

BOARD MEETING OF JUNE 12, 2003

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

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

MISSION

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

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

June 12, 2003

ROLL CALL

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

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Dallas Housing Authority Boardroom, 3939 North Hampton, Dallas, Texas 75212
June 12, 2003 9:00 a.m.

A G E N D A

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

Michael Jones
Chair of Board

PUBLIC COMMENT

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

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

ACTION ITEMS

- Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of May 15, 2003 Michael Jones
- Item 2 Presentation, Discussion and Possible Approval of Financial Items: C. Kent Conine
- a) Multifamily Mortgage Revenue Bonds and 4% Tax Credits:
 - 1) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Fountain Circle, Austin, Texas in an Amount not to Exceed \$11,500,000 and Issuance of Determination Notice in the Amount of \$746,637 for Low Income Housing Tax Credits for 03-404, Fountain Circle with TDHCA as the Issuer
 - b) Investments:
 - 1) Investment Policy and Resolution No. 02-45
 - c) Financial Activities:
 - 1) Status of LIHTC Inspection Fees
 - 2) Status of TDHCA Current Budget
- Item 3 Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items: Michael Jones
- a) Issuance of Determination Notices to Tax-Exempt Bond Transactions with Local Bond Issuers:
 - 02-485 Alameda Villas, Ft. Worth, Texas in amount of \$503,256 Tarrant County HFC is the Issuer
 - b) Extensions on Deadline for Construction Loan Closing for 2002 Allocations:
 - 02-086 Refugio Street Apartments, San Antonio
 - 02-046 Colony Park Apartments, Eastland
 - 02-047 Walnut Hill Apartments, Baird
 - 02-080 Fallbrook Ranch, Houston

- 02-099 Sunrise Village Apartments, Houston
- 02-131 Meadows of Oakhaven, Pleasanton
- 02-174 Gateway Village Seniors, Beaumont
- c) Extension Request for Commencement of Substantial Construction for 01-027, Springdale Estates, Austin
- d) Request for Amended Site Plan for 02-073, Pleasant Valley Courtyards, Austin, Texas Under the 2002 Qualified Allocation Plan

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

- a) HOME Program:
 - 1) HOME Program Homebuyer Assistance County Income Calculations
 - 2) Appeals to the Board from HOME Program Applicants on Application Matters:
 - 20030375 ALT Affordable Housing Services, Inc. in San Antonio
 - 20030377 Community Action Social Services and Education, (CASSE) in Eagle Pass
 - 20030376 Housing Authority of the City of Bastrop in Bastrop
 - 20030378 Neighbors in Need of Services – NINOS in San Benito
- b) Housing Trust Fund:
 - 1) Capacity Building Award Recommendations for:
 - 03-917 Habitat for Humanity of Wichita Falls Inc., Wichita Falls, \$38,948
 - 03-910 Denton Affordable Housing Corp., Denton, \$43,670
 - 03-911 Ability Resources, Inc., Fort Worth, \$37,600
 - 03-915 Paris Living Community Dev. Corp., Paris, \$43,670
 - 03-905 Lufkin Community Dev. Team, Inc., Lufkin, \$22,000
 - 03-908 Building Dreams Development, Houston, \$43,500
 - 03-901 St. John Colony Neighborhood Association, Austin, \$43,671
 - 03-912 Economic Justice Foundation, Austin, \$42,832
 - 03-914 United Cerebral Palsy of Texas, Austin, \$43,500
 - 03-913 The Center on Independent Living CDC, San Antonio, \$38,000
 - 03-906 The Latino Education Project, Inc., Corpus Christi, \$43,600
 - 03-916 Accessible Communities, Inc., Corpus Christi, \$42,516
 - 03-902 TVP Non-Profit Corporation, El Paso, \$40,549
 - 03-903 Marvellous Light Corporation, El Paso, \$43,671

REPORT ITEMS

Executive Directors Report Edwina Carrington

- 1) Items Related to 78th Legislative Session – Legislative Memo
- 2) Status of TDHCA Sunset Legislation
- 3) Report on Issues Requested at Joint Meeting of TDHCA Board and ORCA Executive Committee

EXECUTIVE SESSION

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – Century Pacific Equity Corporation v. Michael Jones

Texas Department of Housing and Community Affairs et al.
Cause No. GN-202219, in the District Court of Travis County,
Texas, 53rd Judicial District
Consultation with Attorney Pursuant to Sec. 551.071, Texas
Government Code – Matter Concerning a Former Department
Employee and Section 572.054, Texas Government Code;
Personnel Matters under Section 551.074, Texas Government Code
If permitted by law, the Board may discuss any item listed on this
agenda in Executive Session

OPEN SESSION

Michael Jones

Action in Open Session on Items Discussed in Executive Session

Item 5 Presentation, Discussion and Possible Approval of Terms of
Proposed Settlement Including Extension to Close Construction
Loans and to Commence Substantial Construction in Century
Pacific Equity Corporation v. Texas Department of Housing and
Community Affairs et al. Cause No. GN-202219, in the District
Court of Travis County, Texas, 53rd Judicial District

Michael Jones

ADJOURN

Michael Jones
Chair of Board

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

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

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

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of May 15, 2003 was called to order by Board Chair Michael Jones at 12:30 p.m. It was held at 507 Sabine, Fourth Floor Boardroom, Austin, Texas. Roll call certified a quorum was present. Shad Bogany was absent.

Members present:

Michael Jones -- Chair
C. Kent Conine -- Vice-Chair
Beth Anderson -- Member
Vidal Gonzalez -- Member
Norberto Salinas -- Member

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

PUBLIC COMMENT

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

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

Terry Campbell, Campbell, Hogan & Associates

Mr. Campbell stated they submitted a tax credit application known as the Villas on Sixth and they were aware that there is not a tax credit allocation for Region 7, which is the Austin area, but they did submit an application. He stated this is an opportunity to do good real estate and people are supporting this project.

Cindy Evans, McKinney, Texas

Ms. Evans stated she participated in a roundtable discussion sponsored by TDHCA to begin the process of developing the departments' policies on public input. She thanked Ms. Carrington for including her in this process and thanked the board for addressing the issue of public input on the allocation process. If the department is to have meaningful discussions and policies regarding the public input process, members of the public should be participants in developing these policies. She felt: 1) TDHCA should appoint a member of the public to chair the 2004 QAP working group committee dealing with public input; 2) Trust is everything and if the public feels that it can trust the department to be open and honest in the allocation process, there is credibility in order to make the case for affordable housing; 3) Department staffs governing principle is that they are there to put housing on the ground. There are bad deals and good deals and just because an application is contested does not necessarily mean that it is a bad deal. The NIMBY fights are going to be unavoidable but in communities with long-standing histories of providing affordable housing that object to a specific allocation for well reasoned objections, there is the risk of alienating someone if well reasoned objections are not considered. She also requested that the department involve the public with the board, staff and developer so the initial message going to the community can be an accurate one.

Veronica Bnseno, Representing Austin City Council Member, R. Alvarez, Austin, Texas

Ms. Bnseno read a letter into the record from Councilman Alvarez which stated: "Dear Ms. Carrington, I want to express my strong support for the application of the Austin Housing and Campbell Hogue and Associates, Inc. to obtain Low Housing Tax Credits through the TDHCA Housing and Tax Credit Program for the Villas on Sixth Apartments located at the 1900 block of East Sixth Street here in Austin.

The proposed 160-unit apartment community is located within the heart of one of Austin's most historic communities and its development will not only provide much-needed affordable housing for all of Austin, but also will contribute to the economic redevelopment and revitalization of East Austin. In addition, the development is being supported by the neighborhood associations in proximity to it, and is consistent with the neighborhood plan in place for this area. For these reasons, I am pleased to support the joint application by AHFC and Campbell Hogue to develop the Villas on Sixth Apartments, and hope that you will give it serious consideration for financial assistance from your agency. Sincerely, Raul Alvarez, Councilmember, City of Austin." Thank you.

Paul Saldana, Austin, Texas

Mr. Saldana stated he is a member of the Campbell Hogue team and was in support of the tax credit application of Villas on Sixth Street. The neighborhood planning process addresses land use, zoning, transportation, services and infrastructure and urban design issues and the goal is for diverse interests to come together and develop a shared vision for the community. In Austin neighborhood planning is an opportunity for citizens to take a proactive role in the planning process and decide how their neighborhoods will move forward into the future. The process asks for members of the community to address the local issues and concerns that affect them and all stakeholders are invited to participate.

The Villas on Sixth Street has been designed to be fully responsive to the requirements of the neighborhood and addresses the demand for affordable housing. They will offer an onsite learning center for children and this would be the only affordable housing development to be located in close proximity to downtown Austin.

Mickelle Meade, Development Consultant, Austin, Texas

Ms. Meade stated she felt this is an opportunity for Campbell Hogue to bring 160 new homes to an area of Austin that has seen very little new development in many years. She asked the board to support this project.

Mr. Jones closed Public Comment at 12:50 p.m. but would allow the public who requested to speak at the presentation of the agenda items to do so at that time.

EXECUTIVE SESSION

Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code – Matter Concerning a Former Department Employee and Sections 2306.6703, 2306.6733 and 572.054, Texas Government Code

EXECUTIVE SESSION

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

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

Personnel Matters under Section 551.074, Texas Government Code

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

Mr. Jones stated: "On this day, May 15, 2003, at a regular board meeting of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board of Directors adjourned into a closed Executive Session as evidenced by the following: The Board of Directors will begin its Executive Session today, May 15, at 12:49 pm. The subject matter at this Executive Session deliberation is as follows. Consultation with Attorney Pursuant to 551.071, Texas Government Code regarding matter concerning a former Department Employee and Sections 2306.6703, 2306.6733 and 572.054, Texas Government Code, Litigation and Anticipated Litigation, (Potential or Threatened, under Section 551.071 and 551.103, the Texas Government Code, Litigation Exception) Regarding Cause No. GN-202219, In Century Pacific Equity Corporation versus the Texas Department of Housing and Community Affairs, et al, in the 53rd Judicial District Court of Travis County, Texas; Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code regarding Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments); Personnel Matters Under 551.074, the Texas Government Code; and if permitted, discussion of any item listed on the board meeting agenda of even date and with that, we will go into Executive Session."

The Board went into Executive Session at 12:50 p.m. and back into Open Session at 1:50 p.m.

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Mr. Jones stated: "The Board of Directors has completed its Executive Session of the Texas Department of Housing and Community Affairs on May 15, 2003 at 1:50 p.m. The subject matter of the Executive Session was as follows. Consultation with Attorney Pursuant to Section 551.071, Texas Government Code regarding matter concerning a former Departmental Employee in Sections 2306.6703, 2306.6733 and 572.054, Texas Government Code; action taken, none; Litigation and Anticipated Litigation, (Potential or Threatened, under Section 551.071 and 551.103, the Texas Government Code, Litigation Exception) Regarding Cause No. GN-202219, Century Pacific Equity Corporation versus the Texas Department of Housing and Community Affairs, et al, action taken, none. Consultation with Attorney Pursuant to Section 551.071, Texas Government Code regarding 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments Series 2000A) action taken, none; Personnel Matters Under Section 551.074 of the Texas Government Code, action taken, none; and if permitted by law, discussion of any item listed on the board meeting agenda of even date, action taken, none.

I hereby certify this agenda of an Executive Session of the Texas Department of Housing and Community Affairs was properly authorized, pursuant to Section 551.103 of the Texas Government Code posted to the Secretary of State's Office seven days prior to the meeting, pursuant to Section 551.044 of the Texas Government Code, and that all members of the Board of Directors actually were present with the exception of Mr. Shadrick Bogany, and that this is a true and correct record of the proceedings, pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code, as amended." Michael Jones.

ACTION ITEMS

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

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve Resolution No. 03-42 approving the closing agreement with the Internal Revenue Service with respect to MF Housing Revenue Bonds for Williams Run Apartments, Series 2000A.

Passed Unanimously

2)b)1) Presentation, Discussion and Possible Approval of Financial Items:

Multifamily Mortgage Revenue Bonds and 4% Tax Credits:

Proposed Issuance of Multifamily Mortgage Revenue Bonds for Primrose Houston School Apartments, Lancaster, Texas in an Amount not to Exceed \$16,900,000 and

Issuance of Determination Notice in the amount of \$749,036 for Low Income Housing Tax Credits for 02-479, Primrose Houston School Apartments with TDHCA as the Issuer

Ms. Carrington stated staff is requesting approval of the issuance of MF Mortgage Revenue Bonds in the amount of \$16,900,000 for Primrose Houston School in Lancaster, Texas which has 280 units and the developer is Southwest Housing. At the public hearing held on this project, there were two people who spoke in support and eleven in opposition and two were undecided. There was a letter of support from Senator Royce West but Rep. Helen Giddings and Mayor Tillotson had no comments. The amount of the tax credit allocation recommended by staff is \$742,903. They have received proper zoning from the City Council.

Motion made by Norberto Salinas and seconded by Vidal Gonzalez to approve the issuance of the bonds in an amount not to exceed \$16,900,000 and issuance of tax credits in the amount of \$742,903.

Passed Unanimously

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

Brian Potasnik, President, Southwest Housing, Dallas, Texas

Mr. Potasnik stated he is the developer of the Arbor Bend Apartments. The property has been zoned for multifamily and has been issued a building permit and will be built under the City of Ft. Worth's ordinances.

Cynthia Bast, Attorney, Locke Liddell Sapp, Austin, Texas

Ms. Bast stated she was in attendance to answer any questions on Arbor Bend Villas.

Mary Rusnak, Executive Director Neighborhood Housing Services, Ft. Worth

Ms. Rusnak stated she is the executive director of a non-profit organization that has been in operation for over 26 years. They are very obligated to communities to find the appropriate resources for affordable housing. They are a partner with Southwest Housing to develop this project which will have day care, computer center, mentors to help with homework and will be an asset to the school system.

Joe Velazquez, Board Member, Neighborhood Housing Services, Arlington, Texas

Mr. Velazquez read a letter into the record from Former Secretary Henry Cisneros: "Dear Ms. Carrington, the purpose of this letter is to express my support for Arbor Bend Villas, a proposed community for 152 families, recommended by the City of Fort Worth. Arbor Bend Villas has many dimensions which distinguish it as precisely the kind of project which will meet the test of quality of design, appropriateness of location, and accommodation for families of mixed income, and capable sponsorship. I have personally observed that Fort Worth's governmental and civic leaders have been deliberate and exclusive in the approach to enhancing the city's housing stock in various neighborhoods, and for families across range of incomes.

Arbor Bend Villas is the result of a very thoughtful decision-making and consultation process. Arbor Bend Villas will be located in an area of Fort Worth which maximizes employment opportunities for its residents. National evidence underscores the importance of the link between jobs and housing. The fact that Arbor Bend Villas will be home to families of various income levels makes its location, Fort Worth growth areas, even more significant. It assures the real economic opportunities for families along with enhanced children's performances skills, development for adults and ease of travel to work. "When all of these dynamics converge, experience shows that strengthened family stability is an additional social benefit. We have a

social responsibility here today to analyze this project, not with individual interests, but for the general interest of the community as a whole. Thank you.”

Cheryl Potasnik, Southwest Housing, Dallas, Texas

Ms. Potasnik stated they have tried to work with the neighborhood group but there are differences of opinions that they are not able to overcome. She also stated she disagrees with a statement made that low income people should not be mixed with middle and high-income people and it is the responsibility of the school district to educate the children in the area.

Rosa Rosales, National Vice-President, LULAC, San Antonio, Texas

Ms. Rosales stated that LULAC supports the Arbor Bend Villas as this is an opportunity for every family regardless of race, color or creed to have an opportunity to high-quality housing. This project is the premier of affordable housing and it is a step forward to be able to realize the American dream of home ownership. Ms. Rosales stated she lived in San Antonio, Texas.

Angela Garcia, Deputy Director for the Elderly in the State of Texas, San Antonio, Texas

Ms. Garcia stated she was in attendance to supports Arbor Bend working class has a right to have a home and to have the opportunity to be educated and he asked the Board to vote for Arbor Bend

Roman Pena, San Antonio, Texas

Mr. Pena stated he supports Arbor Bend as it meets all criteria, all rules, regulations, etc. of TDHCA and asked the Board to approve the project.

Dario Chapa, National Director of LULAC, San Antonio, Texas

Did not speak.

Mark Jones

Did not wish to speak.

Joseph Wieland, Colonel, USMC Retired, Ft. Worth, Texas

Mr. Wieland stated he lived in Ft. Worth and there are over 7,300 multifamily units in a 1 1/2 miles radius and within a 5 mile radius, there are 14,927 apartments available for renters. He asked that a new market study be completed on this project and it should take the lowest rent used by the five adjacent properties.

Elizabeth Albright, Oakmont Meadows Subdivision, Ft. Worth, Texas

Ms. Albright stated she lived near the proposed location of this project and was concerned about remarks made that this was not a mixed neighborhood. She assured the Board members that it is a multi-national neighborhood.

Dee Wieland, Ft. Worth, Texas

Ms. Wieland stated she is a senior citizen and was concerned with the two lane road which does not help emergency vehicles getting into this area and there would only be more traffic if this project is built. She asked the Board to not approve the project.

Eric Fox, Gila Bend Area, Ft. Worth, Texas

Mr. Fox stated there are over 11,379 apartment units in 46 complexes in a three mile radius; there are over 14,000 units in a 5 mile radius and this is a density issue. He asked the Board to vote no on this project

Cheryl Potasnik, Developer, Southwest Housing, Dallas, Texas

Ms. Potasnik stated there was litigation with a local housing finance corporation as all hearings were held on a project and this particular housing finance corporation failed to make a motion on the project. There was a considerable amount of money to provide information to this housing finance corporation and bonds were underwritten, studies completed but the corporation failed to

make a motion. Southwest Housing went to court to try to get a TRO to force this housing finance corporation to vote but the judge denied the TRO. They are now alleging violations of the Fair Housing Act and seeking adjunctive relief to the county to have to rectify through coming up with a way to provide affordable housing. The parties to the lawsuit are the Tarrant County Housing Finance Corporation.

Ms. Carrington stated this project is the Arbor Bend Villas Apartments, Ft. Worth with 152 units and Southwest Housing Development Corporation will be the developer. This involves the issuance of \$8,175,000 in tax exempt bonds and the bonds would be purchased by Charter Mac. Tax credits allocation would be \$427,025. There was a public hearing held and 16 people were in support of the project; 225 were in opposition and 12 were undecided. Senator Brimer and Rep. Anna Mowery were in opposition to the project.

Mr. Tom Gouris stated the market study was dated January 6, 2003 but there was a study done by MCF Research in late 2002 and this was what one comment which was made was referring to.

Mr. Conine had concerns on the 7.5% vacancy and the expense numbers and the financial feasibility of the project.

Ms. Carrington stated as the work groups on the QAP work through the summer redoing the underwriting, environmental market study and appraisal guidelines for next year, it would be prudent for TDHCA to look at having a DCR requirement that would take into account different situations. TDHCA will look at including this for next year.

Mr. Jones stated there has been a comment made about a former employee of TDHCA and this was discussed in Executive Session.

Ms. Carrington stated the department had an employee who was the Co-Manager of the LIHTC Program and he resigned from the department on Feb. 28, 2003. The current tax credit applications came into the department prior to the employee leaving the department. The processing of the tax credit applications was under the supervision of the employee at the department.

Mr. Chris Wittmayer, General Counsel, stated under the revolving door policy statute in the Texas Government Code, it is a potential violation if a former employee leaves the department and then works on matters which he was personally involved in, or which were under his supervision during the time he worked for the department. TDHCA is looking at the facts in this case and he assured the Board that this matter will be forwarded as is appropriate to the appropriate authorities to review this matter further. The Board will be kept informed on this matter.

Mr. Gouris stated the applicant's estimated operating expenses and pro forma on this project are more than 5% outside the underwriting verifiable ranges and these are significant inconsistencies in the application could affect the financial feasibility of the project.

