tr>
<tr>
<td>Utilities</td>
<td>2.48%</td>
<td>207</td>
<td>0.20</td>
<td>2.54%</td>
</tr>
<tr>
<td>Water, Sewer, &amp; Trash</td>
<td>5.33%</td>
<td>444</td>
<td>0.43</td>
<td>3.62%</td>
</tr>
<tr>
<td>Property Insurance</td>
<td>3.10%</td>
<td>258</td>
<td>0.25</td>
<td>2.94%</td>
</tr>
<tr>
<td>Property Tax</td>
<td>10.37%</td>
<td>864</td>
<td>0.84</td>
<td>11.22%</td>
</tr>
<tr>
<td>Reserve for Replacements</td>
<td>2.40%</td>
<td>200</td>
<td>0.19</td>
<td>2.33%</td>
</tr>
<tr>
<td>Compliance, Services, Security</td>
<td>1.49%</td>
<td>124</td>
<td>0.12</td>
<td>2.89%</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>50.89%</td>
<td>$4,241</td>
<td>$4.10</td>
<td>48.26%</td>
</tr>
</tbody>
</table>

### Debt Service

<table>
<thead>
<tr>
<th>Description</th>
<th>% of Equ</th>
<th>Per Unit</th>
<th>Per Sq FT</th>
<th>% of Equ</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Lien Mortgage</td>
<td>47.38%</td>
<td>$3,948</td>
<td>$3.82</td>
<td>46.25%</td>
</tr>
<tr>
<td>Trustee Fee</td>
<td>0.21%</td>
<td>$17</td>
<td>0.02</td>
<td>0.00%</td>
</tr>
<tr>
<td>TDHCA Admin. Fees</td>
<td>0.72%</td>
<td>$60</td>
<td>0.06</td>
<td>0.00%</td>
</tr>
<tr>
<td>Asset Oversight Fees</td>
<td>0.30%</td>
<td>$25</td>
<td>0.02</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>NET CASH FLOW</strong></td>
<td>0.71%</td>
<td>$69</td>
<td>0.06</td>
<td>4.45%</td>
</tr>
</tbody>
</table>

### Aggregate Debt Coverage Ratio

<table>
<thead>
<tr>
<th>Description</th>
<th>1.01</th>
<th>1.12</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INITIAL BONDS &amp; TRUSTEE</strong></td>
<td></td>
<td>1.03</td>
</tr>
<tr>
<td><strong>RECOMMENDED DEBT COVERAGE RATIO</strong></td>
<td></td>
<td>1.15</td>
</tr>
</tbody>
</table>

### Construction Cost

<table>
<thead>
<tr>
<th>Description</th>
<th>% of Total</th>
<th>Per Unit</th>
<th>Per Sq FT</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Cost (site &amp; bdg)</td>
<td>3.32%</td>
<td>$2,978</td>
<td>$2.88</td>
<td>4.06%</td>
</tr>
<tr>
<td>Off-Sites</td>
<td>0.34%</td>
<td>309</td>
<td>0.30</td>
<td>0.00%</td>
</tr>
<tr>
<td>Sitework</td>
<td>8.34%</td>
<td>7,495</td>
<td>7.25</td>
<td>8.21%</td>
</tr>
<tr>
<td>Direct Construction</td>
<td>51.73%</td>
<td>46,463</td>
<td>44.95</td>
<td>51.19%</td>
</tr>
<tr>
<td>Contingency</td>
<td>1.84%</td>
<td>995</td>
<td>0.96</td>
<td>1.09%</td>
</tr>
<tr>
<td>General Req's</td>
<td>5.54%</td>
<td>2,990</td>
<td>2.89</td>
<td>3.28%</td>
</tr>
<tr>
<td>Contractor's G &amp; A</td>
<td>1.84%</td>
<td>995</td>
<td>0.96</td>
<td>1.09%</td>
</tr>
<tr>
<td>Contractor's Profit</td>
<td>5.54%</td>
<td>2,990</td>
<td>2.89</td>
<td>3.28%</td>
</tr>
<tr>
<td>Indirect Construction</td>
<td>2.45%</td>
<td>2,198</td>
<td>2.13</td>
<td>2.41%</td>
</tr>
<tr>
<td>Ineligible Costs</td>
<td>5.57%</td>
<td>5,002</td>
<td>4.84</td>
<td>6.35%</td>
</tr>
<tr>
<td>Developer's G &amp; A</td>
<td>2.99%</td>
<td>2,059</td>
<td>1.99</td>
<td>2.26%</td>
</tr>
<tr>
<td>Developer's Profit</td>
<td>11.24%</td>
<td>7,745</td>
<td>7.49</td>
<td>8.48%</td>
</tr>
<tr>
<td>Interim Financing</td>
<td>5.35%</td>
<td>4,801</td>
<td>4.65</td>
<td>5.26%</td>
</tr>
<tr>
<td>Reserves</td>
<td>3.11%</td>
<td>2,794</td>
<td>2.70</td>
<td>3.06%</td>
</tr>
<tr>
<td><strong>TOTAL COST</strong></td>
<td>100.00%</td>
<td>$89,816</td>
<td>$86.90</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