Sidney Poynter, Ft. Worth, Texas

Mr. Poynter stated several speakers for this project were not from the community and he advised the Board that there is crime in the area and asked the Board to deny the project.

Mr. Jones closed public on this item at 2:50 pm

Motion made by C. Kent Conine to table this item for 8 days but this motion was then withdrawn by Mr. Conine.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve Arbor Bend with the bond amount to be restricted to a debt service coverage number underwriting-wise of \$512,842 with the same number of units and same quality of project being built, the bonds are to

be a fixed interest rate and subject to an additional request of the market analysis to go back and revisit the concession of that particular submarket directly, and make the proposed debt service coverage number included in this motion to be adequate to and sufficient to staff for their reviews. Motion was defeated with 2 ayes (Mr. Conine and Mr. Salinas) and 3 nos (Ms. Anderson, Mr. Gonzalez and Mr. Jones)

Mr. Jones stated he hated to see the Board renew deals and he has concerns about the financial feasibility along with the market analysis based on the evidence that was being presented.

Mr. Conine left the meeting at this time.

1) Presentation, Discussion and Possible Approval of Minutes of Board Meeting of April 10, 2003

Motion made by Beth Anderson and seconded by Norberto Salinas to approve the minutes of the Board Meeting of April 10, 2003
Passed with 3 ayes and 1 abstention (Mr. Gonzalez abstained as he was not in attendance at the April Board Meeting)

**2)a)1) Insurance:
Directors and Officers Insurance**

Mr. Bill Dally, Chief of Agency Administration, stated the \$10,000,000 policy is in place and that binder went in place on April 11, 2003.

2)c)1) Single Family Bond Program:

1) Issuance of Residential Mortgage Refunding Revenue Bonds, Series 2003A and Series 2003B

Ms. Carrington stated at the April Board Meeting there was a presentation and discussion on the structure of the variable rate auction bonds. The Board gave staff preliminary approval to move forward with a \$74,655,000 convertible option bond. It is staffs recommendation to use \$40 million of this to issue convertible rate auction bonds and the other \$32 million will be used to issue fixed rate bonds.

Mr. Byron Johnson stated the resolution authorizes the issuance of both fixed rate and option rate bonds. If the pricing or terms of the auction rate product was swapped and not favorable, TDHCA may only issue fixed rate bonds. The swap counterparty has been changed, the counterparties will be Bear Stearns Trading Risk Management instead of Bear Stearns Financial Products. The swap reserve will be in the amount of \$2 million and will be available for future swap counterparties as well as the current swap counterparties.

Motion made by Beth Anderson and seconded by Norberto Salinas to approve 03-39 for the issuance of Residential Mortgage Refunding Revenue Bonds, Series 2003A and Series 2003B.

Passed Unanimously

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

Ms. Carrington stated staff is requesting approval to reduce the interest rate on the RMRB Series 2000B, C, D and E. All funds have been originated except \$22,240,476. The interest rate is now at 6.6%. This interest will be lowered and TDHCA will create down payment assistance funds through the HOME Program.

Motion made by Beth Anderson and seconded by Vidal Gonzalez to approve the mortgage rate reduction for RMRB Series B, C, D and E.

Passed Unanimously

2)c)3) Research and Development of a Mortgage Credit Certificate Program

Ms. Carrington stated this is a mechanism for first time homebuyers wherein an issuer can take their allocation of private activity bonds and turn into a MCC. The benefit to the borrower is that they take a credit on the mortgage interest they pay. Staff is requesting approval of the concept to move forward with exploring the possibility of issuing MCC's.

Motion made by Norberto Salinas and seconded by Vidal Gonzalez to approve the research and development of a Mortgage Credit Certificate Program.
Passed Unanimously

3)a) Presentation, Discussion and Possible Approval of Low Income Housing Tax

Credit Items:

Issuance of Determination Notices to Tax-Exempt Bond Transactions with Local Bond Issuers:

02-484 Sycamore Center Villas, Fort Worth, \$753,222, Tarrant County HFC is the Issuer

03-402 Kimberly Pointe Apartments, Houston, \$531,572, Harris County HFC is the Issuer

03-403 Shadow Ridge, Houston, \$565,705, Harris County HFC is the Issuer

Ms. Carrington stated on Sycamore Center Villas, Ft. Worth, Texas and Tarrant County HFC is the issuer and staff is recommending \$753,222 in tax credits. On Kimberly Pointe Apartments, Houston, with Harris County HFC as the issuer, staff is recommending \$531,572 in tax credits and for Shadow Ridge, Houston with Harris County HFC as the Issuer staff is recommending \$565,705 in tax credits.

Motion made by Norberto Salinas and seconded by Beth Anderson to approve the issuance of determination notices to Sycamore Center Villas, Ft. Worth, Texas for \$753,222; for Kimberly Pointe Apartments, Houston, Texas for \$521,572; and for Shadow Ridge, Houston, Texas for \$565,705.

Passed Unanimously

3)b) Issuance of Additional Low Income Housing Tax Credits for:

99-10T San Jose Ltd. (aka Tigua Village), Rehabilitation for \$32,169

99-12T Wood glen Village Apartments, New Construction for \$9,920

000-07T Texas Pueblo, Rehabilitation for \$33,519

Ms. Carrington stated staff is recommending additional tax credits for the San Jose Ltd., Woodglen Village Apartments and Texas Pueblo.

Motion made by Norberto Salinas and seconded by Beth Anderson to approve the additional tax credits for 99-10T, San Jose Ltd. (aka Tigua Village), Rehabilitation for \$32,169; 99-12T, Woodglen Village Apartments, New Construction for \$9,920; and 000-07T, Texas Pueblo, Rehabilitation for \$33,519.

Passed Unanimously

4)a) Presentation, Discussion and Possible Approval of Programmatic Items:

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

Ms. Carrington stated the board has adopted priorities for the use of deobligated HOME funds. The City of Albany had major rains and hail earlier in the year and has been declared a disaster area by the Governor. Staff is recommending \$500,000 to the City of Albany, Shackelford County, for disaster relief from HOME funds.

Motion made by Norberto Salinas and seconded by Beth Anderson to approve \$500,000 for the City of Albany for disaster relief from the HOME funds.

Passed Unanimously

5) Presentation, Discussion and Possible Approval of Audit Items:

- a) **Status of Prior Audit Issues**
- b) **Status of Central Database Project**

Mr. Gonzalez stated the Audit Committee met earlier in the day and approved the minutes and held discussions on prior audit issues and the central database project. All were good reports.

Motion made by Norberto Salinas and seconded by Beth Anderson to approve the report on the status of prior audit issues and the central database project.
Passed Unanimously

REPORT ITEMS

Executive Directors Report

1) Items Related to 78th Legislative Session – Legislative Memo

Ms. Carrington stated this memo was included in the Board book for the members to have information on all bills affecting TDHCA.

2) Status of TDHCA Sunset Legislation

Ms. Carrington stated that SB264 which is TDHCA's Sunset bill was voted out of the committee this morning as a committee substitute.

She asked Mr. Opiela from the Urban Affairs Committee to give a report to the Board.

Eric Opiela, Committee Director for the House Urban Affairs Committee, Austin, Texas

Mr. Opiela stated this bill was passed in a formal meeting and has a 4 page committee amendment attached to the bill. Highlights of the amendments are:

- Adds a Public Housing Authority as an authorized public housing sponsor;
- Agency is continued for 4 years;
- Board is to adopt rules governing the topics discussed at meetings;
- Legislation sets out the specific 10 topics to be discussed to a proposed housing development;
- Implement a negotiated rule making and alternative dispute resolution policy;
- Department has to provide notices of receipt of an application on a proposed application not later than the 14th day after the application is received, to specific persons, local and state officials, school boards, community organizations;
- New provision to ex parte communications between the Board and employees of the department with developers who are applying before the Board;
- Specific situation and specific records that must be kept of any type of ex parte communication between employees and applicants;
- Provision added that communication between department and applicants can be both oral and written form;
- Records maintained are to include date, time and means of communication and names of persons and positions involved in the communications, subject matter of the communication and a summary of action taken as a result of the communication;
- Created a Housing Trust Fund reserve account for repairs;
- Deleted all provisions related to ORCA;
- New language added on the issuance of private activity bonds;
- Language added that improves the amount of local input on an application, providing that the developer in the preapplication and application, have to show evidence that they have communicated with neighborhood organizations, the superintendent and presiding officer of the schools in the district, the presiding officer of the governing body of the municipality in which it is located, the county and the state senator and state representatives;
- Defines what should be in a market analysis that is submitted with an application;
- Support letters can be submitted;
- Local officials letters provision was omitted;

- Point scoring applies to letters received under Subsection B(1)(f) which is the written statements from state elected officials;
- Restrict clumping of developments;
- Department to make available on the website all of the materials and added additional materials and have more information to local officials in regards to applications;
- Changes made to the provisions regarding the scoring requiring that the financial date submitted recommending the financial feasibility of the development be based on supportive financial data required in the application that will include a projects underwriting proforma from the permitter or construction lender;
- Department is to use criteria imposing penalties on a developer or principal of the applicant that has been removed for failure to perform its obligations under loan documents or a limited partnership agreement.

3) HOME Program Homebuyer Assistance (Down Payment) Activity Report

This report was in the Board book for the members to review.

4) Status of Public Input Policy

This report was in the Board book for the members to review.

ADJOURN

Motion made by Beth Anderson and seconded by Norberto Salinas to adjourn the meeting.

Passed Unanimously

The meeting adjourned at 4:00 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

P:bdminmay/dg



TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

HOUSING FINANCE DIVISION - MULTIFAMILY

REQUEST FOR BOARD APPROVAL OF MULTIFAMILY MORTGAGE REVENUE BOND ISSUANCE

2003 PRIVATE ACTIVITY MULTIFAMILY REVENUE BONDS

**Fountain Circle Apartments
9345 US Highway 290 East
Austin, Texas
Wendover Housing Partners, Inc.
208 Units
\$11,500,000 (*) Tax Exempt – Series 2003**

TABLE OF EXHIBITS

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TAB 3	LIHTC Profile and Board Summary
TAB 4	Sources & Uses of Funds Estimated Costs of Issuance
TAB 5	Department's Credit Underwriting Analysis
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TAB 9	Public Comment / Transcript of Public Hearing (May 7, 2003)

() Preliminary - subject to change*

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD APPROVAL MEMORANDUM
June 12, 2003

DEVELOPMENT:

Fountain Circle Apartments Austin, Texas

PROGRAM:

Texas Department of Housing & Community Affairs
2003 Private-Activity Multifamily Revenue Bonds
(Reservation received 03/5/2003)

**ACTION
REQUESTED:**

Approve the issuance of multifamily mortgage 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 legislation which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE:

The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Wendover Texas II, Ltd., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 208-unit multifamily residential rental Development located at 9371 US Highway 290 East, Austin, Texas 78724. (the "Development"). The Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental Development.

BOND AMOUNT:

\$11,500,000 (*) Series 2003, 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 March 5, 2003 pursuant to the Texas Bond Review Board's 2003 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before July 3, 2003, the anticipated closing date is June 26, 2003 (a detailed Critical Date Schedule is included as Exhibit 2).

BORROWER:

Wendover Texas II, Ltd, a Texas Limited Partnership, the general partner of which is TexWen II, Inc. Principles of the General Partnership are Todd L. Borck, Patrick E. Law, and Jonathan L. Wolf. Columbia Housing Partners Limited Partnership will be providing the equity for the transaction by purchasing a 99.99% limited partnership interest in the Borrower.

**COMPLIANCE
HISTORY:**

The borrower has not completed any transactions through TDHCA,

and therefore does not have a compliance history with the Department.

ISSUANCE TEAM:

ARCS Commercial Mortgage. (FNMA DUS Lender/Servicer)
PNC Bank (Interim Lender)
Fannie Mae (Credit Facility Provider)
Newman and Associates, Inc.. (Underwriter)
Bank One, National Association. (Trustee)
Vinson & Elkins L.L.P. (Bond Counsel)
Dain Rauscher, Inc. (Financial Advisor)
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

BOND PURCHASER:

The Bonds will be publicly offered for sale on or about June 23, 2003 at which time the final pricing and Bond Purchaser(s) will be determined.

DEVELOPMENT DESCRIPTION:

The Development is a 208 unit apartment community to be constructed on approximately 24.1 acres located at 9371 US Highway 290 East, Austin, Texas 78724. (the "Development"). . The Development will consist of fourteen (23) one and two-story buildings, with a total of 214,784 net rentable square feet and an average unit size of 1032 square feet. The property will also have a community building consisting of offices, bathrooms, and activity rooms. The development will include a laundry room, a swimming pool, and a playground. The complex will have perimeter fencing with 345 open parking spaces.

<u># Units</u>	<u>Unit Type</u>	<u>Square Footage</u>
40	1 bed/1 bath	745
88	2 bed/2 bath	1033
80	3 bed/2 bath	1176

SET-ASIDE UNITS:

For Bond covenant purposes, forty percent (40%) of the units in the Development will be restricted to occupancy by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in the Development will be set aside on a priority basis for persons with special needs. For Tax Credit purposes, the Borrower will set-aside 100% of the units at sixty percent (60%) of the area median income.

RENT CAPS:

For Bond covenant purposes, the rental rates on 100% of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (50%) of the area median income (see Exhibit 6).

TENANT SERVICES:

Tenant Services will be provided by Texas Inter-Faith Management Corporation (TMIC) a Texas non-profit corporation d.b.a. Good Neighbor (Supportive Provider).

**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:**

Bond Administration - 0.10% of bond amount (\$11,500 initially)
Compliance Fee- \$25/unit/year (\$5,200 CPI Inflated)

**ASSET OVERSIGHT
FEE:**

\$25/unit/year (\$5,200) to TDHCA or assigns.

(Department's annual fees or the Asset Oversight fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow.)

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 \$744,258 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 \$6,152,474 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 Bonds are being issued to fund a Mortgage Loan to finance 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 and other security instruments on the Development. The Mortgage Loan and security instruments will be assigned to the Trustee and Fannie Mae and will become part of the Trust Estate securing the Bonds.

During both the construction period (the "Construction Phase") and permanent mortgage period (the "Permanent Phase"), Fannie Mae will provide a credit enhancement facility for the Mortgage Loan. This stand-by credit facility provides credit enhancement for the Mortgage Loan should the Borrower fail to make any payments under the Mortgage Loan, in which event the Trustee will have the right to require Fannie Mae to fund any payment(s) in default. During the Construction Phase, the Interim Lender will provide a Letter of Credit for the benefit of Fannie Mae to cover the construction and lease-up

risk. Upon satisfaction of certain Conversion Requirements, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase and Fannie Mae will return the Letter of Credit to the Interim Lender.

In addition to the credit enhanced Mortgage Loan, other security for the Bonds during the Construction Phase consists of the net bond proceeds, the revenues and any other moneys received by the Trustee for payment of principal and interest on the Bonds, and amounts otherwise on deposit in the Funds and Accounts (excluding the Rebate Fund, the Fees Account and the Cost of Issuance Fund) and any investment earnings thereon (see Funds and Accounts section, below).

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

**CREDIT
ENHANCEMENT:**

The credit enhancement by Fannie Mae allows for an anticipated rating by the Rating Agency of Aaa and an anticipated interest rate of 5.85% per annum. Without the credit enhancement, the Bonds would not be investment grade and 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 will be, during any Weekly Variable Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 or during any Reset Period or the Fixed Rate Period, \$5,000 or any integral multiple of \$5,000.

**TERMS OF THE
MORTGAGE LOAN:**

The Mortgage Loan is a non-recourse obligation of the Owner, which means, subject to certain exceptions, that the Owner is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for monthly payments of interest during the Construction Phase and level monthly payments of principal and interest for 360 months upon conversion to the Permanent Phase.

During the Construction Phase, the Borrower will be required to make payments on the Mortgage Loan directly to the Trustee (to the extent that capitalized interest funds deposited at closing into the Mortgage Loan Fund are insufficient to make the semi-annual interest payments on the Bonds) along with all other bond and credit enhancement fees. Upon conversion, the Borrower will be required to pay mortgage payments on the Mortgage Loan to the Servicer, who will remit the principal and interest components of the mortgage payments to the Trustee. The Borrower will continue to pay certain other fees,

including the Department's fees, directly to the Trustee.

Effective on the Conversion Date, which is anticipated to occur 24 months from the closing date of the Bonds with one six-month extension option, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase upon satisfaction the conversion requirements set forth in the Fannie Mae credit facility. Among other things, these requirements include completion of the Development according to plans and specifications and achievement of certain occupancy thresholds.

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

The Bonds will bear interest at a variable rate until maturity, which is 12/1/2035.

The Bonds will be payable from: (1) revenues earned from the Mortgage Loan (which during the Construction Phase will be payable as to interest only); (2) earnings derived from amounts held in Funds & Accounts (discussed below) on deposit in an investment agreement; (3) funds deposited to the Mortgage Loan Fund specifically for capitalized interest during a portion of the Construction Phase; (4) or payments made by Fannie Mae under the credit facility.

If the Borrower fails to make scheduled principal or interest payments on the mortgage loan, Fannie Mae is obligated under the credit enhancement agreement to fund such payments. The Borrower is obligated to reimburse Fannie Mae for any moneys advanced by Fannie Mae for payments on the mortgage loan.

**REDEMPTION OF
BONDS PRIOR TO
MATURITY:**

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

Optional Redemption:

The Bonds are not subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower on;

- (1) On any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date at a redemption price equal to 100 percent of the principle amount redeemed plus accrued interest to the Redemption Date.
- (2) On any date within a Reset Period at the respective redemption prices set forth in the Indenture as expressed as a percentage of the principal amount of the Bonds.
- (3) On any date within the Fixed Rate Period, at the respective redemption prices set forth in the Indenture as expressed as percentages of the principal amounts of the Bonds.

Mandatory Redemption:

- (1) The Bonds shall be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Mortgaged Property.
- (2) The Bonds shall be redeemed in whole or in part in an amount specified by and at the direction of the Credit Provider requiring that the Bonds be redeemed pursuant to this subsection following any Event of Default under the Reimbursement Agreement.
- (3) The Bonds shall be redeemed in whole or in part as follows;
 - a) On each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account.
 - b) On any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account.
- (4) The Bond shall be redeemed during the Fixed Rate Period if the Issuer has established a Sinking Fund Schedule, at the times and in the amounts set forth in the Sinking Fund Schedule.
- (5) The Bonds shall be redeemed in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment.
- (6) The Bonds shall be redeemed in whole if the Credit Provider notifies the Trustee that (i) the Conditions to Conversion have not been satisfied on or prior to the Termination Date, or (ii) a Borrower Default has occurred, or (iii) the Construction Lender has directed Fannie Mae to draw on the Letter of Credit due to an event of default by the Borrower under the Construction Phase Loan Agreement or the Construction Phase Reimbursement Agreement.
- (7) The Bonds shall be redeemed in whole or in part in the event and to the extent that amounts on deposit in the Loan Fund are transferred to the Redemption Account.

FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:

Under the Trust Indenture, Bank One, 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 create up to Six (6) funds with the following general purposes:

1. Loan Fund – Consists of a Development Account and Capitalized Interest Account. Bond proceeds will be deposited and withdrawn to pay the costs of construction of the Development including interest on the Bonds during the Construction Phase.
2. Revenue Fund - General receipts and disbursement account for revenues to pay principal and interest on the Bonds. Sub-accounts created within the Revenue Fund for redemption provisions, credit facility purposes, and certain ongoing fees.
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 Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds.
5. Bond Purchase Fund - so long as any Bonds are Outstanding and have not been adjusted to the Fixed Rate.
6. Principal Reserve Fund – a fund to collect principal payments from the payments received from the Borrower through revenue from the project. .

Essentially, all of the bond proceeds will be deposited into the Loan Fund and disbursed there from during the Construction Phase (over 18 to 24 months) to finance the construction of the Development. Although costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds, it is currently expected that all costs of issuance will be paid by an equity contribution of the Borrower (see Exhibit 3).

**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 1998. 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 – Bank One, National Association. was selected as

bond trustee by the Department pursuant to a request for proposal process in June 1996.

3. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.
4. Underwriter –Newman and Associates Inc. was selected by the Borrower from the Department's list of approved senior managers for multifamily bond issues. The underwriter list was compiled and approved by the Department through an RFP process in early 1999.

**ATTORNEY GENERAL
REVIEW OF BONDS:**

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

RESOLUTION NO. 03-46

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS (FOUNTAIN CIRCLE APARTMENTS) SERIES 2003; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Variable Rate Demand Multifamily Housing Revenue Bonds (Fountain Circle Apartments) Series 2003 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Bank One, National Association (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 Wendover Texas II, Ltd., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental project described on Exhibit A attached hereto (the "Project") located within the State of Texas required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

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

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Financing Agreement (the "Financing Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the "Mortgage Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Project and

related costs, and (ii) the Borrower will execute and deliver to the Department a multifamily note (the "Mortgage Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Financing Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Mortgage Loan will be provided for initially by a Credit Enhancement Instrument (Direct Pay) issued by Fannie Mae ("Fannie Mae"); and

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

WHEREAS, the Department's interest in the Mortgage Loan, including the Mortgage Note and the Mortgage, will be assigned to the Trustee, as its interests may appear, and to Fannie Mae, as its interests may appear, pursuant to an Assignment and Intercreditor Agreement (the "Assignment") among the Department, the Trustee and Fannie Mae and acknowledged, accepted and agreed to by the Borrower; 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 Travis County, Texas; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the public offering of the Bonds of an Official Statement (the "Official Statement") and to authorize the authorized representatives of the Department to deem the Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Official Statement as may be required to provide a final Official Statement for use in the public offering and sale of the Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with the Borrower, Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp. (the "Underwriter"), and any other parties to such Bond Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter 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 or another party to such Bond Purchase Agreement; 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 Financing Agreement, the Assignment, the Regulatory Agreement, the Asset Oversight Agreement, the Official Statement and the Bond 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 1.14, 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 Chairman or Vice Chairman of the 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 (as determined by the Remarketing Agent (as defined in the Indenture)), principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Bond Purchase Agreement, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chairman or Vice Chairman of the Board or the Executive Director of the Department of the Indenture and the Bond Purchase Agreement; provided, however, that: (i) the aggregate principal amount of the Bonds shall not exceed \$11,500,000; (ii) the final maturity of the Bonds shall occur not later than December 15, 2036; (iii) the price at which the Bonds are sold to the initial purchasers thereof under the Bond Purchase Agreement shall not exceed the principal amount thereof; and (iv) the fee paid to the Underwriter in connection with the marketing of the Bonds shall not exceed the amount approved by the Texas Bond Review Board.

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 Financing Agreement and Regulatory Agreement. That the form and substance of the Financing 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 Financing Agreement and the Regulatory Agreement and deliver the Financing Agreement and the Regulatory Agreement to the Borrower and the Trustee.

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

Section 1.6--Acceptance of the Mortgage and Mortgage Note. That the Mortgage and the Mortgage Note are hereby accepted by the Department and that the authorized representatives of the

Department named in this Resolution each are authorized to endorse and deliver the Mortgage Note to the order of the Trustee and Fannie Mae, as their interests may appear, without recourse.

Section 1.7--Approval, Execution and Delivery of the Assignment. That the form and substance of the Assignment are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Assignment and to deliver the Assignment to the Trustee and Fannie Mae.

Section 1.8--Approval, Execution, Use and Distribution of the Official Statement. That the form and substance of the 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 Chairman of the Governing Board and the Executive Director of the Department are hereby severally authorized to deem the Official Statement "final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Official Statement as may be required to provide a final Official Statement for the Bonds; 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 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 1.9--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 1.10--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 1.11--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 - Financing Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Bond Purchase Agreement
- Exhibit F - Assignment
- Exhibit G - Official Statement
- Exhibit H - Asset Oversight Agreement

Section 1.12--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 1.13--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chairman and Vice Chairman of the Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Board Secretary.

Section 1.14--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--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 Bond 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 2.4--Certification of the Minutes and Records. That the Secretary and the Assistant Secretary of the Board hereby are severally authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.5--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 2.6--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 2.7--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be Newman and Associates, A Division of GMAC Commercial Holding Capital Markets Corp.

Section 2.8--Approving Initial Rents. That the initial maximum rent charged by the Borrower for 100% of the units of the Project shall not exceed the amounts attached as Exhibit G to the Regulatory Agreement and shall be annually redetermined by the Issuer as stated in Section 5 of the Regulatory Agreement.

Section 2.9--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Project are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

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

(a) Need for Housing Development.

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

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

(iii) that the Borrower is financially responsible,

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

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

(b) Findings with Respect to the Borrower.

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

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

(iii) that the Borrower is not, 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 Financing 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 Financing Agreement and the Regulatory Agreement.

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

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

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

ARTICLE IV

GENERAL PROVISIONS

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

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

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

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

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 12th day of June, 2003.

[SEAL]

By: _____
Michael E. Jones, Chairman

Attest: _____
Delores Groneck, Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

Owner: Wendover Texas II, Ltd., a Texas limited partnership

Project: The Project is a 208-unit multifamily facility to be known as Fountain Circle Apartments and to be located at 9345 U.S. Highway 290, Austin, Texas 78724. It will consist of 21 two-story residential apartment buildings with approximately 217,856 net rentable square feet. The unit mix will consist of:

40 one-bedroom/one-bath units
88 two-bedroom/two-bath units
80 three-bedroom/two-bath units

208 Total Units

Unit sizes will range from approximately 771 square feet to approximately 1,188 square feet.

Common areas are expected to include a swimming pool, a picnic area, a play area with playground equipment, a volleyball court and a community center with a central kitchen, an exercise room, computer facilities and laundry facilities.



**LOW INCOME HOUSING TAX CREDIT PROGRAM
2003 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY**

Texas Department of Housing and Community Affairs

Development Name: **Fountain Circle**

TDHCA#: 03404

DEVELOPMENT AND OWNER INFORMATION			
Development Location:	Austin	QCT: Y	DDA: N TTC: N
Development Owner:	Wendover Texas II, Ltd.		
General Partner(s):	TexWen II, Inc., 100%, Contact: Todd L. Borck		
Construction Category:	New		
Set-Aside Category:	Tax Exempt Bond Bond Issuer: TDHCA		
Development Type:	Family		
Annual Tax Credit Allocation Calculation			
Applicant Request:	\$746,637	Eligible Basis Amt:	\$752,539 Equity/Gap Amt.: \$908,157
Annual Tax Credit Allocation Recommendation:		\$746,637	
Total Tax Credit Allocation Over Ten Years:		\$ 7,466,370	

PROPERTY INFORMATION			
Unit and Building Information			
Total Units:	208	LIHTC Units:	208 % of LIHTC Units: 100%
Gross Square Footage:	224,296	Net Rentable Square Footage: 220,664	
Average Square Footage/Unit:	1,061		
Number of Buildings:	21		
Currently Occupied:	N		
Development Cost			
Total Cost:	\$18,364,527	Total Cost/Net Rentable Sq. Ft.: \$83.22	
Income and Expenses			
Effective Gross Income: ¹	\$1,733,221	Ttl. Expenses:	\$819,707 Net Operating Inc.: \$913,514
Estimated 1st Year DCR:	1.08		

DEVELOPMENT TEAM			
Consultant:	Not Utilized	Manager:	Professional Management of Central Florida, Inc.
Attorney:	Stearns, Weaver, Miller, et al.	Architect:	Slocum Platts Design Studio PA
Accountant:	Reznick Fedder & Silverman	Engineer:	Baker-Aikland & Associates
Market Analyst:	Allen & Associates Consulting	Lender:	ARCS Commercial Mortgage Co.
Contractor:	Diversified Construction Services, Inc.	Syndicator:	PNC Bank

PUBLIC COMMENT²	
From Citizens:	From Legislators or Local Officials:
Public Hearing:	Sen. Gonzalo Barrientos, District 14 - NC
# in Support: 1	Rep. Terry Keel, District 47 -
# in Opposition: 10	Mayor Gus Garcia - NC
# Undecided: 1	Paul Hilgers, Director of Neighborhood Housing and Community Development
Letters/Emails:	Department, City of Austin; Consistent with the local Consolidated Plan.
# in Support: 0	
# in Opposition: 0	

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

CONDITION(S) TO COMMITMENT

1. Per § 49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Receipt, review, and acceptance of revised unit floor plans and building floor plans showing the correct revised square footage for each unit type.
3. Receipt, review, and acceptance of third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project to be accompanied by a letter from a certified public accountant stating which sitework costs are includable in eligible basis.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

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

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance Production Date

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

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

Other Comments including discretionary factors (if applicable)._____

Edwina P. Carrington, Executive Director

Date

Chairman of Executive Award and Review Advisory Committee

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

Chairperson Signature: _____

Michael E. Jones, Chairman of the Board

Date

Fountain Circle APARTMENTS EXHIBIT 3

Estimated Sources & Uses of Funds

Sources of Funds

2003 Series Bond Proceeds	\$ 11,500,000
Equity Funds from Borrower (Tax credit proceeds)	5,725,827
GIC Earnings	95,833
NOI Prior to Stabilization	428,190
Deferred Developer's Fee (Note at Completion)	214,938
Total Sources	\$ 17,964,788

Uses of Funds

Deposit to Mortgage Loan Fund (Construction funds)	\$ 13,587,285
Deposit to Revenue Fund (30-Day Payment Lag)	45,365
Capitalized Interest	800,000
Additional Operating/Construction Reserves	250,000
Developer's Fee/Overhead	2,262,628
Costs of Issuance	
Direct Bond Related	212,350
Underwriter's Spread	111,250
Other Transaction Costs	389,410
Credit Enhancement Costs	171,500
Real Estate Closing Costs	135,000
Total Uses	\$ 17,964,788

Estimated Costs of Issuance of the Bonds

Direct Bond Related

Department Issuance Fee (.5% of Issuance)	\$ 57,500
Department Application Fee	11,000
Bond Counsel (Note 1)	75,000
Bond Counsel Inducement Fee	1,500
Disclosure Counsel (Note 1)	5,000
Department Financial Advisor	25,000
Rating Agency Fee	13,500
Trustee Fee (Note 1)	7,525
Trustee's Counsel (Note 1)	5,500
Attorney General Transcript Fee	1,250
Texas Bond Review Board Application Fee	500
Texas Bond Review Board Fee	3,375
TDHCA Compliance Fee (1st Year Escrow)	5,700
Total Direct Bond Related	\$ 212,350

Underwriter's Spread

Fountain Circle APARTMENTS EXHIBIT 3

Underwriter's Fee/Expenses	\$ 86,250
Underwriter's Counsel	25,000
Total Underwriter's Spread	\$ 111,250

Credit Enhancement Costs

DUS Financing Fee	\$ 115,000
DUS Lender's Counsel (Does not include expenses)	21,000
FNMA Counsel & Expenses	33,000
FNMA Purchaser's Counsel, if needed	2,500
Total Credit Enhancement Costs	\$ 171,500

Other Transaction Costs

Borrower's Counsel	40,000
Letter of Credit Origination Fee	258,750
Letter of Credit Counsel Fee	25,000
Tax Credit Application & Commitment Fee	65,660
Total Transaction Costs	\$ 389,410

Real Estate Closing Costs

Title, Recording & Survey	\$ 115,000
Property Taxes	20,000
Total Real Estate Costs	\$ 135,000

Estimated Total Costs of Issuance	\$ 1,019,510
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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.

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

DATE: June 1, 2003 **PROGRAM:** 4% LIHTC MRB **FILE NUMBER:** 03404
2003-006

DEVELOPMENT NAME

Fountain Circle

APPLICANT

Name: Wendover Texas II, Ltd. **Type:** For Profit
Address: 615 Crescent Executive Court, #120 **City:** Lake Mary **State:** FL
Zip: 32746 **Contact:** Todd L. Borck **Phone:** (407) 333-3233 **Fax:** (407) 333-3919

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name: TexWen II, In c.	(%): .01	Title: General Partner
Name: Wendover Texas Development, Inc.	(%): N/A	Title: Developer
Name: Todd L. Borck	(%): .333 of MGP	Title: Principal of Dev. & GP
Name: Patrick E. Law	(%): .333 of MGP	Title: Principal of Dev. & GP
Name: Jonathan L. Wolf	(%): .333 of MGP	Title: Principal of Dev. & GP

PROPERTY LOCATION

Location: 9371 W. U.S. Highway 290 **QCT** **DDA**
City: Austin **County:** Travis **Zip:** 78736

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$746,637	N/A	N/A	N/A
2) \$11,500,000	6.5%	30 yrs	30 yrs
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 AN LIHTC ALLOCATION NOT TO EXCEED \$746,637 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

1. Receipt, review and acceptance of revised unit floor plans and building floor plans showing the correct revised square footage for each unit type;
2. Receipt, review and acceptance of a third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project to be accompanied by a letter from a certified public accountant stating which sitework costs are includable in eligible basis; and
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 208 **# Rental Buildings:** 21 **# Common Area Bldgs:** 2 **# of Floors:** 2 **Age:** N/A yrs

Original Application:

Net Rentable SF: 209,544 **Av Un SF:** 1,007 **Common Area SF:** 3,854 **Gross Bldg SF:** 213,398

Revised Application:

Net Rentable SF: 220,664 **Av Un SF:** 1,061 **Common Area SF:** 3,632 **Gross Bldg SF:** 224,296

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 38% brick veneer/24% Hardiplank siding/38% stucco exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

3,082-SF community building with activity room, management offices, fitness facilities, kitchen, restrooms, computer/business center, central mailroom, swimming pool, equipped children's play area are located at the entrance to the property. In addition perimeter fencing with limited access gate is also planned for the site. A separate 550-SF laundry and maintenance building is also planned for the site and will be located on the southern portion of the property.

Uncovered Parking: 406 spaces **Carports:** N/A spaces **Garages:** N/A spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Fountain Circle is a moderately dense 8.63 units per acres new construction development of 208 units of affordable housing located in northeast Austin. The development is comprised of 21 evenly distributed medium garden style walk-up residential buildings as follows:

- € (5) Building Type A with eight one-bedroom/ one-bath units (737 square foot for first floor units and 836 square foot for second floor units) and eight two- bedroom/ two-bath units (1,006 square foot for the first floor units and 1,105 square foot for the second floor units);
- € (6) Building Type B with eight two-bedroom/ two-bath units (1,006 square foot for the first floor units and 1,105 square foot for the second floor units); and
- € (10) Building Type C with eight three-bedroom/ two-bath units (1,155 square foot for the first floor units and 1,253 square foot for the second floor units);

The floor plans originally submitted indicate only one size for each unit type. However, the Applicant indicated that the first floor units for each unit type would be smaller than the second floor units for the same unit type. The Applicant further implied that the square footage on the current floor plans were 5% greater than the original floor plans in the Application but to date has only provided an illegible fax copy of the revised plans. The Underwriter used an average of the two square footages for each unit type based upon the sizes described by the Applicant during a phone conversation on May 30, 2003 for purposes of this analysis. This report is conditioned upon receipt, review and acceptance of revised unit floor plans and building floor plans verifying the revised square footage as the correct square footage for each unit type.

Architectural Review: The exterior elevations are functional with varied rooflines. All units are of average size for LIHTC units. Each unit has a semi-private exterior entry area that is shared with another unit.

Supportive Services: The Applicant has contracted with Texas Inter-Faith Management Corporation, (TIMC)

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

to provide supportive services to the tenants which include educational and supportive programs. The cost for the services includes a one-time start-up fee of \$3,000 plus a monthly fee equivalent to the total number of units in the project multiplied by \$8.70. This cost was considered in the Applicant's operating budget.

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

SITE ISSUES

SITE DESCRIPTION

Size:	24.07	acres	1,048,489	square feet	Zoning/ Permitted Uses:	No current zoning
Flood Zone Designation:	Zone X		Status of Off-Sites:	Fully Improved		

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the northeast area of Austin, approximately 8 miles from the central business district. The site is situated on the south side of Highway 290 East.

Adjacent Land Uses:

- ∅ **North:** US 290 East and unimproved pasture and woodlands beyond
- ∅ **South:** Old Manor Road and unimproved pasture and woodlands beyond
- ∅ **East:** Unimproved pasture and woodlands beyond
- ∅ **West:** Abandoned railroad bed and unimproved pasture and woodlands beyond

Site Access: Access to the property is from the east or west along Highway 290. The development is to have one main entry from the east or west from Highway 290. Access to Interstate Highway 35 is 4.1 miles west, which provides connections to all other major roads serving the Austin area.

Public Transportation: Public transportation to the area is provided by Capital Metro bus service, Though proximity to the nearest stop is not known.

Shopping & Services: The site is within 5 miles of two major grocery stores, 1 shopping mall, a multi-screen theater, library, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics:

- ∅ **Zoning:** A Zoning Verification Letter dated April 1, 2003 from the City of Austin indicates that the subject property exists beyond the boundary of the City of Austin and has no current zoning classification.
- ∅ While the site is not known to be located in a flood plain, the sloping topography on the site is, according to the Applicant, going to require higher than normal sitework preparatory costs.

Site Inspection Findings: TDHCA staff performed a site inspection on March 14, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated April 8, 2003 was prepared by Horizon Environmental Services, Inc. and contained the following findings and recommendations:

“Based upon a review of regulatory literature, historical information, and a site reconnaissance, the subject site was found to have a low probability for environmental risk or liability from hazardous materials, and Horizon recommends no additional investigations, studies or sampling efforts for any hazardous substances or materials.” (p. 7-1)

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 208 of the units (100% of the total) will be reserved for low-income; however 2 units may be employee-occupied units. As a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

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

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$29,880	\$34,140	\$38,400	\$42,660	\$46,080	\$49,500

MARKET HIGHLIGHTS

A market feasibility study dated April 11, 2003 was prepared by Apartment Market Data Research Services and highlighted the following findings:

Definition of Market/Submarket: “For this analysis, we utilized a “primary market area” comprising a 66 square mile Trade Area in and around the northeast Austin area.” (p. 3) This is an extremely large but borderline acceptable Trade Area for a major metropolitan area. The nearest Trade Area boundary is less than two miles from the site to the eastern boundary and the furthest is eight miles to the south western boundary. The Trade Area includes a significant portion west of IH 35, a typical geographic boundary for Austin.

Population: The estimated 2002 population of the PMA was 242,730 and is expected to increase by 3.4% to approximately 263,746 by 2007. Within the primary market area there were estimated to be 92,719 households in 2002.

Total Local/Submarket Demand for Rental Units: “Based on our analysis, it can be seen that Austin is beginning to grow at a consistent rate. With lower unemployment, the employment base and household formation will continue to be positive, resulting in the need for additional rental housing. It can also be seen that the affordable housing market is in need of additional stock, especially at or below 50% MFI.” (p. 76)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	95	1%	195	2%
Resident Turnover	6,896	99%	8,502	98%
Other Sources: 10 yrs pent-up demand	N/A	0%	N/A	0%
TOTAL ANNUAL DEMAND	6,991	100%	8,697	100%

Ref: p. 43- Revised

Inclusive Capture Rate: The Market Analyst concluded an inclusive capture rate of 8.17% and the Underwriter calculated an inclusive capture rate of 8% based upon a revised supply of unstabilized comparable affordable units of 659 divided by a revised demand of 8,697. The Underwriter included 25 rent restricted units of the nearby Springdale Estates while the market analyst included only 13 of units which are restricted to 50% MFI. Additionally, the Underwriter included all of the 250 rent restricted units of Fort Branch Landing and excluded the rent restricted units of Eagle’s Point Apartments, an elderly development. The market analyst excluded those units of Fort Branch and included 174 rent restricted units of Eagle’s Point Apartments.