### Recap-Hard Construction Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>% of Total</th>
<th>Per Unit</th>
<th>Per Sq FT</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Lien Mortgage</td>
<td>66.97%</td>
<td>$61,929</td>
<td>$59.92</td>
<td>68.13%</td>
</tr>
<tr>
<td>Additional Financing</td>
<td>0.00%</td>
<td>0</td>
<td>0.00</td>
<td>0.00%</td>
</tr>
<tr>
<td>HTC Syndication Proceeds</td>
<td>32.60%</td>
<td>59,728</td>
<td>28.32</td>
<td>32.60%</td>
</tr>
<tr>
<td>Deferred Developer Fees</td>
<td>2.08%</td>
<td>$1,864</td>
<td>1.80</td>
<td>2.08%</td>
</tr>
<tr>
<td>Additional (excess) Funds Required</td>
<td>-1.64%</td>
<td>($1,472)</td>
<td>($1.42)</td>
<td>-1.64%</td>
</tr>
<tr>
<td><strong>TOTAL SOURCES</strong></td>
<td></td>
<td>$18,226</td>
<td>$18,224</td>
<td>68.13%</td>
</tr>
</tbody>
</table>

### Sources of Funds

<table>
<thead>
<tr>
<th>Description</th>
<th>% of Total</th>
<th>Per Unit</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Lien Mortgage</td>
<td>66.97%</td>
<td>$12,270</td>
<td>$12,270</td>
</tr>
<tr>
<td>Additional Financing</td>
<td>0.00%</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>HTC Syndication Proceeds</td>
<td>32.60%</td>
<td>5,972</td>
<td>5,972</td>
</tr>
<tr>
<td>Deferred Developer Fees</td>
<td>2.08%</td>
<td>380,322</td>
<td>380,322</td>
</tr>
<tr>
<td>Additional (excess) Funds Required</td>
<td>-1.64%</td>
<td>($300,264)</td>
<td>($300,264)</td>
</tr>
<tr>
<td><strong>TOTAL SOURCES</strong></td>
<td></td>
<td>$18,226</td>
<td>$18,224</td>
</tr>
</tbody>
</table>

### Comparison

- TDHCA Admin. Fees
- Trustee Fee
- Compliance, Services, Security
- Property Insurance
- Property Tax
- Reserve for Replacements
- First Lien Mortgage
- Trustee Fee
- TDHCA Admin. Fees
- Asset Oversight Fees
- Net Cash Flow
- Initial Bonds & Trustee Fee-Only Debt Coverage Ratio
- Recommended Debt Coverage Ratio (Bonds only)
## MULTIFAMILY COMPARATIVE ANALYSIS (continued)

**Sphinx at Delafield, Dallas, MRB #2004-010, HTC #04419**

### DIRECT CONSTRUCTION COST ESTIMATE

**Residential Cost Handbook**

**Average Quality Mixed Townhouse Basis**

<table>
<thead>
<tr>
<th>CATEGORY FACTOR</th>
<th>UNITS/SQ FT</th>
<th>PER SF</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Cost</td>
<td>47.23</td>
<td>$9,958,484</td>
<td></td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exterior Wall Finish</td>
<td>2.96%</td>
<td>$1.40</td>
<td>$294,771</td>
</tr>
<tr>
<td>9-Fl. Ceilings</td>
<td>3.40%</td>
<td>$1.61</td>
<td>338,588</td>
</tr>
<tr>
<td>Roofing</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Subfloor</td>
<td>(0.87)</td>
<td>(182,953)</td>
<td></td>
</tr>
<tr>
<td>Floor Cover</td>
<td>2.32</td>
<td>488,764</td>
<td></td>
</tr>
<tr>
<td>Poreches/Balconies</td>
<td>16.36%</td>
<td>$1.61</td>
<td>338,588</td>
</tr>
<tr>
<td>Plumbing</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Built-In Appliances</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Stairs/Fireplaces</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Roofing</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Heating/Cooling</td>
<td>1.79</td>
<td>377,011</td>
<td></td>
</tr>
<tr>
<td>Garages/Carports</td>
<td>13.44%</td>
<td>$1.21</td>
<td>255,772</td>
</tr>
<tr>
<td>Comm &amp;/or Aux Bldgs</td>
<td>0.46%</td>
<td>0.75</td>
<td>158,054</td>
</tr>
<tr>
<td>Other</td>
<td>0.00%</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**SUBTOTAL** 60.31 | 12,717,777

**Current Cost Multiplier** | 1.03 | 1.81 | 381,533

**Local Multiplier** | 0.90 | (1,271,778) |

**TOTAL DIRECT CONSTRUCTION COSTS** | $56.09 | $11,827,533 |

### PAYMENT COMPUTATION

**Primary**

- $12,270,000 Amort 456
- Int Rate 5.85% DCR 1.04

**Secondary**

- $0 Amort
- Int Rate 0.00% Subtotal DCR 1.03

**Additional**

- $0 Amort
- Int Rate 0.00% Aggregate DCR 1.01

**RECOMMENDED FINANCING STRUCTURE:**

- Primary Debt Service
  - $754,941
- Trustee Fee
  - 3,500
- TDHCA Admin & Asset Oversight Fee
  - 17,370
- NET CASH FLOW
  - $59,092

### OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

**Income at 3.00%**

- **Potential Gross Rent**
  - Primary: $1,786,248
  - Secondary: $0
  - Additional: $0

- **Secondary Income**
  - Primary: $51,720
  - Secondary: $0
  - Additional: $0

**Vacancy & Collection Loss**

- Primary: $1,737,968
  - Secondary: $0
  - Additional: $0

**Effective Gross Income**

- Primary: $1,751,124
  - Secondary: $0
  - Additional: $0

**Expenses at 4.00%**

- **General & Administrative**
  - Primary: $83,230
  - Secondary: $0
  - Additional: $0

- **Utilities**
  - Primary: $42,171
  - Secondary: $0
  - Additional: $0

- **Insurance**
  - Primary: $52,714
  - Secondary: $0
  - Additional: $0

- **Property Tax**
  - Primary: $176,284
  - Secondary: $0
  - Additional: $0

**Total Expenses**

- Primary: $656,218
  - Secondary: $0
  - Additional: $0

**Net Operating Income**

- Primary: $834,902
  - Secondary: $0
  - Additional: $0

**Debt Service**

- **First Lien Financing**
  - Primary: $754,941
  - Secondary: $3,500
  - Other Financing: $17,370

**Net Cash Flow**

- Primary: $59,092
  - Secondary: $0
  - Other Financing: $0

**Debt Coverage Ratio**

- 1.08

TCSheet Version Date 5/1/03 Page 2 04419 Sphinx at Delafield.xls Print Date 6/18/2004 2:39 PM
<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>APPLICANT'S TOTAL AMOUNTS</th>
<th>TDHCA TOTAL AMOUNTS</th>
<th>APPLICANT'S REHAB/NEW ELIGIBLE BASIS</th>
<th>TDHCA REHAB/NEW ELIGIBLE BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Acquisition Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of land</td>
<td>$755,000</td>
<td>$607,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of buildings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Rehabilitation/New Construction Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On-site work</td>
<td>$1,529,000</td>
<td>$1,529,000</td>
<td>$1,529,000</td>
<td>$1,529,000</td>
</tr>
<tr>
<td>Off-site improvements</td>
<td></td>
<td>$63,123</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Construction Hard Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New structures/rehabilitation hard costs</td>
<td>$9,532,800</td>
<td>$9,478,534</td>
<td>$9,532,800</td>
<td>$9,478,534</td>
</tr>
<tr>
<td>(4) Contractor Fees &amp; General Requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contractor overhead</td>
<td>$203,000</td>
<td>$203,000</td>
<td>$203,000</td>
<td>$203,000</td>
</tr>
<tr>
<td>Contractor profit</td>
<td>$610,000</td>
<td>$610,000</td>
<td>$610,000</td>
<td>$610,000</td>
</tr>
<tr>
<td>General requirements</td>
<td>$610,000</td>
<td>$610,000</td>
<td>$610,000</td>
<td>$610,000</td>
</tr>
<tr>
<td>(5) Contingencies</td>
<td></td>
<td>$203,000</td>
<td>$203,000</td>
<td>$203,000</td>
</tr>
<tr>
<td>(6) Eligible Indirect Fees</td>
<td></td>
<td>$448,366</td>
<td>$448,366</td>
<td>$448,366</td>
</tr>
<tr>
<td>(7) Eligible Financing Fees</td>
<td></td>
<td>$979,500</td>
<td>$979,500</td>
<td>$979,500</td>
</tr>
<tr>
<td>(8) All Ineligible Costs</td>
<td></td>
<td>$1,182,074</td>
<td>$1,020,454</td>
<td></td>
</tr>
<tr>
<td>(9) Developer Fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developer overhead</td>
<td>$420,000</td>
<td>$420,000</td>
<td>$420,000</td>
<td>$420,000</td>
</tr>
<tr>
<td>Developer fee</td>
<td>$1,580,000</td>
<td>$1,580,000</td>
<td>$1,580,000</td>
<td>$1,580,000</td>
</tr>
<tr>
<td>(10) Development Reserves</td>
<td></td>
<td>$570,000</td>
<td>$570,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL DEVELOPMENT COSTS</td>
<td>$18,622,740</td>
<td>$18,322,476</td>
<td>$16,115,666</td>
<td>$16,061,400</td>
</tr>
</tbody>
</table>