Market Rent Comparables: The market analyst surveyed 9 comparable apartment projects totaling 3,125 units in the market area.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (50%)	\$596	\$596	\$0	\$690	-\$94
2-Bedroom (50%)	\$702	\$702	\$0	\$929	-\$227
3-Bedroom (50%)	\$803	\$803	\$0	\$800	+\$3

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

Submarket Vacancy Rates: “The current occupancy of the market area is 92.1% as a result of stable demand.” (p. 84)

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Absorption Projections: “Absorption over the previous twelve years is estimated to be 544 units per year. We expect this to increase as the number of new household continues to grow, and as additional rental units become available.” (p. 84)

Known Planned Development: “The inventory of new affordable units, including Fountain Circle, will add another 571 units at or below the 50% MFI. Fountain Circle will be well positioned as its unit mix is weighted more to the two and three bedroom market. Competing projects are heavily weighted to the one bedroom rental market. (p. 11)

Effect on Existing Housing Stock: “The subject should not have a detrimental effect on existing projects, as occupancies for 50% MFI unit’s average 93%.” (p. 82)

Despite the unusually large Trade Area designation the Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines. The Applicant originally indicated in the application that tenants would not pay for water and sewer, however in response to questions on differences in operating expenses, the Applicant indicated that tenants will pay for water and sewer costs. Since the Applicant did not submit a revised rent schedule verifying this change, the Underwriter based the analysis on the original assumption that tenants would not pay for water and sewer. If rents are calculated based on the revised assumption, this would have a significant adverse effect on the Applicant’s effective gross income and reduce NOI by \$47K. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant’s total expense estimate of \$3,503 per unit is more than 5% lower than a TDHCA database-derived estimate of \$3,941 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative (\$47K lower), payroll (\$29K lower) and utilities (\$22K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them with additional information provided by the Applicant.

Conclusion: The Applicant’s total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the difference in operating expenses, the Underwriter’s estimated bonds-only debt coverage ratio (DCR) of 1.05 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project may be limited to \$831,430 by a reduction of the loan amount or interest rate. Should the Applicant provide further documentation to support their recent claim that water and sewer will be individually metered and paid by tenants; an additional debt service reduction would be likely.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: (24.07) acres	\$144,420	Assessment for the Year of:	2002
Building:	\$N/A	Valuation by:	Travis County Appraisal District
Total Assessed Value:	\$144,420	Tax Rate:	2.2124

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Earnest Money Contract		
Contract Expiration Date:	07/ 07/ 2003	Anticipated Closing Date:	07/ 07/ 2003
Acquisition Cost:	\$1,030,000	Other Terms/Conditions:	_____
Seller:	Dwyer Sanders Group Partners, Ltd.	Related to Development Team Member:	No

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

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: Despite being over seven times the current tax assessed value the proposed acquisition price is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant provided revised sitework costs of \$12,510K per unit which were nearly double the original estimate included in the Application. This estimate is somewhat inconsistent with the information provided by the development's architect, which estimates total sitework costs to be \$12,847 per unit. The Applicant provided this revised estimate without a CPA's certification that the additional site work costs could be considered as eligible basis for the proposed building improvements and not considered improvements vested with the land. In the absence of any such substantiation, the Underwriter lowered the TDHCA sitework costs to \$7.5K per unit for the purpose of estimating the project's total construction budget. A revised and consistent detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project is required as a condition of this report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis. Should such an estimate verify the need for such high sitework costs, a modification to the allocation of tax credits could be made.

Direct Construction Cost: The Applicant's costs are more than 5% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after revisions by the Applicant were considered. The Applicant's revisions included reducing the direct construction costs by \$1.2M and increases site work costs by an equal amount would suggest that the Applicant's revised direct construction costs are understated.

Fees: The Applicant's contractor fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer fees exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$143,130.

Conclusion: As a result of significant recent revisions, the Applicant's total development cost estimate now appears to be within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$16,035,347 is used to determine a credit allocation of \$752,539 from this method. However, this is more than the Applicant's original requested amount of \$746,637 which placed an artificial cap on the credit amount. The resulting syndication proceeds from the requested amount will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

LETTER OF CREDIT

Source: PNC Bank **Contact:** Robert G. Courtney, CPA

Principal Amount: \$11,500,000 **Interest Rate:** Base Rate + 1/2%

Additional Information: _____

Amortization: NA yrs **Term:** 2 yrs **Commitment:** LOI Firm Conditional

Annual Payment: NA **Lien Priority:** _____ **Commitment Date** 05/ 16/ 2003

LONG TERM/PERMANENT FINANCING

Source: ARCS Commercial Mortgage Co.,LP **Contact:** Frank M. Baldasare

Principal Amount: \$11,500,000 **Interest Rate:** 6.38% underwriting rate

Additional Information: _____

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** LOI Firm Conditional

Annual Payment: \$861,392 **Lien Priority:** 1st **Commitment Date** 05/ 15/ 2003

LIHTC SYNDICATION

Source: PNC Bank **Contact:** Robert G. Courtney

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
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Address: 500 West Jefferson Street, Suite 4000 **City:** Louisville
State: KY **Zip:** 40202 **Phone:** (502) 581-3260 **Fax:** (502) 581-3022
Net Proceeds: \$6,003,016 **Net Syndication Rate (per \$1.00 of 10-yr LIHTC)** 80¢
Commitment LOI Firm Conditional **Date:** 05/ 16/ 2003
Additional Information: Based on \$750,452 in credits

APPLICANT EQUITY

Amount: \$703,826 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: PNC Bank has provided a Letter of Credit for \$11,500,000 during the construction period. The terms of the letter include a term of two years with interest rates set at the Base Rate + ½ %. ARCS Commercial Mortgage Company has provided a commitment to make available a credit enhancement facility in the amount of \$11,500,000. The loan will amortize over 30 years with and is underwritten at a 6.38% interest rate. Based upon the Underwriter's analysis the debt service may not support debt above \$11.1M and the additional \$0.4M proposed debt may be redeemed through the mandatory redemption procedures imbedded into the bond indenture if earn out does not occur.

LIHTC Syndication: PNC Bank has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$6,003,016 based on a syndication factor of 80% and a slightly higher credit amount. Based upon the requested amount a reduction of \$30,517 in syndication proceeds will occur.

Deferred Developer's Fees: The Applicant initially anticipated deferred developer fees of \$703,826 or 31% of the total fees. However, based on the Underwriter's analysis the Applicant's deferred developer fee would decrease to \$1,292,028 or 64% of the total fees. The Underwriter estimates the Applicant will be able to repay the deferred fees within ten years.

Financing Conclusions: The Applicant's proposed development costs establish a need for \$18,364,527 in sources of funds. The Underwriter's analysis reflects the projection that the debt portion of these sources will be reduced to \$11,100,000 due to the minimum debt coverage issues and the syndication proceeds will be reduced to \$5,972,499 due to the Applicant's request. The resulting gap of \$1,292,028 can be funded through deferred developer fee, which is forecast to be repaid within 10 years. Therefore, the proposed financing, as amended, allows the development to be characterized as feasible.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and Developer firms are all related entities. These are common relationships for LIHTC-funded developments.

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

Financial Highlights:

- € The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- € The principals of the General Partner, Todd L. Borck, Jonathan L. Wolf and Patrick E. Law, submitted unaudited personal financial statements as of December 31, 2002 and are anticipated to be guarantor of the development.

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € The principals of the General Partner have completed 1 affordable housing development in Texas totaling 250 units since 2002. The principals of the General Partner have completed 10 affordable housing developments in Florida totaling 1,993 units since 1996.

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

SUMMARY OF SALIENT RISKS AND ISSUES

- € The Applicant's operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- € The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- € Significant inconsistencies in the application could affect the financial feasibility of the projects.

Underwriter:	_____	Date:	June 1, 2003
	<i>Raquel Morales</i>		
Director of Real Estate Analysis:	_____	Date:	June 1, 2003
	<i>Tom Gouris</i>		

MULTIFAMILY COMPARATIVE ANALYSIS(continued)
Fountain Circle, Austin, LIHTC #2003-006

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.71	\$9,204,905
Adjustments				
Exterior Wall Finish	3.28%		\$1.37	\$301,921
9' Ceiling	3.38%		1.41	311,126
Roofing			0.00	0
Subfloor			(1.01)	(222,871)
Floor Cover			1.92	423,675
Porches/Balconies	\$13.67	5,818	0.36	79,529
Plumbing	\$615	504	1.40	309,960
Built-In Appliances	\$1,625	208	1.53	338,000
Stairs	\$1,400	0	0.00	0
Floor Insulation			0.00	0
Heating/Cooling			1.47	324,376
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$59.56	3,632	0.98	216,329
Other:			0.00	0
SUBTOTAL			51.15	11,286,950
Current Cost Multiplier	1.03		1.53	338,609
Local Multiplier	0.86		(7.16)	(1,580,173)
TOTAL DIRECT CONSTRUCTION COSTS			\$45.52	\$10,045,386
Plans, specs, survy, bld prnt	3.90%		(\$1.78)	(\$391,770)
Interim Construction Interest	3.38%		(1.54)	(339,032)
Contractor's OH & Profit	11.50%		(5.24)	(1,155,219)
NET DIRECT CONSTRUCTION COSTS			\$36.98	\$8,159,364

PAYMENT COMPUTATION

Primary	\$11,500,000	Term	360
Int Rate	6.38%	DCR	1.06

Secondary		Term	
Int Rate		Subtotal DCR	1.05

All-In		Term	
Rate		Aggregate DCR	1.04

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$831,430
Trustee Fee	3,500
TDHCA Admin. Fees Asset Oversight	14,620
NET CASH FLOW	\$63,964

Primary	\$11,100,000	Term	360
Int Rate	6.38%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.09

All-In		Term	
Rate		Aggregate DCR	1.08

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

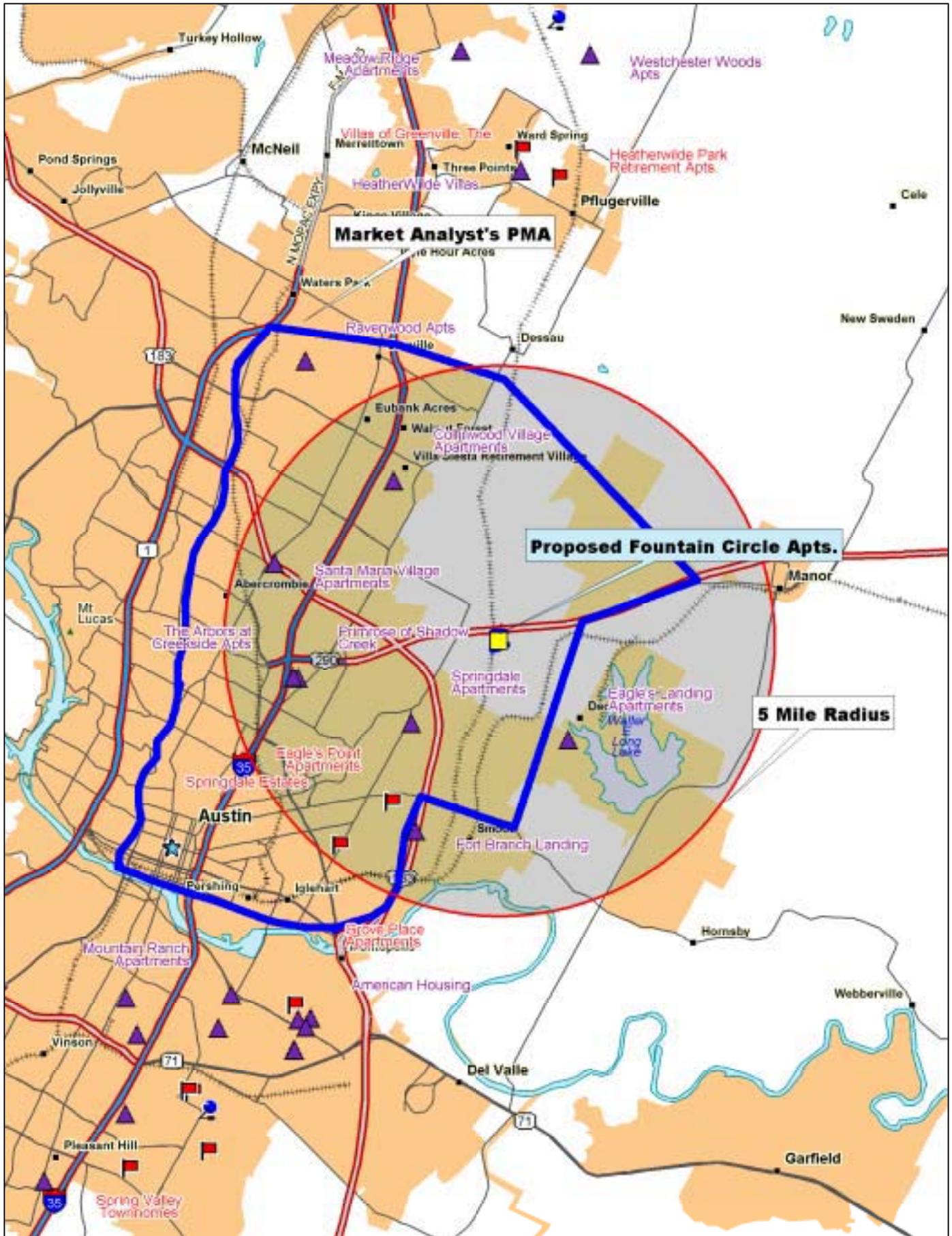
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,836,312	\$1,891,401	\$1,948,143	\$2,006,588	\$2,066,785	\$2,395,971	\$2,777,587	\$3,219,984	\$4,327,390
Secondary Income	37,440	38,563	39,720	40,912	42,139	48,851	56,631	65,651	88,230
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,873,752	1,929,965	1,987,863	2,047,499	2,108,924	2,444,821	2,834,218	3,285,635	4,415,619
Vacancy & Collection Loss	(140,531)	(144,747)	(149,090)	(153,562)	(158,169)	(183,362)	(212,566)	(246,423)	(331,171)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,733,221	\$1,785,217	\$1,838,774	\$1,893,937	\$1,950,755	\$2,261,460	\$2,621,652	\$3,039,213	\$4,084,448
EXPENSES at 4.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
General & Administrative	\$81,644	\$84,909	\$88,306	\$91,838	\$95,512	\$116,204	\$141,380	\$172,011	\$254,618
Management	69,329	71,409	73,551	75,757	78,030	90,458	104,866	121,569	163,378
Payroll & Payroll Tax	189,856	197,450	205,348	213,562	222,104	270,224	328,769	399,997	592,094
Repairs & Maintenance	87,055	90,537	94,158	97,925	101,842	123,906	150,751	183,411	271,494
Utilities	37,458	38,957	40,515	42,136	43,821	53,315	64,866	78,919	116,820
Water, Sewer & Trash	97,765	101,676	105,743	109,973	114,372	139,151	169,298	205,977	304,896
Insurance	41,926	43,603	45,347	47,161	49,048	59,674	72,603	88,332	130,753
Property Tax	138,054	143,576	149,319	155,292	161,503	196,494	239,064	290,858	430,542
Reserve for Replacements	41,600	43,264	44,995	46,794	48,666	59,210	72,038	87,645	129,736
Other	35,020	36,421	37,878	39,393	40,968	49,844	60,643	73,782	109,215
TOTAL EXPENSES	\$819,707	\$851,802	\$885,160	\$919,830	\$955,866	\$1,158,480	\$1,404,278	\$1,702,501	\$2,503,545
NET OPERATING INCOME	\$913,514	\$933,416	\$953,614	\$974,106	\$994,889	\$1,102,980	\$1,217,374	\$1,336,711	\$1,580,903
DEBT SERVICE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
First Lien Mortgage	\$831,430	\$831,430	\$831,430	\$831,430	\$831,430	\$831,430	\$831,430	\$831,430	\$831,430
Trustee Fee	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
TDHCA Admin. Fees Asset Ov	14,620	14,093	13,958	13,814	13,660	12,727	11,444	3,120	3,120
NET CASH FLOW	\$63,964	\$84,392	\$104,726	\$125,362	\$146,299	\$255,323	\$371,000	\$498,661	\$742,853
AGGREGATE DCR	1.08	1.10	1.12	1.15	1.17	1.30	1.44	1.60	1.89

LIHTC Allocation Calculation - Fountain Circle, Austin, LIHTC #2003-006

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,035,000	\$1,035,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$2,602,150	\$1,560,000	\$2,602,150	\$1,560,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$7,554,330	\$8,159,364	\$7,554,330	\$8,159,364
(4) Contractor Fees & General Requirements				
Contractor overhead	\$175,000	\$175,000	\$175,000	\$175,000
Contractor profit	\$525,000	\$525,000	\$525,000	\$525,000
General requirements	\$525,000	\$525,000	\$525,000	\$525,000
(5) Contingencies				
	\$400,000	\$400,000	\$400,000	\$400,000
(6) Eligible Indirect Fees				
	\$1,052,000	\$1,052,000	\$1,052,000	\$1,052,000
(7) Eligible Financing Fees				
	\$1,110,300	\$1,110,300	\$1,110,300	\$1,110,300
(8) All Ineligible Costs				
	\$901,050	\$901,050		
(9) Developer Fees			\$2,091,567	
Developer overhead	\$1,787,758	\$1,579,060		\$1,579,060
Developer fee	\$446,939	\$446,939		\$446,939
(10) Development Reserves				
	\$250,000	\$387,442		
TOTAL DEVELOPMENT COSTS	\$18,364,527	\$17,856,156	\$16,035,347	\$15,532,664

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$16,035,347	\$15,532,664
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$20,845,951	\$20,192,463
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$20,845,951	\$20,192,463
Applicable Percentage			3.61%	3.61%
TOTAL AMOUNT OF TAX CREDITS			\$752,539	\$728,948

Syndication Proceeds	0.7999	\$6,019,709	\$5,831,000
Total Credits (Eligible Basis Method)		\$752,539	\$728,948
Syndication Proceeds		\$6,019,709	\$5,831,000
Requested Credits		\$746,637	
Syndication Proceeds		\$5,972,499	
Gap of Syndication Proceeds Needed		\$7,264,527	
Credit Amount		\$908,157	



© 2001 DeLorme. XMap® Business 1v3, GDT, Inc., Rel. 01/2001
 Zoom Level: 10-4 Datum: WGS84

Scale 1 : 150 000
 1" = 2.7 mi



RENT CAP EXPLANATION

Austin/San Marcos MSA

AFFORDABILITY DEFINITION & COMMENTS

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

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

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

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

MSA/County: **Austin** Area Median Family Income (Annual): **\$66,900**

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			Unit Type	At or Below			At or Below			
	50%	60%	80%		50%	60%	80%	50%	60%	80%	
1	\$ 24,900	\$ 29,880	\$ 39,500	Efficiency	\$ 622	\$ 747	\$ 987	\$ 55.00	\$ 567	\$ 692	\$ 932
2	28,450	34,140	45,200	1-Bedroom	666	800	1,058	64.00	602	736	994
	32,000	38,400	\$ 50,850	2-Bedroom	800	960	1,271	75.00	725	885	1,196
4	35,550	42,660	\$ 56,500	3-Bedroom	924	1,109	1,468	91.00	833	1,018	1,377
5	38,400	46,080	\$ 61,000	4-Bedroom	1,031	1,237	1,638	110.00	921	1,127	1,528
6	41,250	49,500	\$ 65,550	5-Bedroom	1,138	1,365	1,808	133.00	1,028	1,255	1,698
7	44,100	52,920	\$ 70,050								
8	46,950	56,340	\$ 74,600								
FIGURE 1				FIGURE 2			FIGURE 3	FIGURE 4			

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

For example, a family of three earning \$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 \$32,000 could not pay more than \$800 for rent and utilities under the affordable definition.

- 1) \$32,000 divided by 12 = **\$2,667** monthly income; then,
- 2) **\$2,667** monthly income times 30% = **\$800** maximum total housing expense.

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

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

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

FOUNTAIN CIRCLE APARTMENTS

RESULTS & ANALYSIS:

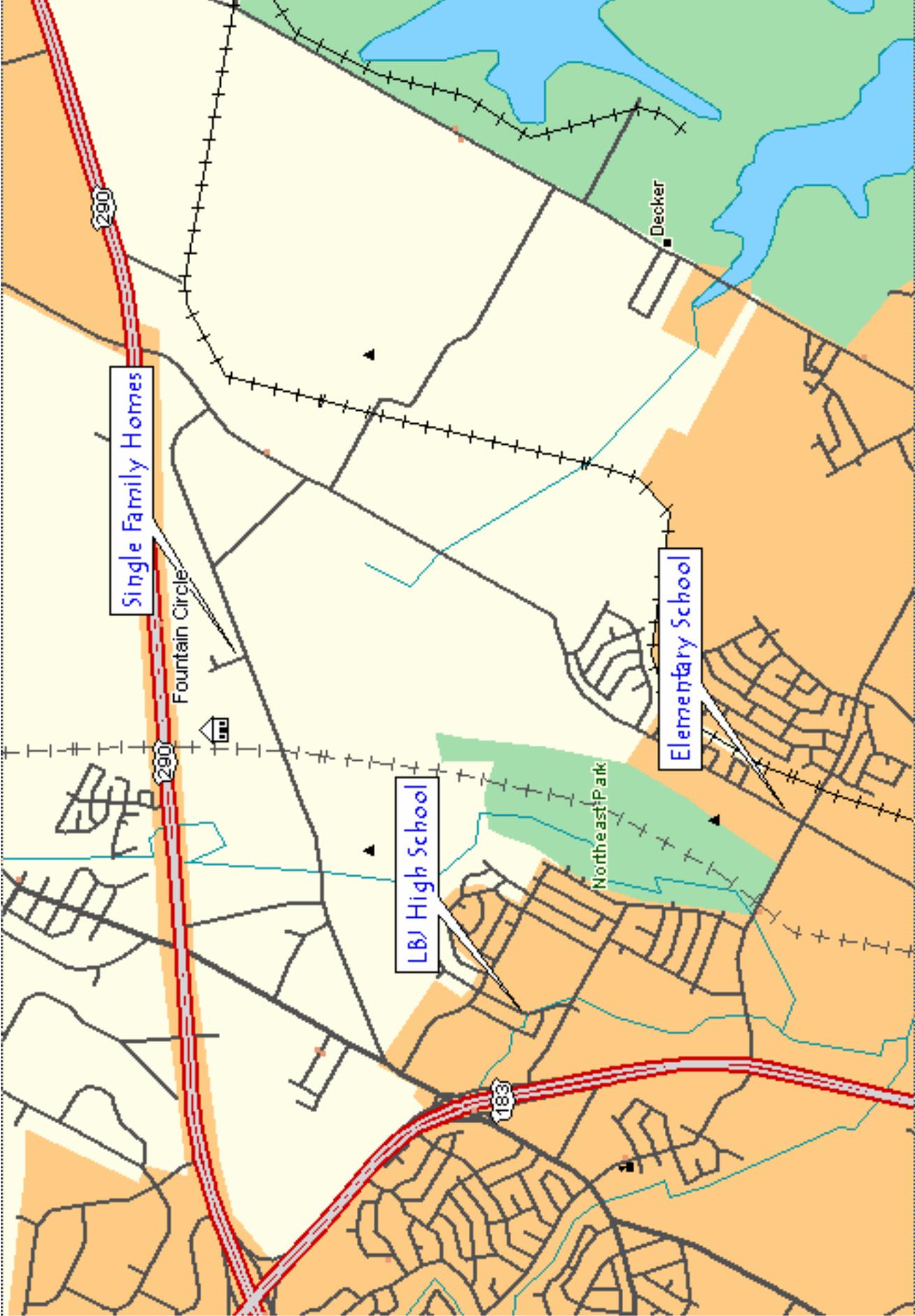
Tenants in the 60% AMFI bracket will **save \$225 to \$273** per month (leaving 6.3% to 8.5% more of their monthly income for food, child care and other living expenses).

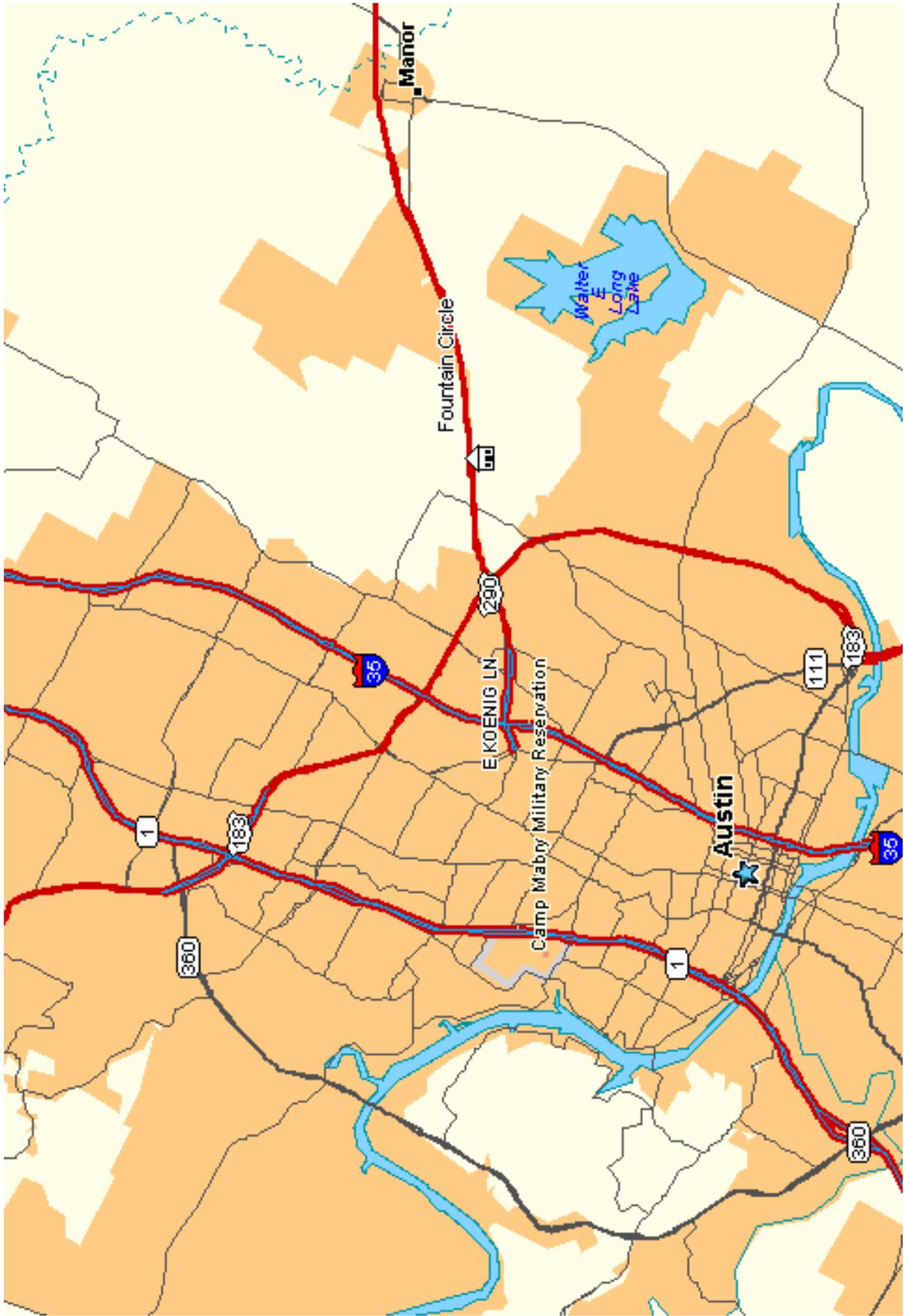
This is a monthly savings off the market rents of **22.0% to 27.3%**.

PROJECT INFORMATION				
Unit Mix				
Unit Description	1-Bedroom	2-Bedroom	3-Bedroom	
Square Footage	745	1,033	1,176	
Rents if Offered at Market Rates	\$827	\$998	\$1,068	
Rent per Square Foot	\$1.11	\$0.97	\$0.91	

SAVINGS ANALYSIS FOR 60% AMFI GROUPING				
Rent Cap for 50% AMFI Set-Aside	\$602	\$725	\$833	
Monthly Savings for Tenant	\$225	\$273	\$235	
Rent per Square Foot	\$0.81	\$0.70	\$0.71	
Maximum Monthly Income - 60% AMFI	\$2,845	\$3,200	\$3,698	
Monthly Savings as % of Monthly Income	7.9%	8.5%	6.3%	
% DISCOUNT OFF MONTHLY RENT	27.2%	27.3%	22.0%	

Market Information provided by: Apartment MarketData Report, 45 NE Loop 410, Suite 200, San Antonio, Texas 78216. Report dated April 15, 2003





Manor

Fountain Circle

Walter
E.
Long
Lake

290

E KOENIG LN

Camp Mabry Military Reservation

111

183

Austin

35

1

183

360

1

360

Developer Evaluation

Project ID # **03404**

Name: **Fountain Circle**

City:

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

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

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Projects in Material Noncompliance: No Yes # of Projects: 0
Total # of Projects monitored: 0 Projects grouped by score 0-9 0 10-19 0 20-29 0
Total # monitored with a score less than 30: 0 # not yet monitored or pending review: 1

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Sara Carr Newsom Date sday, May 08, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by R Meyer Date 5/28/2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Eddie Fariss Date 5/5/2003

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found
Unresolved issues found that warrant disqualification (Additional information/comments must be attached)

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found
Delinquencies found that warrant disqualification (Additional information/comments must be attached)

Reviewed by Stephanie Stuntz Date 5/6/2003

Executive Director: _____

Executed: _____

Status Summary

Project ID# 03404

LIHTC 9 LIHTC 4

Name: Fountain Circle

HOM HT

City

Bond SEC

ESGP Other

Developer	Role	Disbar
Wendover Texas II, Ltd.	Owner/Applicant Name	<input type="checkbox"/>
TexWen II, Inc.	General Partner	<input type="checkbox"/>
Todd L. Borck	President/33.3% Member	<input type="checkbox"/>
Patrick E. Law	Secretary/Treasurer/33.3	<input type="checkbox"/>
Jonathan L. Wolf	Vice President/33.3% Me	<input type="checkbox"/>

Projects/Contracts Monitored by the Department

Program	Project ID	Project Name	Score
LIHTC	01451	Westchester Woods	N/A

Out of State Response Received: Yes

Non-Compliance Reported No

Completed By: Jo En Taylor

Date: 5/1/2003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Multifamily Finance Division

Public Comment Summary

Fountain Circle

Public Hearing	
<i>Total Number Attended</i>	12
<i>Total Number Opposed</i>	10
<i>Total Number Supported</i>	1
<i>Total Number Undecided</i>	1
<i>Total Number that Spoke</i>	7

Letters Received	
<i>Opposition</i>	0
<i>Support</i>	0

- Summary of Opposition**
- 1 *Possible flood issues*
 - 2 *Extremely heavy weekend traffic due to flea market*
 - 3 *Do not want apartments*
 - 4 *Soft rental market in the Austin area*
 - 5 *Opposition to tax credits being allocated to this development*
 - 6 *Emergency services*

- Response to Summary of Opposition**
- 1 *Site does not lie within the 100 year flood elevation*
 - 2 *The traffic light at Johnny Morris Road provides breaks in the traffic flow enabling U Turns.*
 - 3 *No comment by Staff*
 - 4 *Addressed in Market Study - 50% Rent Cap Units*
 - 5 *No comment by Staff*
 - 6 *Property is currently being served by the County*

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

FOUNTAIN CIRCLE HOUSING DEVELOPMENT
PUBLIC HEARING

6:00 p.m.
Wednesday
May 7, 2003

Cafeteria
LBJ High School
7309 Lazy Creek Drive
Austin, Texas

TDHCA STAFF:

ROBBYE G. MEYER, Multifamily Bond Administrator

I N D E X

<u>SPEAKER:</u>	<u>PAGE</u>
Patrick E. Law Wendover Housing Partners, Inc.	10
Andrew Gray	46, 54
Robert Vitray	56
Ray Withers	56
Bernard Gastler	57
Cathy Cochran-Lewis	58
Gladys Williams	59

P R O C E E D I N G S

MS. MEYER: My name is Robbye Meyer, and I'm with the Texas Department of Housing and Community Affairs. I'm going to go through the program that we're using, so hopefully you'll understand a little bit more about the program that's actually supplying the funds of what we're going to be doing.

And also a representative with the developer is here. And he'll be coming up, and he'll tell you a little -- a few little tidbits. And then I'll open it up.

If you want to add some questions before we actually start the hearing, I'll be glad to field those questions.

I will ask you, if you do have a question, if you could come up to the microphone and ask that question. We do have a transcriber here that will put all of this on tape. And then I will present that to my board when they make the decision on this particular transaction.

Okay. So if you could help me out there, and ask your questions on record. And then we will actually start the hearing, and you can make your comments or concerns -- voice your concerns at that time.

Kind of give you an -- I want to thank all of you for being here and participating in the hearing. The Department of Housing -- our mission is to help Texans

achieve a better quality of life by building better communities. And that's one of the things that this developer does.

We do have some pictures up here of a development that they have done in Pflugerville. And it will be the exact same development. So if you'd like to look at that after the hearing, it will give you an idea of what's going to be built.

It is a two-story, and not three, which could be three. But -- I mean, that -- I think that is an advantage to this particular development.

There is also a copy of a site plan that will show you exactly how they will be configured on the property, and also the entrances on 290. And there is not an entrance on Old manor Road. There is just one entrance.

VOICE: Is this a done deal? Is this already a done deal?

MS. MEYER: No, I'm -- no, I'll kind of go through that. The -- whenever we receive an application with the department, my job as a staff member is to carry that from start to finish.

So I have to assume everything is going to move to a closing position. Now, there is a lot of things that

happen in between the start and the finish. And I compile a lot of information and a lot of data for my board.

The board will be making a decision on whether this development moves forward. This hearing is part of that participation and part of the documentation that goes to the board in order for them to make a decision. Okay?

This hearing is required by the IRS because there is a -- what we call a tax credit. And that is an injection of equity. It gives the developer equity in order to be able to charge the lower rents. It gives them some equity into the property.

And because -- we do have the hearing that is required by the IRS code. But the department also takes it a step further, to get your comments and your concerns on the development itself, not just on the bonds or the tax credits. We want to know what you think about the development in itself.

If I can give you a little bit of an overview of the private activity bond program. And that is the program that this is actually under. It also has a tax credit piece. But there is also a private activity bonds.

And the private activity bonds -- and I think you notice there is maybe several articles or things that you've seen, that this is tax-exempt bonds, and the

development won't be paying taxes. And that's not the case.

The tax exemption on the bonds is for the purchaser of the bonds. All the bonds are actually done by private lenders. So it's not your tax dollars that are funding it. It's a private lender that will be investing in this, and a private investor will be purchasing the bonds.

So it's not your tax dollars that are -- that's funding the project. I want to kind of get that out of the way right off the top. A lot of people get concerned about that.

The property will also be paying property taxes. Okay? A lot of people get that excited, that you know, that the development won't be paying property taxes, but they will.

The Department of Housing that I work for is in issuer within this program. And by that, what we do is try to facilitate everybody coming together, with the developers, lenders and the private investors. And so it's our job to put all three of them together and put affordable housing on the ground.

VOICE: Could you tell us the history of this --

MS. MEYER: Yes. I'm going to get there. Okay. The Private Activity Bond Program is administered by the Texas Bond Review Board. And as I stated, the Texas Department of Housing is an issuer of that program through the Texas Bond Review Board.

There are also other issuers. There are local issuers, Travis County, Austin HFC has one. There is also Capital Area. And those are also local issuers within our area. They are all over the State of Texas, the local issuers are. But we're the only state agency right now that participates in the Private Activity Bond Program.

The state is authorized about -- well, approximately \$376 million for the use of funds to put affordable housing on the ground in multifamily division. And by that, this last year just to kind of give you an example, there were 294 applications that were submitted to the lottery process, which is, as an issuer we're part of that lottery process.

With only 376 million, that only allows for about 27 complexes to be built in the State of Texas. So out of 294 applications, only 27 deals are actually going to be put on the ground. So that kind of gives you an idea of the enormous task that we have as a department to work with.

Once the lottery is drawn, and it's done every October by the Texas Bond Review Board, once the applications are drawn, they are assigned a lot number. And then they're put in that order. And they come up for what we call a reservation of allocation. And that allocation gives a developer 120 days to close the bond transaction, not to get the deal built, but to close on the bond transaction itself.

This particular development received its reservation on March 5 of this year. That reservation will expire on July 3. Right now we're scheduled to close on July 26 if the board approves it.

Not only does the TDHCA board approve it, but we also have to go in front of the Bond Review Board. And they will also be the final decision-maker for the transaction. So it's not just one board, but there is two boards involved.

As I stated, they have 120 days to close. And within that 120 days, there is a lot of things that go on.

And it may seem that it's a done deal, but it's not. There are deals that for one reason or another don't make it. The board has the ultimate decision on what happens. And this hearing is a big part of that decision.

It's -- another, I guess, misconception that

people have is that they think that we're putting project housing in their neighborhood. It's not a project-based Section 8 project-based housing development.

It's not a Federal or state or local subsidized housing project. It is all private industry. It's private developers, it's private lenders, and it's private investors, because if there are housing laws, the developer can't discriminate against anyone if they happen to have a Section 8 voucher.

However, they have to meet all the other criteria that any other applicant would have to meet. And I'm going to give you that criteria a little bit later here, so you'll see exactly what applicant has to go through in order to be able to rent a unit from this particular development.

The development will be located at 9371 U.S. Highway 290. As I said, the entrance will be on 290. It will consist of 21 two-story buildings, and there will be two non-residential buildings, a total of 208 units. There is 40 one-bedroom/one-bath units with approximately square footage of 745 feet.

Eighty-eight two-bedroom/two-bath units with an average square footage of 1,033, and 80 three-bedroom/two-bath units with an average square footage of 1,176.

All of the units will serve families at 60 percent of the area median family income, but the rents will be capped at 50 percent. So the rents are a little bit lower than what you would see on a 60 percent deal. The area median family income for Austin is \$66,900.

And give you an example, a family of four couldn't have a combined income of more than \$42,660 in order to qualify to live here.

An example of the rents, the maximum rent for a one-bedroom would be \$602. Maximum rent for a two-bedroom would be \$723. And a maximum rent for a three-bedroom would be \$832. And the criteria: Applicants must meet employment and income guidelines, a credit check, a rental history guideline. Occupancy is limited a maximum of two persons per bedroom. They must pass a criminal background check. And the minimum income must be three times the monthly rent. So to give you an idea, you can't just have -- you know, they have to have income in order to be able to rent within the facility.

Again, the development will be paying property taxes. I'm going to give the development representative here to come up and say a couple more things about the development, and then we'll actually -- if you want to do questions and answers prior to that -- does anybody have

any questions that they would want to ask prior to --

Okay. Let me give him a couple of minutes to say a few things, and then we'll do a couple of questions and answers, and then I will start the hearing, and you can make your public comments at that time. Okay.

MR. LAW: My name is Patrick Law. I am with Wendover Texas, II, Limited, which is the development entity for this project.

Actually, Ms. Meyer hit on most of the important points. I would just reemphasize that what I would like to tell you also is that this property already is approved for 444 apartments, and has been that way since sometime in around 1988.