**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)

<table>
<thead>
<tr>
<th>TOTAL ELIGIBLE BASIS</th>
<th>$16,115,666</th>
<th>$16,061,400</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Cost Area Adjustment</td>
<td>130%</td>
<td>130%</td>
</tr>
<tr>
<td>TOTAL ADJUSTED BASIS</td>
<td>$20,950,366</td>
<td>$20,879,820</td>
</tr>
<tr>
<td>Applicable Fraction</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL QUALIFIED BASIS</td>
<td>$20,950,366</td>
<td>$20,879,820</td>
</tr>
<tr>
<td>Applicable Percentage</td>
<td>3.55%</td>
<td>3.55%</td>
</tr>
<tr>
<td>TOTAL AMOUNT OF TAX CREDITS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syndication Proceeds</td>
<td>0.8192</td>
<td></td>
</tr>
<tr>
<td>Total Credits (Eligible Basis Method)</td>
<td>$743,738</td>
<td>$741,234</td>
</tr>
<tr>
<td>Syndication Proceeds</td>
<td>$6,092,553</td>
<td>$6,072,037</td>
</tr>
<tr>
<td>Requested Credits</td>
<td>$729,073</td>
<td></td>
</tr>
<tr>
<td>Syndication Proceeds</td>
<td>$5,972,420</td>
<td></td>
</tr>
<tr>
<td>Gap of Syndication Proceeds Needed</td>
<td>$7,122,740</td>
<td></td>
</tr>
<tr>
<td>Credit Amount</td>
<td>$869,496</td>
<td></td>
</tr>
</tbody>
</table>
RENT CAP EXPLANATION
Dallas MSA

AFFORDABILITY DEFINITION & COMMENTS

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

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

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

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2004

| MSA/County: Dallas | Area Median Family Income (Annual): $65,100 |

| ANNUALLY | MONTHLY |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules | Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities) | Utility Allowance by Unit Type (provided by the local PHA) | Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap) |
| # of Persons | At or Below | At or Below | At or Below | At or Below | At or Below | At or Below |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 50% | 60% | 80% | Unit Type | 50% | 60% | 80% | Utility Allowance | 50% | 60% | 80% |
| 1 | $23,300 | $27,960 | $37,250 | Efficiency | $582 | $699 | $931 | $84.00 | $539 | $664 | $913 |
| 2 | 26,600 | 31,920 | 42,550 | 1-Bedroom | 623 | 748 | 997 | 84.00 | 539 | 664 | 913 |
| 3 | 29,950 | 35,940 | 47,900 | 2-Bedroom | 748 | 898 | 1,197 | 106.00 | 642 | 792 | 1,091 |
| 4 | 33,250 | 39,900 | 53,200 | 3-Bedroom | 864 | 1,037 | 1,383 | 127.00 | 737 | 910 | 1,256 |
| 5 | 35,900 | 43,080 | 57,450 | 4-Bedroom | 963 | 1,156 | 1,542 | 963 | 1,156 | 1,542 |
| 6 | 38,550 | 46,260 | 61,700 | 5-Bedroom | 1,064 | 1,277 | 1,701 | 1,064 | 1,277 | 1,701 |

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

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

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

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

1) $29,950 divided by 12 = $2,496 monthly income; then,
2) $2,496 monthly income times 30% = $748 maximum total housing expense.

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

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

The rent cap is calculated by subtracting the utility allowance in Figure 3 from the maximum total housing expense for each unit type found in Figure 2.
**RESULTS & ANALYSIS: for 50% AMFI Units**

Tenants in the 50% AMFI bracket will save **$153 to $322** per month (leaving 6.9% to 11.2% more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of **22.2% to 30.4%**.