So when we went out to find a location, we were looking for sites that were already, you know, developable properties. We're only building 208 units on the property. The current site plan approval permits three-story buildings. We're only building two-story buildings.

Our history, and I have pictures of some other projects besides the one up in Pflugerville, is to build what we call small-box, which is a two-story, individual entry-type thing, much more like a home, than a three-story, we call big-box developments, which have, you know, 24 units in a building, are three stories high; they've

got corridors down the middle of them.

And in Texas, a great many apartment developments are of that type, because the land costs are high. And for example, on this development, you can put 444 units. Well, if you put 444 units here, it would be three-story, 24-unit large type buildings, simply because that's the only way you could get that many on.

We made a deal with the land guy to sell it to us at a price that permitted us to build a smaller number of units. And frankly, if we couldn't have built the smaller number of units, we wouldn't have proceeded. Sort of the only way I could tell you that that's true is you could go up to Pflugerville to look at a development which clearly is 20-acre piece of land. We could have put many more units on it than we did.

We did two-story building, and we do have a product you can actually look at. And I think you'd be quite impressed. It's as nice as any type of apartment development. And the materials used in constructing it are the same as are used in constructing houses, and so on.

So I can answer questions on structure, and how the financing works or any of that type of thing that you have an interest in, if you want also.

MS. MEYER: Okay. If you want to ask -- if you could come up to the microphone.

VOICE: Sure. My question is, you said the entrance was going to be on 290?

MS. MEYER: Uh-huh.

VOICE: I was curious because there is a big --

VOICE: A little louder.

VOICE: I was curious. There is a bridge down there where the MoKan Railroad goes through. And so it looks like the property is at least 20 or 30 feet below highway grade. I was just curious about how -- okay, you've got a plan here.

MR. LAW: Let me hand a few of these out. I can also hand you some pictures so you can see what the --

(Pause.)

VOICE: Is there an entrance to Old Manor Road at all?

MS. MEYER: No. The question is is there an entrance on Old Manor Road. No, there's not. There's just the one entrance on 290.

VOICE: Sir, is there a secondary --

MR. LAW: There is no connection whatsoever. We had a choice. Actually, we had several choices. The site plan approval that currently exists for the larger

project does in fact have an entrance on Manor Road.

Since we have done quite a few apartment developments, we realize that most apartment access is better on a major road, if you can get it. So one of the threshold issues we dealt with here was to be certain that we could get an entrance onto 290.

With an entrance on 290, we don't need an entrance onto Manor Road, and we're not building one, and our current plan in for approval does not have an entrance on Manor Road.

It also happens that unless you run into a problem with the fire department somewhere where they absolutely insist on a secondary entrance, we don't like secondary entrances in apartment developments. And most of our -- in fact, all of our developments are gated. All of our developments have single entries.

And where we have had to put fire exits in, we've put in these kind of like brick that have grass that grows through them, so you can't tell it's really a road, but a fire truck could get over it in order to get in the secondary entrance.

We do not even have that requirement on this one. So we're not going to have any entrance -- the question about grade is true. There is a big drop in

grade down to we'll call it the right of way, where you see the power lines going across there.

We are behind the power lines, going up the slope. As the slope gets steep, we stop building. We have a road that comes off and goes up to 290. And we intentionally want our buildings lower than that road because if you stand at that road level, there is a lot of road noise.

As soon as you start down the slope, the noise goes away. And it makes a big difference from the point of view of planning. So the development was planned to be exactly the way we've laid it out.

And once again, because we're not trying to utilize all the land at its maximum density, we'll have the opportunity to spread the property out -- the project out a little bit, and put the apartments in a better location than they would otherwise be.

VOICE: Did I hear you say that it was a gated community?

MR. LAW: Yes, sir.

MS. MEYER: Repeat the question. The question was, was it a gated community?

MR. LAW: Yes, sir. It is a gated community. Now, I'll tell you how that works. Just so that -- pretty

much everybody in Texas seems to have this, too, so it's not -- we're not doing anything that unusual, but it is something we're doing, and I think it has value.

Typically during the daytime, the gates are up. They go down at night, and at that point, they're down. Yes, ma'am?

VOICE: What is the highest rent and what is the lowest rent?

MR. LAW: The rents range from \$602 for one bedroom, to \$832 for a three-bedroom. Now, we are free to rent for less. There is no reason for us to do that except market conditions. If somebody else has got a project down the street, which there are two market projects down the street that are renting at similar levels, we might rent a little less.

They're like \$100 or so higher than us. So we are free to do that. What we cannot do is we cannot rent for more than these limits. The way rents go up over time is if the median county income goes up, then we are allowed to charge a percentage of the median county income.

It's all part, really, of the bargain with the Government. The Government says we'll give you certain tax breaks which do not involve property tax breaks at

all. What they really do is allow big companies to buy an interest in the partnership and get, in return for that, a certain amount of tax deductions every year. They take -- or tax credits, really, that they can use against their taxes.

We take that money and use it to build the project for less than otherwise you could build it for, because if some guy gave you, let's say, \$5 million, he would expect to get a return on the \$5 million, which would be in the form of rent.

So the way we're able to charge lower rents is by getting equity that is -- that we don't have to pay a debt service on, if you will, interest on.

That reduces the amount of cost to operating the property, and it allows us to charge a lower rent. In return, we have to agree not to charge more than a certain amount of rent, because the whole point of this is to give housing to people.

I have a list -- people always wonder who ends up being tenants. I won't read all of these, but I will give you some just broad stroke idea. I have pages of people -- types of jobs that qualify for this type of housing. We -- probably the better word is called work force housing.

It is absolutely perfectly suited for people who are out making their way in the world before they can buy a house. It is not -- what's called Project-based Section 8. Project-based Section 8 was a notion that the Government had years ago that said, We'll give you -- if you rent this to somebody, and they pay \$100 in rent, and you're entitled to get 400, we'll give you the other 300.

And it didn't make any difference, really, whether they were employed or not. The basic notion was that this would take care of housing. The problem, of course, was that you could have a wide mix of tenancy, some of which might be a problem.

And generally speaking, people with jobs have good credit, don't have criminal records, and so on. And if they're paying their rent, that's more important than what the rent is that they're paying. And I think that's something you need to understand about this type of a development.

I can tell you right now on that project in Pflugerville, we have probably three to one people coming in there that are overqualified so it's not a quality issue with the development at all. They simply make too much money, were dear Dells whose -- there's a lot of people work over there and so on, that can't even -- they

can't live there because they make too much.

VOICE: Are you saying, that's a risk/revenue plan. Therefore, there is no Government agency that's subsidizing the rent --

MR. LAW: That is correct.

MS. MEYER: Are you going to repeat the question?

MR. LAW: The question was, there is no Government entity that subsidizes the rent in case the tenant does not pay. And the answer to that is that is correct.

If you were a tenant -- I'll give you an example. Let's just pick a person who would qualify here. We'll take here -- how about a general office clerk. Or we could take a school teacher or somebody. I'd have to look up the school teacher.

Here's someone making \$20,340, general office clerk. It's 22 percent of the way up the list. We could go up to higher income levels. We could get up to -- here is insurance claims clerk, \$25,290. We have insurance people working in this state.

Somebody like that would come in. They would pay -- they would qualify, because they meet the income requirement. Now, if they have -- if they're a single

person, up to -- let's say a family of four, they could make more in that same category without -- and still be qualified. So you can make more if you have a family of four than you can if you're a family -- or if you're just by yourself.

But on average, that's what you would be doing.

You would come in, you would pay your rent. No one else pays it, and if you don't pay it, you're out the door. Before we rent it to you -- and I can tell you, this is always how people could find out if they've actually -- because a lot of people that come to these places have no idea it's affordable until you start filling out all of the forms.

We check income. We have to do all of this. If we rent to anybody who is not qualified, we could lose the tax credits forever on that apartment. So we're not motivated to do that. We're motivated to get the right person in there. We're motivated to have good credit. We cannot discriminate on race, color, or creed.

So whatever standard we're holding on a credit has to be applied equally. We can't just suddenly decide, well, this person over here is a felon, but we're going to let him in because we like the way they look. They can't get in. There's no felons can get in.

So that's the criteria. We have to do that, and we're monitored by the state. TDHCA has a compliance department, comes around and checks our records, makes sure that we're doing what we're supposed to do. And they do that on behalf of the Federal Government.

MS. MEYER: Yes, sir?

VOICE: Should I come up there? Can you hear me?

MS. MEYER: If you -- well, go ahead and ask your question.

VOICE: If you'll repeat the question --

I'm pretty glad to get a little bit of a history as to how this came about. It doesn't look like we need any more apartments at this time. We have such an overdose of apartments now.

I'm wondering -- did Robbye's housing authority come -- what did somebody say -- I made a note; we need more housing in this price range? Or did it start with the developer buying a piece of land, and then saying, This is a good money-making proposition, and we will go there.

MR. LAW: Okay. The question is, in the course of determining how this project has gotten to be where it is right now, did the State of Texas through one of its

agencies of any sort come here and solicit developer interest in this location? Versus, did a developer go out in response to a program, which I'll describe in a moment, and which Robbye already described, say, Okay, here is a location which we believe would be successful?

The answer is, the state did not come to us and tell us anything. Every year the State of Texas has a lottery. And anybody who wants to compete in that lottery, find a site and put it in the lottery. The guys that are smart find sites that are developable. There are a lot of them that don't get done because they picked some place that the numbers won't work.

Austin is a higher-income part of this state. Dallas is another location. Houston is another. Bond deals work in those locations. The next thing is to find a decent location. We try -- so far, we've been successful at that everywhere we've been, to find good locations that are developable.

We prefer to find a location that will permit what we want to do, so that we are not going out there and trying to talk everybody into letting us build an apartment development. So we like to see properties that already have a site plan approval or some other way that would allow us in a short period of time -- you heard her

say you have 120 days from when they tell you to go forward.

And remember, it was a lottery. So you can't spend a lot of money before you know whether you win. And then you've got to close pretty fast afterwards. So in that context, there wasn't any kind of a program of solicitation, other than what they call an RFP, request for proposal, or actually, I'm not sure that is technically what it is in the bond program, but --

MS. MEYER: No.

MR. LAW: -- in a sense, it's an invitation to make an application. So we pick the site. We have -- the way we pick sites now in this area is we have a broker who knows some of the larger land developer kind of guys in town, and we have made arrangements with a couple of them on a couple of deals. That's how this site came about.

VOICE: About -- I'm thinking about -- for Robbye -- a question for Robbye related to that. Am I coming through? And I'll try to be -- can you hear me there? Okay.

You did not go out seeking somebody to do this. What is the initial action with your group, the housing group, to involve you in it at all?

MS. MEYER: Well, again, that goes back to us

being an issuer for the Texas Bond Review Board. The Texas Bond Review Board is actually a sponsor of the lottery, and they actually administer the Private Activity Bond Program. Okay?

And we are an issuer for them. Okay. And that's the only way I can say that. As far as soliciting business, all we do is open up an application round. There are -- many developers out there know that we are an issuer for the lottery, and they choose us, you know. And they also choose local issuers.

I know that this particular developer has also used other issuers besides us. And that's fine. I mean, we're all in the same program; it's just a different issuer. And there are different costs involved with different issuers, also. That makes a difference also.

But as far as picking a site, the -- my department doesn't have anything to do with that. Now, one thing that -- I'm going to go a little bit further on the history part, where you ask, you know, Well, what shows demand, you know, for the need?

One of the things that is required, once they get a reservation or receive a reservation from the Texas Bond Review Board, they have to supply a market study. And that market study has to show that there is a demand,

there is a need in that particular area. And that is one thing that we will be reviewing.

That information will also be passed on to our board, whether there is a need or whether there isn't. And if there isn't a need, then obviously that's going to make it difficult to move forward. So I mean, developers are pretty smart in where they pick sites.

They do a little bit of market analysis prior to submitting an application to us, just so they'll know whether they're going to be able to charge the rents and still be able to make their debt service.

So there's a little bit of things, you know, that go on in the application, the first part of the application stage, which is done in the early fall. But the market study is a major piece of the puzzle once we get into the reservation and that 120-day period of time.

MR. LAW: I might just add one -- I'm sorry. Go ahead.

VOICE: My question doesn't relate to his, so you go ahead.

MR. LAW: Well, let me just elaborate a little bit further. There is another -- there is called a free enterprise system also involved in this. The people who buy the bonds have to feel comfortable that there is going

to be an income stream that will support the bonds.

People who buy the tax credits, even though they're not making money from the cash flow of the project -- they are behind the bonds. So if there was ever a default on the bonds, they would have to make up the difference or lose their tax credits.

So everybody's interested, and then we have guarantees. So everybody is interested in making sure or feeling very comfortable that the project will rent. It is true that the Austin market, in the market area, is overbuilt. And if we were out building a regular market apartment development right now, or like some of these guys who only built one and two-bedroom developments, I think you could have a problem there, because I think that when business is down, those places can suffer.

This is -- the people that make less income, however, they're still making less income, there is still a demand for that. There is not a huge number of these being built all over the place. I can tell you, one of the things -- I believe I'm correct in saying this.

I do not believe there is another bond deal within -- that's been done within at least five miles of where we are, that will be done this year, or -- and I'm almost certain was done last year within five miles of

this site. And that's a lot of people.

So we're not a bit concerned about our ability to rent the development.

VOICE: I'd like to ask about some of the things that you have already referred to. You made mention a moment ago -- let me just tick off two or three things and then I'll hush.

But you made mention ago about your access to the property. I'd like for you to tell us about your egress and how you're going to go back to Austin when you leave your entrance or your exit.

I'd like for you to tell us a little bit about your site plan. I do not understand your saying that you've got a site plan approved for some 400 units. Actually, you didn't say you did.

MR. LAW: Four-forty-four, I believe.

VOICE: You said that there was a site plan approved by the property owner. And yet then you said that site plan was approved in 1988.

MR. LAW: That is correct.

VOICE: Are you sure about your site plan being approved in 1988 is still effective? Most of those site plans have a three-year expiration date if construction is not -- doesn't start within that three-year period from

the approval date.

So I'm just so surprised to learn that you've got under contract to buy a tract of land that's got a site plan that's approved. Are you sure about that, sir?

MR. LAW: Well, let me tell you the answer to that.

VOICE: Okay.

MR. LAW: Because we wouldn't be down at the City of Austin walking through this site plan approval without that one in place, and we've been trading off various modernizations and so on in accordance with that plan.

So I'm told we have one. I believe the City of Austin will verify that we have one. The -- I believe that this project has done whatever it needed to do under the grandfathering rules to remain in effective approval.

This is not a zoned piece of property. It's an ETJ of Austin. If it was in the City of Austin, it'd be a different story. It's governed by the rules of Austin, because it's within two miles of the Austin city limits. In fact, 290 is in the city limits there.

We are in the county. We don't even have to have a site plan approval in order to get this approved. I'm just telling you that there is one. As far as I know,

it is effective. And I know that the city has looked at it in the context of certain issues that have to do with slopes and impervious surfaces and so on on this site.

That's what I can tell you. That's what I know. Now, you had asked about egress. When you egress the site, you'll make a right turn. You'll go down to the next intersection and you'll make a U-turn if you want to go to Austin.

VOICE: Yes. That's right --

MR. LAW: That happens, by the way, to be the --

VOICE: Except on Saturday and Sunday.

MR. LAW: It happens -- by the way, you might be interested to know this, because I've often argued for median cuts, and found out that this is not necessarily the best thing, it is safer to make a right turn and a U-turn, than it is to make a straight-across curb cut.

And indeed, on a road like that, it would not be very safe to have somebody actually going straight out and making a left turn across two lanes of traffic while they have to watch the third lane coming from the other direction.

VOICE: Now, that's -- you all have done traffic studies, and you're familiar -- or are you not

familiar with the heavy traffic load on 290 East --

MR. LAW: It's about 40,000 cars a day. That's the traffic count.

VOICE: Well --

VOICE: And on the weekend that -- did you know that on the weekend that flea market, which has a million visitors a year, that backs up that U-turn about a mile or so? Were you aware of that, on Sunday?

MR. LAW: No.

VOICE: Have you checked on to see if they're going to close that thing? They talked about closing it.

MR. LAW: If they close it, we just go down further before they make the U-turn.

VOICE: That's all the way to the light then. Well, let me ask you two questions. And I'm not interrupting. First of all, what are you all going to do with the water down there?

VOICE: I can hear him, but --

VOICE: Do you know that's just a -- practically a swamp? We used to farm it, live out there, and I know all about it. Thomas's [phonetic] father-in-law and Mary Alice's [phonetic] father, and we farmed that land down there. And now you know the water line to Pflugerville is going through there, too. You know that,

don't you?

MR. LAW: Well, let me say this. The City of Austin is reviewing all of that. I -- we don't build anything that's not approved by engineers. So they have figured out that what we're doing is all right.

And I can't tell you more than that, other than we wouldn't be getting an approval to do what we're doing if it wasn't right. I might add, by the way, on water -- different type of water, domestic water -- you're right. Now I believe we're supplied by a six-inch line that's a dead-end line.

When we're done, we will have a 12-inch line looping from the other side. We'll be on a loop system after completion of this development, which is a benefit to the neighborhood.

VOICE: Well, what Mr. Cedar [phonetic] is pointing out to you is it's just a natural concern. We're wondering if you had your engineer do a flood plain study, and if you understand just where your flood plain line is on your property.

MR. LAW: I standing here personally do not know where my flood plain line is. But I can tell you, my employees do, and the people approving this project do. We have built -- we build a lot of projects in Florida,

where we have to deal with coastal waters.

We've built at elevation 6, we've built at elevation 9 above sea level. We are fair -- we're doing a development right now in Jacksonville, where we have wetlands all over the place, and we have to build around them.

We have done the studies that need to be done.

We are -- feel very comfortable that we're complying with the rules. And I don't think we're going to have a flood, which I assume is what you're worried about.

VOICE: So -- no, I'm just worried that you haven't really done an engineering study -- a flood plain engineering study to see just where the flood line really is.

MR. LAW: Well, I think we're complying with whatever the City of Austin requires for a flood plain line. I do not know whether we had a study or not to meet that line.

VOICE: Well, whether you've done it or not --

MR. LAW: Or whether we're even near it.

VOICE: Well, whether you've done it or not, when we have those ten to 12-inch floods like we've had -- like we had on July 4 about ten years ago, that whole country down there was under water.

VOICE: You don't have to go that far back. Last year -- you know the third bridge, the lowest bridge? That bridge was under water. We had a tornado pass close by, and that bridge had about three inches of water going over it. And you go there --

VOICE: We're going up to you all's line --

VOICE: And you go there and look down, you won't believe it, because there's like 20 feet down to the creek.

VOICE: There is water down there sometimes.

MS. MEYER: Well, the flood plain issue will be reviewed by our underwriting department, and also by the lender. I mean, so that --

VOICE: Okay.

VOICE: Well, that's what we're --

MS. MEYER: I mean, you've got people that are involved in the deal that don't want to see it under water. So obviously, they're not going to, you know, release money to go out -- funds to be built if it's going to be under water. So --

VOICE: Before you fund these bonds, we're urging you to have the flood plain study done. We're urging you to have the access problems to this property studied. I mean, I -- as the lender, you sure need to be

aware of your access problems and your traffic problems, and your flood plain problems, in my opinion.

MR. LAW: Are you suggesting -- or you recommend we instead put an entrance onto Manor Road in order to alleviate the issue?

VOICE: Oh, no. You'll never get fire department approval, sir.

VOICE: Oh, no.

VOICE: You'd never get that. So that --

MR. LAW: I would have -- for a secondary location, they would give that to us right now.

VOICE: On the Old Manor Road side?

MR. LAW: Put a road on -- to put an entrance there? We could put an entrance there. We're not doing it because the reasons I told you. But what you're basically doing is making an argument for doing exactly that.

VOICE: No, sir. I'm not. I'm just telling you you'll never get an entrance approved there. That's what I'm saying. In my opinion, you'll never get an entrance approved, and the fire department wouldn't even consider it.

MS. MEYER: Well, are there --

MR. LAW: I'm going to have an entrance on 290

anyway, no matter what.

VOICE: Okay. Yes.

MR. LAW: I already have it.

VOICE: I have one. I'm looking at this operation down here on the lower right. It says, "Sedimentation pond, filtration pond, detention pond." Is this a runoff area, just an area for taking care of your runoff?

MR. LAW: Uh-huh.

VOICE: Okay. You're going to be putting in a septic line then. Right?

MR. LAW: I beg your pardon?

VOICE: A septic line? No?

MR. LAW: No.

VOICE: No, a sewer?

VOICE: Sewer.

VOICE: That's water -- wastewater. That's the --

VOICE: Wastewater -- because the City of Austin --

VOICE: No, no. I know. That's what I was saying. So he is going -- there is no sewer line in there now.

MR. LAW: We have to put one in.

VOICE: Yes, there is. Down Walnut Creek.

VOICE: Okay.

MR. LAW: From our property, we have to hook up to the sewers. We're not building a septic system.

VOICE: Right. Okay.

VOICE: So you're going to be bringing the sewer line over from the main trunk that's going down Walnut Creek?

MR. LAW: Wherever it is.

VOICE: Yes. Or you don't know?

MR. LAW: Look. Let's be clear about something. You can own a development and not know all the details. I do not know all the details. If my brother was here, he could tell you a lot of those details. I know we've got a sewer line that's' going to connect up somewhere, because we've never built anything that doesn't have --

I can't tell you whether it's Walnut Creek trunkline or not.

VOICE: Well, I think that's good to admit what you don't know as opposed to trying to fake it. I appreciate that.

VOICE: Me too.

MR. LAW: Well, I'm not going to fake it. I

can only tell you what I think is true. But I can also tell you I -- what I do know is something by indirection, which is we're connecting up to a sewer line somewhere. And we're probably putting a lift station in too.

VOICE: And you're here to tell us about the advantages of the project, and how it can work economically, and how it can be funded. And we're here to tell you that, you know, there are sure a lot of things that the State of Texas and you as a developer sure may need to check out before you all haul off and buy this tract of land, because we all know that Dwyer-Sanders had this property sold a number of times in past years, only to find that the buyer of the property, after making a marketability and feasibility study, realized that this property is just not developable because of some of the problems that we're calling to your attention at this time.

And so it's not quite that we're anti your project. We just question the wisdom of using this tract of land in the manner you propose.

MS. MEYER: Okay.

VOICE: And in the State of Texas, financing this property -- financing with state bonds, not because of the project, but because of the property selected.

VOICE: Also I wanted to point out for the record is that when I built my house out here, I discovered that there is 60 feet of clay on this side of town, and especially in this lower area down in the -- kind of near the flood plain. I don't know if it's in the flood plain or not.

But it's -- marginally, it looks like flood plain. It looks like, Okay, there is a big creek. There is a flat slope of land, and there is where the apartments are going to be. So it looks like a flood plain. But what I'm saying is, when it rains like six inches of water, that clay turns into mashed potatoes.

And so you'd better start thinking about like, one-and-a-half-inch rebar with huge foundation beams, unless you want to be like a Nash/Phillips/Copus house, which settles and splits, and you know, you don't have any foundation left over, you know, in about ten or 15 years.

So I just wanted to state for the record there is at least 60 feet of yellow clay on top of shale. This is not a place to -- for the faint of heart to be pouring foundations.

MR. LAW: We did have engineers study the caliche conditions out there.

VOICE: No, no. Not caliche. This is not

caliche. This is clay. This is expansive soil. It expands about ten to 15 percent when wet. And this is --

MR. LAW: All right. Well, I think of caliche as expansive soils. I -- it's expansive soils. We acknowledge that. Engineering has been done. Deal with that.

VOICE: All right.

MR. LAW: We're using local contractors who know about that. We're using the same site contractor who did the work up on the Pflugerville job, which had similar conditions. There they had the thick limestone in, great limestone beds to put the building pads on. And then of course, we used concrete, you know, driveways, and so on, instead of asphalt, things of that sort, to deal with the condition.

VOICE: Regarding the property -- you will maintain the property as a whole, the grounds?

MS. MEYER: The question is, do you maintain the --

MR. LAW: Yes, yes. It's one owner maintains it. So we don't have to deal with individual tenants. It's not a condominium. It's maintained as a common area.

VOICE: How long do you keep these projects before you sell them?

MR. LAW: We have to keep it for 15 years.

MS. MEYER: but there is also a -- to add to that, there is also a compliance issue with the State of Texas for 30 years, or as long as the bonds are outstanding.

So if he sold the project and the bonds are still outstanding, the State is still involved in the deal itself.

MR. LAW: Right. We can't convert it to some non-tax credit use and continue to use those bonds. What she's saying is at the end of 15 years, what you may legally have to have tax credits, or keep it for 15 years.

It's unlikely you're going to retire the bonds in 15 years, so it will continue onward in the same manner.

MS. MEYER: Yes, sir?

VOICE: This is a totally different question. If we look at a map of the area, it's surrounded by city -- City of Austin. Is this slated for incorporation and people to move in and take over that area?

MS. MEYER: No, I don't know that answer. I don't --

MR. LAW: Well, I can say this. There is nothing in anything we've done, or any discussions we've had where the City of Austin has indicated that they were

going to annex us. There are -- we haven't actually run into this problem in Texas.

In Georgia, for example, very often you'll be in a county. You can't get the services unless you annex to the city, if the city is providing the water and sewer.

Here they have this ETJ, which is this extra-territorial jurisdiction around the perimeter of the town, where they review as though you were a part of the town, whatever it is you're planning on doing, under their zoning ordinance and so on.

VOICE: So what would be the law-enforcement for the setup?

MS. MEYER: It would probably be Travis County. I don't know that for a fact.

VOICE: Sir?

MS. MEYER: Since it is in the county -- well, it's whoever is the same thing for you.

VOICE: Well, we have the county.

MS. MEYER: Since it's out of the -- outside of the city limits, I would say that.

VOICE: So now the -- out toward the southeast, beyond Applied Materials there, the City of Austin has annexed all that. So the police cars go up and down there when you go out there, while the sheriff is tending this

area.

MS. MEYER: Yes. So most likely, I would -- since it's not in the City of Austin, that would be my assumption. Now, I can't tell you that for sure. But I would assume that it would be Travis County.

VOICE: Does it make any difference to the state whether or not your projects are in the city or not city limits? Does that make a difference?

MS. MEYER: No, sir. Yes, ma'am?

VOICE: You may have answered this. I apologize if it's already been asked. But under what conditions would this project not go forward? What --

MS. MEYER: Everything that -- I mean, as a staff member, and I did sort of answer this earlier. As a staff member, I have to assume we're going to take it from start to finish as for the department. And my job is to take it from start to finish to close the bonds.

Now, in between that, there is a lot of things that go on, and we do present all this information -- the public hearing. And there is an underwriting report that comes from our underwriting. Our real estate analysis group gives in part of that information that's given to the board.

And the board makes the ultimate decision. So

I can't give you a reason why they're going to turn something down. But the board makes that decision. Each development that we do is based on its own merits. So you don't have a track record, well, you know, they turned this one down over here because of this.

It doesn't work that way. The board takes everything into consideration individually.

VOICE: And that board -- what is that board?

MS. MEYER: The Texas Department of Housing and Community Affairs. It is the -- I work for the Texas Department of Housing and Community Affairs. And our board is slated to meet on June 12 for this transaction.

VOICE: Does your board do any independent investigation regarding suitability of property? Or do you just rely on what the applicant submits to you?

MS. MEYER: Well, we rely on the information that the applicant submits to us. But he's also dealing with third parties. The market study comes from a third-party analyst. We have -- they do a Phase One environmental study. That comes from a third party. The developer is not doing those studies. They come from third parties that are approved by our department.

VOICE: Who are the third parties? I'm not following you.

MS. MEYER: Well, I -- the market study is done by an analyst that does not work for the developer. It -- they have to pick a market analyst. And I'll just take that as an example. They have to pick a market analyst from an approved list that we have with our department, that we have done business with, and we know the type of work that they do, so that we can rely on the information that they give us.

VOICE: So you're saying that you require a market analysis?

MS. MEYER: That is correct.

VOICE: And do you require a flood plain study?

MS. MEYER: There is flood information. That goes into the real estate analysis department. And I'm not, you know, truly, I'm not involved in that piece of it. But I know the real estate analysis group and the lender is also looking into that, and the engineering reports.

VOICE: So do you also require review of access and accessibility ingress and egress to the property?

MS. MEYER: As far as traffic-wise?

VOICE: Yes.

MS. MEYER: I mean, that is taken into consideration. I mean, that -- not only by us but also by

the lenders.

VOICE: But do you require a study?

MS. MEYER: Not -- no, we don't require a study. No.

VOICE: You don't require a study. Do you require core testing? For example, as to a soil analysis.

When people that are very familiar with the soil offers up to you the fact that this whole -- the entire area is -- has a lot of clay, and the fact that the townhouse project across 290 on the north side of 290 has had numerous units that have had foundation problems, do you make inquiries into that type of information?

MS. MEYER: Well, we rely on the engineering -- third-party engineering people that deal with the project itself. I mean, that -- they're the ones that are actually going to certify it when it's all said and done anyway. So yes, we do rely on theirs. Do we do an independent study? No, we do not. Yes, sir?

VOICE: I'm surprised. Is there a firehouse unit in here someplace?

MS. MEYER: Firehouse unit?

VOICE: Firehouse for --

MR. LAW: No.

VOICE: -- fire protection? I was just

thinking where is the nearest fire truck?

MR. LAW: It's over in --

VOICE: Out in Harris Branch?

MR LAW: In Harris Branch. Yes.

VOICE: Which is beyond us. The city, of course, is takes is -- annex that. And so they built firehouses out there.

VOICE: That wouldn't service it, though, because that's not from the city.

VOICE: But we need fire protection. As many apartment fires as there are --

VOICE: Engineers --

VOICE: -- I would think you would have given consideration to what is the nearest fire protection, or else build a unit in here. That's why I was asking about the city annexing, because the city would have to annex it to do that. And it looks like to me that that is needed very much with this being an apartment unit.

MS. MEYER: I don't have any answer to that question for you. I mean, I don't know the answer to that. Are there any other questions that -- yes, ma'am?

VOICE: What are the projections for the impact on the surrounding communities once the project is built and during the building stage as far as property values,

just what -- I mean, surely there's been studies about what the impact is --

VOICE: Crime rate --

VOICE: -- within a five to ten-mile radius.

MS. MEYER: As far as recent studies that have been done in the state, there are -- there is nothing that concludes that it devalues your property. There is nothing that concludes that crime rises in these areas.

Now, traffic is going to be increased. I can't tell you that it's not. Obviously it is. You're going to put 208 units on the ground. So therefore, there is going to be an increase in traffic. But you know, as far as any devaluation of property --

I'll give you an example from my example, and I live here in Austin. I have three of these properties within a mile radius of my house. I bought my house in '98. And it -- for \$92,000, and it was appraised last year for 145. All three of those properties have been up and running the whole time I've owned my house.

So -- and that's just an example. So --

VOICE: Would you mind telling what area of town is that?

MS. MEYER: It's in south Austin. So I mean, I can't tell you that that's exactly what's going to happen

here. But I mean, I can't tell you that it's going to go down, either. I can just give you an example that I have, you know, and that's my own personal experience.

But there are no studies that show that, you know, it decreases your property values. And I know that everybody wonders about that. And I do the same thing with my own property, as far as, you know, having any kind of apartments, you know, built up around me.

But you know, I can sit there and dispute the -- every day, because that's my own opinion. But you know, I -- my house proves me wrong. So -- yes, sir?

MR. GRAY: Yes, I just had one final comment. I know that you said that this is not a subsidized unit, but I -- from my -- I see on this sheet there is going to be a \$7 million tax credit.

Now, I don't know how you want to package that. But in my view, that's \$7 million that is not paid in taxes on income. So in my view, that is kind of a subsidy. It's like -- kind of like saying that renters don't pay property tax. But it is a subsidy.

And so my objection to this proposal is the fact not -- against -- really, I -- I really don't mind the site and everything. What I object to is the market conditions right now. If you have a tremendous surplus in

corn in the agricultural economy, well, then it doesn't make sense to me for our Government to be subsidizing corn farmers to grow more corn.

And I would object to the Government subsidizing corn farmers to grow more corn when there is a surplus of corn on the market. Well, right now in Austin, I would say -- my realtor friend told me there are 10,000 houses on the market for sale.

The apartment market is again soft. It's a renter's market. I have seen signs where you get two or three months' rent for free if you'll just move in. We'll give it to you for -- you know, we'll give you free this and free that, and free cable, and everything else to move in.

So right now it's kind of like we're in a big surplus of apartment market again. And most economic people don't see conditions getting much better for, I'd say, three to five years, since we're in a down bust cycle in the economy.

So I object to the Government creating this false economy of subsidizing. And I'm -- that's why I'm calling you on this, that this \$7 million tax credit to me is a subsidy. I object to the Government subsidizing this false economy. In other words, subsidizing apartment

growers, if you'll allow me to use that term, when the market is so bad here, and we need tax-paying projects, and you know, our Federal Government -- I suppose this is a Federal income tax credit.

I object to the Federal Government -- \$7 million of our -- I'll call it our money, since it is our money, subsidizing this market, which will in turn hurt the tax-paying property owners in this area, who are begging for tenants right now, just doesn't seem like -- it seems like a false economy.

But okay, you subsidize this project, and you just undercut somebody else who is just begging for tenants right now. So it just -- you know, if it was just an ordinary development on its own economic benefits, and it was just an ordinary project, I would say, Great, I would be all in favor of it.

But since it is a subsidized, and it doesn't make sense without the Government subsidies, I strongly object to doing that and kind of sticking the knife into the property owners in this area who are really hurting at this time.

MS. MEYER: Okay. Are there any other questions?

VOICE: Here, here.

VOICE: I just -- I have a couple of questions. So it's a total of 208 units. Now, will there ever be a time when that will grow? Because you said it's zoned for 400-and-something units, I believe.

MR. LAW: The answer is no.

VOICE: That's --

MR. LAW: And I can -- by way of explanation, let me say that the -- once this financing is put on, the nature of the objection as it may be for that gentleman, you can't get rid of it, or add another 20 units or something. The project is not being laid out to do that. And that's all that's going to be built there.

VOICE: So it would stay that size?

MR. LAW: Yes.

VOICE: And the other question is, on the east, going right from the back side to the east side, what kind of fence is going to be up there? Is there going to be some kind of a fence?

MR. LAW: I really don't know.

VOICE: Okay.

MR. LAW: I don't know whether there is a fence plan there or not. I can tell you, as a general rule, we're not in favor of fences. But we do have properties where we have fences around them, mostly because fences

fall into disrepair, even if you're maintaining your property pretty well. And I don't think they deter anything.

We do have a good grade change there. I don't think that -- whether there is a fence there is going to make much difference one way or the other. But I can't tell you whether our plan has or does not have a fence there.

MS. MEYER: Okay. If there aren't any more questions, then I'm going to go ahead and start the hearing so that you can come up and make your public -- your comments.

What I will ask is that you -- whenever you come to the microphone, and you will need to come up here to speak, to state your name clearly for the record, and you can make whatever comments that you want to make.

Again, this transcript will be given to my board before a final decision is made for this particular development. And our -- my board is scheduled to meet on June 12.

Once this hearing is concluded, and I've got some cards up here that I'll hand out after the hearing is concluded, if you decide -- you get home and you think, Oh, no, I need to add something else, or you just --

Maybe you don't want to speak here, and you want to add some comment later on that you want the board to be able to see, you are more than welcome to write me a letter. You can email me. You can fax it to me. And I'll be glad to put that also in public record, along with the transcript.

So if there is something after the hearing that you'd like to do, you're more than welcome to do that. I will need to receive that information by May 30. So if you'll kind of keep that date in mind. If you want to make any additional comments for me to be able to process it and get it in front of my board, I need to have a cutoff date for May 30, by five o'clock on May 30.

Okay. And I need to -- quick, need -- read a quick speech to actually start the hearing, and then I'll call you up. If you haven't signed in and you want to speak, you'll have -- you'll need to sign in.

If you don't want to speak, you don't have to.

But I do encourage you. It does give you an opportunity to say whether you support or you oppose this development.

I'm now going to start the hearing. Again, my name is Robbye Meyer, and I'm with the Texas Department of Housing and Community Affairs, and I'd like to proceed with the public hearing, and let the record show that it

is now 7:12, Wednesday, May 7, 2003. And we are at the LBJ Johnson High School, located at 7309 Lazy Creek Drive, Austin, Texas 78724.

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

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

No decisions regarding the development will be made at this hearing. There are no board members present.

The department's board will meet to consider this transaction on June 12, and upon recommendation of our finance committee.

In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the finance committee, or the board members at their meetings. It is a public meeting. You are welcome to attend.

The department staff will also accept written

comments via facsimile at 512/475-0764. That's on my card, and you'll get that, up until five o'clock on May 30.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed 11,750,000, and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs.

The proceeds of the bonds will be loaned to Wendover Texas, II, Limited, or a related person or affiliate entity thereof, to finance a portion of the cost of acquiring, constructing and equipping a multifamily rental housing community described as follows.

Two-hundred-and-eight-unit multifamily residential rental development to be constructed on approximately 24.1 acres of land located 9371 U.S. Highway 290 East in Austin, Texas, Travis County.

The proposed multifamily rental housing community will be initially owned and operated by the borrower, or a related person or affiliate thereof. I'd now like to open the floor up for comment.

Okay. The first person I have is Tom Smith. Do you know whether he wants to speak?

VOICE: He said he didn't want to.

MS. MEYER: Okay. Ms. Dunn, Mr. Dunn, would you like to make comment?

MS. DUNN: No.

MS. MEYER: Okay. Andrew Gray?

MR. GRAY: Yes, I'll speak.

MS. MEYER: Okay.

MR. GRAY: Yes. My name is Andrew Gray. I would like to make just a few more comments to the board.

Again, in the question and answer session, I made a comment about the market conditions here in Austin.

And just for the record, I want to repeat that.

That it seems like funding this project at this time with the market condition in Austin is creating a false economy that will just penalize tax-paying apartment owners in this area.

It seems like a bad idea. And analogous to what I was saying, to subsidize more corn farmers when there is a surplus of corn on the market, that will just depress this area even more. And from what I am -- have seen in the apartment rents, they are dropping, and they are now quite affordable again. It's a renter's market.

It just doesn't make sense to use taxpayer money to fund this project. And I oppose this project for

this reason. If they withdraw their Government funding plan, then I would not oppose this project. But the Government funding of the false economy seems like a bad idea in this market condition, which most people realize is going to be another three to five years.

The other thing I wanted to go on record as saying, I want the board to realize this is in a location that has extreme soil problems. The speakers were saying that the engineering studies were done.

I'm sure there was engineering studies done on the apartment complexes across the road from this, and they are -- a lot of them are breaking up. So if you look at this quasi -- we're not sure it's in the flood plain. It just looks like it.

If you look at the plan, the board should know that the land is about, I would say, 30 feet below the roadway in the vicinity of Walnut Creek. And they will have to climb a 30-foot berm. There is a -- if you look from the property over to the roadway, 290 East, you see the bottom of two bridges going across the creek and the railroad track, and the -- so you have to go up the berm that the state has built to get to the highway.

And I also want to make a note that there -- especially on Sunday, there is a flea market across the

highway. And if they don't know, they should know now, that on Sunday afternoon, this flea market, which gets a million visitors per year, backs up the highway for a mile going east. And so to make a turn to go to Austin will take a long time.