### PROJECT INFORMATION

<table>
<thead>
<tr>
<th>Unit Description</th>
<th>1-Bedroom</th>
<th>2-Bedroom</th>
<th>3-Bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Square Footage</td>
<td>778</td>
<td>1,023</td>
<td>1,203</td>
</tr>
<tr>
<td>Rents if Offered at Market Rates</td>
<td>$692</td>
<td>$900</td>
<td>$1,059</td>
</tr>
<tr>
<td>Rent per Square Foot</td>
<td>$0.89</td>
<td>$0.88</td>
<td>$0.88</td>
</tr>
</tbody>
</table>

### SAVINGS ANALYSIS FOR 60% AMFI GROUPING

<table>
<thead>
<tr>
<th>Rent Cap for 50% AMFI Set-Aside</th>
<th>$539</th>
<th>$642</th>
<th>$737</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Savings for Tenant</td>
<td>$153</td>
<td>$258</td>
<td>$322</td>
</tr>
<tr>
<td>Rent per square foot</td>
<td>$0.69</td>
<td>$0.63</td>
<td>$0.61</td>
</tr>
<tr>
<td>Maximum Monthly Income - 50% AMFI</td>
<td>$2,217</td>
<td>$2,496</td>
<td>$2,881</td>
</tr>
<tr>
<td>Monthly Savings as % of Monthly Income</td>
<td>6.9%</td>
<td>10.3%</td>
<td>11.2%</td>
</tr>
<tr>
<td>% DISCOUNT OFF MONTHLY RENT</td>
<td>22.2%</td>
<td>28.7%</td>
<td>30.4%</td>
</tr>
</tbody>
</table>

**Information provided by:** Butler Burgher, Inc. 8150 N. Central Expressway, Suite 801, Dallas, Texas 77206. Report dated April 26, 2004.
**RESULTS & ANALYSIS: for 60% AMFI units**

Tenants in the 60% AMFI bracket will save **$28 to $149** per month (leaving 1.1% to 4.3% more of their monthly income for food, child care and other living expenses). This is a monthly savings off the market rents of **4.1% to 14.0%**.

### PROJECT INFORMATION

<table>
<thead>
<tr>
<th>Unit Description</th>
<th>1-Bedroom</th>
<th>2-Bedroom</th>
<th>3-Bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Square Footage</td>
<td>778</td>
<td>1,023</td>
<td>1,203</td>
</tr>
<tr>
<td>Rents if Offered at Market Rates</td>
<td>$692</td>
<td>$900</td>
<td>$1,059</td>
</tr>
<tr>
<td>Rent per Square Foot</td>
<td>$0.89</td>
<td>$0.88</td>
<td>$0.88</td>
</tr>
</tbody>
</table>

### SAVINGS ANALYSIS FOR 60% AMFI GROUPING

<table>
<thead>
<tr>
<th></th>
<th>1-Bedroom</th>
<th>2-Bedroom</th>
<th>3-Bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent Cap for 60% AMFI Set-Aside</td>
<td>$664</td>
<td>$792</td>
<td>$910</td>
</tr>
<tr>
<td><strong>Monthly Savings for Tenant</strong></td>
<td><strong>$28</strong></td>
<td><strong>$108</strong></td>
<td><strong>$149</strong></td>
</tr>
<tr>
<td>Rent per square foot</td>
<td>$0.85</td>
<td>$0.77</td>
<td>$0.76</td>
</tr>
<tr>
<td>Maximum Monthly Income - 60% AMFI</td>
<td>$2,660</td>
<td>$2,995</td>
<td>$3,458</td>
</tr>
<tr>
<td><strong>Monthly Savings as % of Monthly Income</strong></td>
<td><strong>1.1%</strong></td>
<td><strong>3.6%</strong></td>
<td><strong>4.3%</strong></td>
</tr>
<tr>
<td>% DISCOUNT OFF MONTHLY RENT</td>
<td><strong>4.1%</strong></td>
<td><strong>12.0%</strong></td>
<td><strong>14.0%</strong></td>
</tr>
</tbody>
</table>

**Applicant Evaluation**

**Project ID # 04419**  
**Name:** Sphinx @ Delafield  
**City:** Dallas

<table>
<thead>
<tr>
<th>LIHTC 9%</th>
<th>LIHTC 4%</th>
<th>HOME</th>
<th>BOND</th>
<th>HTF</th>
<th>SECO</th>
<th>ESGP</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐</td>
<td>☑</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

☐ No Previous Participation in Texas  
☐ Members of the development team have been disbarred by HUD  
☐ Members of the application did not receive the required Previous Participation Acknowledgement

**LIHTC 9% | LIHTC 4%**

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

---

### Portfolio Management and Compliance

<table>
<thead>
<tr>
<th>Total # of Projects monitored:</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects grouped by score</td>
<td></td>
</tr>
<tr>
<td>zero to nine</td>
<td>0</td>
</tr>
<tr>
<td>ten to nineteen</td>
<td>1</td>
</tr>
<tr>
<td>twenty to twenty-nine</td>
<td>0</td>
</tr>
</tbody>
</table>

### Projects in Material Noncompliance

- Yes ☑  
- No ☐

- # in noncompliance: 0
- # monitored with a score less than thirty: 1
- # not yet monitored or pending review: 3
- # 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) ☐

Reviewed by Sara Newsom  
**Date** Tuesday, June 15, 2004

### 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 Administration/Analysis

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

### Portfolio Monitoring

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

Reviewed by S. Roth  
**Date** 5/27/2004

### Community Affairs

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

Reviewed by EEF  
**Date** 6/15/2004

### Office of Colonia Initiatives

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

Reviewer  
**Date**

### Real Estate Analysis

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

Reviewed by Stephanie A. D'Couto  
**Date** 6/14/2004

### Financial Administration

- No delinquencies found ☑
- Delinquencies found ☐

Reviewer  
**Date** 6/14/2004

---

**Executive Director:**  
**Executed:**
Public Hearing

<table>
<thead>
<tr>
<th>Total Number Attended</th>
<th>26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number Opposed</td>
<td>0</td>
</tr>
<tr>
<td>Total Number Supported</td>
<td>26</td>
</tr>
<tr>
<td>Total Number Neutral</td>
<td>0</td>
</tr>
<tr>
<td>Total Number that Spoke</td>
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</tr>
</tbody>
</table>

Public Officials Letters Received

| Opposition | 0 |

<table>
<thead>
<tr>
<th>Support</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senator Royce West</td>
<td></td>
</tr>
<tr>
<td>Representative Terri Hodge</td>
<td></td>
</tr>
<tr>
<td>County Commissioner John Wiley Price</td>
<td></td>
</tr>
<tr>
<td>City Councilmember Maxine Reese</td>
<td></td>
</tr>
</tbody>
</table>

General Public Letters and Emails Received

<table>
<thead>
<tr>
<th>Opposition</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buckner Terrace HOA</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Support</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pleasant Wood/Grove Community Development Corporation</td>
<td></td>
</tr>
</tbody>
</table>

Summary of Public Comments

1. Why would anyone want to build in the middle of light industrial zoning?
2. Already overcrowded schools
3. Limited shopping facilities
4. Want to make sure the building meets with neighborhood standards
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS
SPHINX AT DELAFIELD APARTMENTS

PUBLIC HEARING

San Jacinto Elementary School
7900 Hume Drive
Dallas, Texas

April 13, 2004
6:00 p.m.

BEFORE:

ROBBYE G. MEYER, Multifamily Bond Administrator
<table>
<thead>
<tr>
<th>SPEAKER</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reverend Johnson</td>
<td>4</td>
</tr>
</tbody>
</table>
PROCEDINGS

MS. MEYER: Good evening. My name is Robbye Meyer. I would like to proceed with the public hearing. Let the record show that it is 6:12 p.m., Tuesday, April 13, 2004 and we are at the San Jacinto Elementary School located at 7900 Hume Drive, Dallas, Texas 75227.

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

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

No decisions regarding the development will be made at this hearing. The Department's board is scheduled to meet to consider this transaction on June 10, 2004. In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the board at their meeting, and the Department staff will also accept written comments from the public up until 5:00 on May 28, 2004.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed $13,600,000 and taxable bonds, if necessary, in an amount to be
determined and issued by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will be loaned to San Augustine Villas Housing, L.P. or a related person or affiliate entity thereof to finance a portion of the cost of acquiring and constructing and equipping a multifamily rental housing community describes as follows: a 204 unit multifamily residential rental development to be constructed on approximately 12.8 acres of land located in the southwest corner of Hoyle Avenue and Delafield Lane in Dallas, Texas. The proposed multifamily rental housing community will be initially owned and operated by the borrower or related person or affiliate entity thereof.

I would like to now open the floor up for -- we do have one person that would like to speak, and I will open the floor up to Reverend Johnson.

REVEREND JOHNSON: Thank you. Ms. Meyer, I will be very careful and not do what you asked me not to do, and that is to preach a little sermon. But you're always in danger when there's a Baptist preacher before two or three folk, and so I'm very tempted, but I'll yield not to the temptation.

Allow me to -- good evening everybody -- say that I am very much here today to support these two young men, Sphinx, in this Delafield housing development. And, of course, our CDC, which has longed for the day when we'd have good quality housing in this area.
Of course, we're running something like about 40 years behind and 5,000 something housing units behind schedule.

So I'm very happy that these young men and their company have decided to continue the beginning progress putting housing in this particular area. Of course, we know that if we can housing in the area, the economic development would take place in the area as well.

Then, of course, let me also say that, I'm glad that Councilman Walter Reese [phonetic] supports this development, and has given 100 percent support for this, and, of course, our CDC.

And if you don't mind, Ms. Meyer, I'd like to ask the members of our present Pleasantwood/Pleasantville [phonetic] Community and Economic Development Corporation to stand, who are members also of the [unintelligible] of Faith. So we're here tonight, as our CDC, and say to these young men, we definitely appreciate your thinking about the Pleasantwood/Pleasantville area.

Thank you very kindly. Let me say also to you, Ms. Meyer, I've known you for a few days now, and let me say thanks to you and good work that you do here in this area, and all across the State of Texas. We appreciate it very much.

And that was sermonette. Thank you.

MS. MEYER: I would like the record to show that there are 14 persons that have signed in, and they are all showing support of this particular development.
Seeing that there are no other public comment that would like to be made, I will conclude the hearing at this time. And I would like to thank everyone for attending and showing your support for this particular development.

The time is now, 6:21 -- if there is anybody that would like to send in written statements, if you've got one of the packets of information up here, my e-mail address, also my mailing address is listed in there, if you'd like to send in a letter of support, you're welcome to do that, and I can get that, along with a transcript of this hearing, to my board when they make a decision for this particular development. So if you get one of those packets, you're more than welcome to send that information to me.

But I would like to thank everybody for coming out, and, I appreciate it. Thank you.

(Whereupon, at 6:21 p.m., the hearing was concluded.)
CERTIFICATE

IN RE: Sphinx at Delafield Apartments

LOCATION: Dallas, Texas

DATE: April 13, 2004

I do hereby certify that the foregoing pages, numbers 1 through 7, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Judy Farnsworth before the Texas Department of Housing and Community Affairs.

04/15/2004
(Transcriber) (Date)

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

ON THE RECORD REPORTING
(512) 450-0342
Action Item

FY 2005 Draft Operating Budget.

Required Action

The Board consider for discussion purposes the attached FY 2005 Draft Operating Budget for fiscal year beginning September 1, 2004 through August 31, 2005. The final draft budget will be considered by the Board for approval at the July 8, 2004 Board Meeting.

Background

The Operating Budget for FY 2005 is within the appropriations approved by the 78th Legislature, but does not include the pass-through grant funds.

Recommendation

Review the Draft budget and provide staff with any requested changes.
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

FY-2005 DRAFT OPERATING BUDGET
(September 1, 2004 through August 31, 2005)

June 17, 2004

Prepared by the Financial Administration Division
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**********************************
Agency Wide Budget

Budget Category Comparison

FTEs by Division

Capital Budget

Capital Budget by Project
<table>
<thead>
<tr>
<th>BUDGET CATEGORIES</th>
<th>GENERAL REVENUE</th>
<th>EARNED FEDERAL FUNDS</th>
<th>FEDERAL FUNDS</th>
<th>SINGLE FAMILY BOND FEES</th>
<th>MULTI FAMILY BOND FEES</th>
<th>ADMIN FEES</th>
<th>IAC ORCA</th>
<th>IAC - BOND REVIEW BOARD</th>
<th>SUBTOTAL DEPARTMENT</th>
<th>MH SUPPORT</th>
<th>TOTAL DEPARTMENT</th>
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<td>0</td>
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Texas Department of Housing and Community Affairs  
Comparison by Expense Object  
Appropriation Years 2004 and 2005

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<tr>
<th>Description</th>
<th>FY04 Budget (a)</th>
<th>FY05 Budget (b)</th>
<th>Variance (b-a)</th>
<th>Percentage Change</th>
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<td>(79,011)</td>
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<td>Travel In-State</td>
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<td>518,387</td>
<td>(26,397)</td>
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<tr>
<td>Travel Out-of-State</td>
<td>100,315</td>
<td>100,315</td>
<td>-</td>
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<tr>
<td>Professional Fees</td>
<td>2,281,550</td>
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<td>Printing and Reproduction</td>
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<td>131,535</td>
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<tr>
<td>Rentals and Leases</td>
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<td>1.2%</td>
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<tr>
<td>Membership Fees</td>
<td>74,340</td>
<td>78,065</td>
<td>3,725</td>
<td>5.0%</td>
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<tr>
<td>Registration Fees</td>
<td>226,984</td>
<td>284,317</td>
<td>57,333</td>
<td>25.3%</td>
</tr>
<tr>
<td>Employee Tuition</td>
<td>14,500</td>
<td>9,700</td>
<td>(4,800)</td>
<td>-33.1%</td>
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<tr>
<td>Advertising</td>
<td>72,800</td>
<td>75,600</td>
<td>2,800</td>
<td>3.8%</td>
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<tr>
<td>Freight/Delivery</td>
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<td>22,250</td>
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<tr>
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<tr>
<td>Furniture and Equipment</td>
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<td>57,000</td>
<td>25,250</td>
<td>79.5%</td>
</tr>
<tr>
<td>Communication and Utilities</td>
<td>325,716</td>
<td>264,852</td>
<td>(60,864)</td>
<td>-18.7%</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>180,000</td>
<td>168,265</td>
<td>(11,735)</td>
<td>-6.5%</td>
</tr>
<tr>
<td>State Office of Risk Management</td>
<td>60,162</td>
<td>60,162</td>
<td>-</td>
<td>0.0%</td>
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**Total Department**

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<tr>
<th></th>
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<th>FY05 Budget</th>
<th>Variance</th>
<th>Percentage Change</th>
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<tbody>
<tr>
<td></td>
<td>$21,076,984</td>
<td>$20,634,532</td>
<td>($442,452)</td>
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FTE's

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Method of Finance:

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Total, Method of Finance

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<tbody>
<tr>
<td></td>
<td>$21,076,984</td>
<td>$20,634,532</td>
<td>($442,452)</td>
<td>-2.1%</td>
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Texas Department of Housing and Community Affairs
FTEs by Division
Internal Operating Budget
Fiscal Year 2005

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<tr>
<th>Executive Administration:</th>
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<td>Legal Services</td>
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<td>Internal Audit</td>
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<td><strong>Total, Executive Administration</strong></td>
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<table>
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<tr>
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<tr>
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<tr>
<td>Office of Colonia Initiatives</td>
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<tr>
<td>Portfolio Management and Compliance</td>
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<td>Bond Finance</td>
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<td><strong>Total, Housing Operations Division</strong></td>
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| Subtotal, Housing and Community Affairs       | 229.00|
| Manufactured Housing                          | 62.00 |
| **Total, Agency Wide**                        | 291.00|

Note: The Department is limited to 313 FTEs.
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<tr>
<td>Travel In-State</td>
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<tr>
<td>Travel Out-of-State</td>
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Notes:
1. Capital Outlay Category includes the Normal Growth/Integrate Systems and Disaster Recovery projects.
2. Professional Fees include the PeopleSoft Accounting System, Enhancement to the Compliance System, Central Database, and Weatherization Assistance Program Software Development projects.
3. Does not tie to the Capital Budget Rider due to $16,735 budgeted in Manufactured Housing for Normal Growth.
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Note:
Executive Administration Includes:
Executive Office
Board
Legal Services
Internal Audit
Governmental Affairs

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## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
### LEGAL SERVICES
#### ANNUAL OPERATING BUDGET
##### SEPTEMBER 01, 2004 thru AUGUST 31, 2005

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## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
### GOVERNMENTAL AFFAIRS
### ANNUAL OPERATING BUDGET
### SEPTEMBER 01, 2004 thru AUGUST 31, 2005

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Page 11 of 34
Housing Programs Division
### TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
### HOUSING PROGRAMS DIVISION
### ANNUAL OPERATING BUDGET
### SEPTEMBER 01, 2004 thru AUGUST 31, 2005

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**Note:** Housing Programs Division includes:
- Office of Colonias Initiatives
- Community Affairs
- Multi-Family Finance Production
- Single-Family Finance Production
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Note:
Community Affairs Includes:
Administration - Community Affairs
Community Services Program
Energy Assistance Program
Section 8

Page 14 of 34
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Center for Housing Research, Planning and Communication
Portfolio Management and Compliance
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BOND FINANCE
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2004 thru AUGUST 31, 2005

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Note:
Agency Administration Includes:
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Information Systems
Financial Administration
Capital Budget
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# TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
## FACILITIES AND SPACE MANAGEMENT
### ANNUAL OPERATING BUDGET
#### SEPTEMBER 01, 2004 thru AUGUST 31, 2005

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<th>BOND ADMIN FEES</th>
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TExAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INFORMATION SYSTEMS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2004 thru AUGUST 31, 2005

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Note:
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Financial Services
Purchasing
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**FINANCIAL SERVICES DIVISION**

**BOARD ACTION REQUEST**

June 28, 2004

**Action Item**

FY 2005 Draft Housing Finance Operating Budget.

**Required Action**

The Board consider for discussion the attached FY 2005 Draft Housing Finance Operating Budget for fiscal year beginning September 1, 2004 through August 31, 2005. A final draft will be presented for approval at the July 8, 2004 Board Meeting.

**Background**

The Housing Finance Operating Budget for FY 2005 is within the appropriations approved by the 78th Legislature. This budget is a subset of the whole operating budget and shows the Housing Finance revenues that support the budget.

**Recommendation**

Review the Draft budget and provide staff with any requested changes.
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

DRAFT
ANNUAL HOUSING FINANCE OPERATING BUDGET

FISCAL YEAR 2005

Prepared by the Financial Administration Division
Texas Department of Housing and Community Affairs
Housing Finance Budget
Appropriated Receipts
Fiscal Year 2005

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Method of Finance:
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Low Income Housing Tax Credit Fees           5,053,139
Affordable Housing Disposition Program Fees  986,744
Total, Method of Finance                    11,214,757
EXECUTIVE SESSION
If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION
Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS
Executive Directors Report

ADJOURN