And so there are several concerns that I -- those are the several concerns that I had. And so I can say I want to go and say I question the ability to build a long-lasting apartment on this expansive soil ground. But if they can do that with quality construction, other than the Government funding and our false economy, I would not oppose this at this time.

But since the Government subsidies are going to increase the supply in a market that's already oversupplied, then I just don't think that's a good idea.

MS. MEYER: Okay. Robert Vitsay?

MR. VITRAY: Vitray.

MS. MEYER: Vitray.

MR. VITRAY: I'm opposed. I'll be short and sweet. I just think the idea of building 208 units in our area when we have lost a lot of jobs across the highway. Right? They don't have near as many people working over there as they did before. We have a bad bond market, a bad housing market, a bad job market. And I just feel

like in those conditions, it's kind of silly to dump more units onto the housing market.

MS. MEYER: Ray Withers?

MR. WITHERS: Yes. I live up the hill, 8602 Carling Drive. My name is Ray Withers. And I don't know as much as my neighbors know about the land and flood plain and that. But I just think the people that move in there, just trying to get out of there on Sunday is going to be really rough.

I wish the developer no harm. I hope he -- I'm sure he does well. And maybe he can find a better place to do it. I just oppose this -- the Government funding and the apartment complex. I'm afraid of what's going to happen to it 15 years down the road.

I'm afraid it's just going to be a bad situation for our neighborhood. Thanks.

MS. MEYER: Bernard Gastler.

MR. GASTLER: I'm opposed to the building of these apartments here. First, I'm thinking of the housing authority of the state, where Robbye represents here. And I would have thought that they would have inquired with the residential area nearest, and come to see what our homes are like, what our community is like.

We've lived there for 20 years in a beautiful

area and spot, and safety. And it's been a wonderful setting.

Now, they are talking about building cheaper housing for -- our houses are not cheap. They are talking about building cheaper housing for people who can only afford that. I'm doubtful that we still need that in Austin, for what Andy said earlier.

On the other hand, I'm thinking of the resulting -- the end, if they are built, then how are they going to have fire protection, and what will be the police protection and law enforcement, since this is out in the county? And we're very near the city.

And who will take care of fires? And I have -- that concern is raised in my mind. And I think of the number of fires in apartments in our area just in the last year. The volunteer fire department that tends us are not equipped to handle that. This can't be.

They come from various areas, and it takes a while. So -- of course, they will have water there. But it seems to me very questionable that there is not a fire house built in the -- within the unit itself.

MS. MEYER: Thank you. That's all that I have listed that want to speak. Is there anybody else? Would you like -- did you sign in?

MS. COCHRAN-LEWIS: I'm sorry. I didn't think I wanted to speak, but I do.

MS. MEYER: Okay.

MS. COCHRAN-LEWIS: I'm Cathy Cochran-Lewis, homeowner, 8602 Carling Drive. And I object to this project. I object to the utilization of tax dollars and tax credits for the project.

I am concerned about the huge impact this will have on the traffic conditions, especially after hearing that the developer was not already aware of the massive traffic problems and dangerous conditions that already exist on 290 East during the weekends.

Given the difficult economy, I don't feel this is the best use of taxpayer dollars, and I question the quality of construction being devoted to this, and the long-term effects ten to 15 years down the road.

And then just as Bernie did, I certainly question the fire and safety needs are being addressed. And it doesn't seem like that's much of an issue that we're having answers for at this time. So I oppose this project.

MS. MEYER: Is there anybody else that would like to speak besides this -- yes? The next speaker is Gladys Williams.

MS. WILLIAMS: I'm opposed to the housing. I moved to Austin in December 1989, and I wanted to be out in the county. I was looking for a small, safe community to live in. And I feel like if this happens, all of that will change.

And I also think that our property values will go down. Thank you.

MS. MEYER: Is there anybody else that would like to speak? I'd like to thank all of you for your participation. Again, we'll take all this back, this information. And it will be presented to my board on June 12 for their final decision.

You are more than welcome to attend that board meeting. For this particular board meeting, it's been moved to Dallas, because we're having to have two board meetings in the month of June. That's not usual. It's usually here. We're just having to make a little convenience for our board of directors to be able to fly in and fly out, and that was the easiest way to do that.

There are three other developments that will be on that same agenda. But again, any comments that you would like to make, if you would like to make a comment specifically for that, I would be glad to issue that at the board meeting for you if you would like to do that.

But at this time, I will go ahead and conclude the hearing. It is now 7:26. Thank you.

(Whereupon, at 7:26 p.m., the public hearing was concluded.)

C E R T I F I C A T E

MEETING OF: TDHCA Public Hearing
Fountain Circle Housing Development

LOCATION: Austin, Texas

DATE: May 7, 2003

I do hereby certify that the foregoing pages, numbers 1 through 64, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Ben Bynum before the Texas Department of Housing and Community Affairs.

(Transcriber) 05/13/03
(Date)

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

**Low Income Housing Tax Credit Program
Board Action Request
June 12, 2003**

Action Item

Request, review and possible approval 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 four percent (4%) Tax Credit Determination Notice with **TDHCA** as the Issuer for tax exempt bond transaction known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Recommended Credit Allocation
03404	Fountain Circle	Austin	TDHCA	208	208	\$18,364,527	\$11,500,000	\$746,637

**TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS**

INVESTMENT POLICY

As approved by the Board on June 12, 2003

June 12, 2003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

INVESTMENT POLICY

I. POLICY

It is the policy of the Texas Department of Housing and Community Affairs (the "Department") to invest public funds in a manner which will provide by priority the following objectives:

1. safety of principal;
2. sufficient liquidity to meet Department cash flow needs;
3. a market rate of return for the risk assumed; and
4. conformation to all applicable state statutes governing the investment of public funds including the Department's enabling legislation, Texas Government Code, Section 2306, and specifically Texas Government Code, Section 2256, the Public Funds Investment Act (the "Act").

II. SCOPE

This investment policy applies to all ~~financial~~ investment assets of the Department. These funds are accounted for in the Department's Comprehensive Annual Financial Report and include the General Fund, Special Revenue Fund, Trust and Agency Fund, and Enterprise Fund.

This investment policy does not apply to hedges, which include but are not limited to, interest rate swaps, caps, floors, futures contracts, forward contracts, etc., that satisfy the eligibility requirements of a "qualified hedge" as defined by Section 1.148-4(h)(2) of the Internal Revenue Code.

III. PRUDENCE

Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion and intelligence would exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety and liquidity of their capital as well as the probable income to be derived.

The standard of prudence to be used by the investment officer named herein shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. An investment officer acting in accordance with the investment policy and written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. OBJECTIVE

The following are the primary objectives of investment activities in order of priority:

1. Safety. Preservation and safety of principal is the foremost objective of the investment program. Investments of the Department shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. In accordance with Section 2256.005(d) of the Act, the first priority is the suitability of the investment. The objective will be to mitigate credit risk and interest rate risk. To achieve this objective, diversification is required so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
 - A. Credit risk is the risk of loss due to the failure of the security issuer or backer, and may be mitigated by:
 - limiting investments to the safest types of securities;
 - pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Department will do business; and
 - diversifying the investment portfolio so that potential losses on individual securities will be minimized.
 - B. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, and may be mitigated by:
 - structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
 - investing operating funds primarily in shorter-term securities.
2. Liquidity. The Department's investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash flow needs. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.
3. Yield. The Department's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow needs of the Department. Return on investment for short-term operating funds is of less importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
 - A declining credit security could be sold early to minimize loss of principal;
 - A security swap would improve the quality, yield, or target duration in the portfolio; or
 - Liquidity needs of the portfolio require that the security be sold.

V. DELEGATION OF AUTHORITY

The Board establishes investment policy and objectives, obtains expert advice and assistance with respect to its actions as is necessary to exercise its responsibilities prudently, and monitors the actions of staff and advisors to ensure compliance with its policy. It is the Board's intention that this policy be carried out by those persons who are qualified and competent in their area of expertise.

Authority to manage the Department's investment program is granted under the provisions of Texas Government Code, Section 2306.052(b) (4) and (5) to the Director of the Department, ("Executive Director"). Responsibility for the operation of the investment program is hereby delegated by the Executive Director of the Department to the Chief ~~Financial Officer~~ of Agency Administration and the Director of Bond Finance acting in those capacities (collectively the "Investment Officer") who shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Procedures should include reference to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures may include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer.

VI. ETHICS AND CONFLICTS OF INTEREST

1. Department employees and Board members must comply with all applicable laws, and should specifically be aware of the following statutes:
 - Texas Government Code, Section 825.211, *Certain Interests in Loans, Investments or Contracts Prohibited*
 - Texas Government Code, Section 572.051, *Standards of Conduct for Public Servants*
 - Texas Government Code, Sections 553.001-003, *Disclosure by Public Servants of Interest in Property Being Acquired by Government*
 - Texas Government Code, Section 552.352, *Distribution of Confidential Information*
 - Texas Government Code, Section 572.054, *Representation by Former Officer or Employee of Regulatory Agency Restricted*
 - Texas Penal Code, Chapter 36, *Bribery, Corrupt Influence and Gifts to Public Servants*
 - Texas Penal Code, Chapter 39, *Abuse of Office, Official Misconduct.*

The omission of any applicable statute from this list does not excuse violation of its provisions.

2. Department employees and Board members must be honest in the exercise of their duties and must not take actions which will discredit the Department.
3. Department employees and Board members should be loyal to the interest of the Department to the extent that such loyalty is not in conflict with other duties which legally have priority, and should avoid personal, employment or business relationships that create conflicts of interest.
 - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.
 - Officers and employees shall disclose to the Executive Director any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the Department's investment portfolio.
 - Officers and employees shall refrain from undertaking personal investment transactions with the same individuals with whom business is conducted on behalf of the Department. Specifically, no employee of the Department is to:
 - * Accept or solicit any gift, favor, or service that might reasonably tend to influence the employee in the discharge of the employee's official duties or that the employee

knows or should know is being offered him/her with the intent to influence the employee's official conduct;

- * Accept other employment or engage in any business or professional activity in which the employee might reasonably expect would require or induce him/her to disclose confidential information acquired by reason of his/her official position;
- * Accept other employment or compensation which could reasonably be expected to impair the officer's or employee's judgment in the performance of his/her official duties;

(An employee whose employment is involved in a competitive program of the Department must immediately disclose the acceptance of another job in the same field. The disclosure must be made to either the employee's immediate supervisor or to the Executive Director. The Executive Director must be notified in all cases. Failure to make the required disclosure may result in the employee's immediate termination from the Department.)

- * Make personal investments which could reasonably be expected to create a substantial conflict between the officer's or employee's private interest and the public interest; and

(A Department employee may not purchase Department bonds in the open secondary market for municipal securities.)

- * Intentionally or knowingly solicit, accept or agree to accept any benefit for having exercised the employee's official powers or performed his/her official duties in favor of another.

4. Department employees and Board members may not use their relationship with the Department to seek or obtain personal gain beyond agreed compensation and/or any properly authorized expense reimbursement. This should not be interpreted to forbid the use of the Department as a reference or the communication to others of the fact that a relationship with the Department exists, provided that no misrepresentation is involved.
5. Department employees and Board members who have a personal business relationship with a business organization offering to engage in an investment transaction with the Department shall file a statement disclosing that personal business interest. An individual who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Department shall file a statement disclosing that relationship. A statement required under this section must be filed with the Texas Ethics Commission and the Department's Board. For purposes of this policy, an individual has a personal business relationship with a business organization if:
 - the individual owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
 - funds received by the Investment Officer from the business organization exceed 10 percent of the individual's gross income from the previous year; or
 - the individual has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the individual.

VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Department (in conjunction with the State Comptroller) will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by creditworthiness (\$10,000,000 minimum capital requirement and at least five years of operation). These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state law.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following, as appropriate:

- audited financial statements;
- proof of National Association of Securities Dealers (NASD) certification;
- proof of state registration;
- completed broker/dealer questionnaire; and
- certification of having read the Department’s investment policy and depository contracts.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Investment Officer. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the Department invests.

With respect to investments provided in connection with the issuance of bonds, the above requirements will be deemed met if the investment provider is acceptable to minimum credit ratings by rating agencies and/or by the bond insurer/credit enhancer, if applicable, and if the investment meets the requirements of the applicable bond trust indenture. A broker, engaged solely to secure a qualified investment referred to in this paragraph on behalf of the Department, which will not be providing an investment instrument shall not be subject to the above requirements, and may only be engaged if approved by the Board.

VIII. AUTHORIZED AND SUITABLE INVESTMENTS

General, Special Revenue and Trust and Agency funds, all of which are on deposit with the State Treasury (specifically excluding Enterprise Funds), are invested by the Treasury pursuant to Texas Government Code, Section 404.024 and Article 5221(f), Subsection 13A(d) as amended relating to Manufactured Housing.

Enterprise Fund

1. Subject to a resolution authorizing issuance of its bonds, the Department is empowered by Texas Government Code, Section 2306.173 to invest its money in bonds, obligations or other securities: or place its money in demand or time deposits, whether or not evidenced by certificates of deposit. A guaranteed investment contract is an authorized investment for bond proceeds. All bond proceeds and revenues subject to the pledge of an Indenture shall be invested in accordance with the applicable law and the provisions of the applicable indenture including “Investment Securities” as listed in such Indenture and so defined.
2. All other enterprise funds (non-bond proceeds) shall be invested pursuant to state law. The following are permitted investments for those funds pursuant to the Act:
 - A. Obligations of, or guaranteed by governmental entities:
 - Obligations of the United States or its agencies and instrumentalities.
 - Direct obligations of this state or its agencies and instrumentalities.

- Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, that have a market value of not less than the principal amount of the certificates.
 - Other obligations the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities.
 - Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
- B. A Certificate of Deposit is an authorized investment under this policy if the certificate of deposit is issued by a state or national bank domiciled in this state or a savings bank domiciled in this state and is:
- guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor;
 - secured by obligations that are described in subsection 2A above, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates and secured by collateral as described in Section XII of this policy; and
 - secured in any other manner and amount provided by law for deposits of the Department.
- C. A “repurchase agreement” is a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations of the United States or its agencies and instrumentalities at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement. A fully collateralized repurchase agreement is an authorized investment under this policy if the repurchase agreement:
- has a defined termination date;
 - is secured by collateral described in Section XII of this policy;
 - requires the securities being purchased by the Department to be pledged to the Department, held in the Department’s name, and deposited at the time the investment is made with the Department or with a third party selected and approved by the Department;
 - is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state; and
 - in the case of a reverse repurchase agreement, notwithstanding any other law other than the Act, the term of any such reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. In addition, money received by the Department under the terms of a reverse security repurchase agreement may be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.
- D. Commercial Paper is an authorized investment under this policy if the commercial paper:
- has a stated maturity of 270 days or fewer from the date of its issuance; and
 - is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally-recognized credit rating agencies, or one nationally-recognized credit rating agency

and is fully secured, and by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

3. The following are not authorized investments pursuant to the Act:

- Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

IX. DIVERSIFICATION

The Department will diversify its investments by security type and institution. With the exception of U. S. Treasury securities, mortgage-backed certificates created as a result of the Department's bond programs, and authorized pools, no more than 50% of the Department's total investment portfolio will be invested in a single security type or with a single financial institution. For purposes of this section, a banking institution and its related investment broker-dealer shall be considered separate financial institutions.

X. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and the cash flow needs. The basis used to determine whether market yields are being achieved shall be the three-month U.S. Treasury bill or other appropriate benchmark.

XI. EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not meet or exceed the minimum rating. The Department shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not meet or exceed the minimum rating.

XII. MAXIMUM MATURITIES

The Department shall limit its maximum final stated maturities to, in the case of bond proceeds, the maturity of the bonds, or for non-bond funds five (5) years unless specific authority is given to exceed that maturity by the Board. To the extent possible, the Department will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Department will not directly invest in securities maturing more than five years from the date of purchase. The Department will periodically determine what the appropriate average weighted maturity of the portfolio should be based on anticipated cash flow requirements.

Reserve funds may be invested in securities exceeding five years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds.

XIII. COLLATERALIZATION

Collateralization will be required on certificates of deposit, repurchase and reverse repurchase agreements, and savings and demand deposits if not insured by FDIC. In order to anticipate market changes and provide a level of security for all funds, the collateralization level ~~will~~ should be at least 101% of the market value of principal and accrued interest for repurchase and reverse repurchase agreements. Collateralization of 100% will be required for overnight repurchase agreements and bank deposits in excess of FDIC insurance.

The following obligations may be used as collateral under this policy:

1. obligations of the United States or its agencies and instrumentalities;
2. direct obligations of this state or its agencies and instrumentalities;
3. collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
4. other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities; and
5. obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally-recognized investment rating firm not less than A or its equivalent.

Collateral will always be held by an independent third party with whom the Department has a current custodial agreement. A clearly marked evidence of ownership or a safekeeping receipt must be supplied to the Department and retained. The right of collateral substitution is granted subject to prior approval by the Investment Officer.

XIV. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the Department will be executed by Delivery vs. Payment (DVP). This ensures that securities are deposited in the eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

XV. INTERNAL CONTROL

The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that

1. the cost of a control should not exceed the benefits likely to be derived; and
2. the valuation of costs and benefits requires estimates and judgments by management.

Once every two years, the Department, in conjunction with its annual financial audit, shall have external/internal auditors perform a compliance audit of management controls on investments and adherence to the Department's established investment policies. The internal controls shall address the following points:

1. *Control of collusion.* Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. *Separation of transaction authority from accounting and record keeping.* By separating the person who authorizes or performs the transaction from the person who records or otherwise accounts for the transaction, a separation of duties is achieved.
3. *Custodial safekeeping.* Securities purchased from any bank or dealer including appropriate collateral as defined by state law shall be placed with an independent third party for custodial safekeeping.
4. *Avoidance of physical delivery securities.* Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. *Clear delegation of authority to subordinate staff members.* Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. *Written confirmation or telephone transactions for investments and wire transfers.* Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions must be supported by written communications and approved by the appropriate person, as defined by investment internal control procedures. Written communications may be via fax if on letterhead and the safekeeping institution has a list of authorized signatures.
7. *Development of a wire transfer agreement with the lead bank or third party custodian.* This agreement should outline the various controls, security provisions, and delineate responsibilities of each party making and receiving wire transfers.

The Department's external/internal auditors shall report the results of the audit performed under this section to the Office of the State Auditor not later than January 1 of each even-numbered year. The Office of the State Auditor compiles the results of reports received under this subsection and reports those results to the legislative audit committee once every two years.

XVI. REPORTING

1. Methods

Not less than quarterly, the Investment Officer shall prepare and submit to the Director and the Board of the Department a written report of investment transactions for all funds covered by this policy for the preceding reporting period, including a summary that provides a clear picture of the status of the current investment portfolio and transactions made over the previous reporting period. This report will be prepared in a manner which will allow the Department and the Board to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report must:

- A. describe in detail the investment position of the Department on the date of the report;
- B. be prepared jointly by each Investment Officer of the Department;
- C. be signed by each Investment Officer of the Department;
- D. contain a summary statement, prepared in compliance with generally accepted accounting principles for each fund that states the:
 - book value and market value of each separately invested asset at the beginning and end of the reporting period;
 - additions and changes to the market value during the period; and
 - fully accrued interest for the reporting period;
- E. state the maturity date of each separately invested asset that has a maturity date;
- F. state the fund in the Department for which each individual investment was acquired; and
- G. state the compliance of the investment portfolio of the Department as it relates to the investment strategy expressed in the Department's investment policy and relevant provisions of the policy.

The reports prepared by the Investment Officer under this policy shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the Board by that auditor.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Portfolio performance will be compared to appropriate benchmarks on a regular basis.

3. Marking to Market

A statement of the market value of the portfolio shall be issued at least quarterly. The Investment Officer will obtain market values from recognized published sources or from other qualified professionals as necessary. This will ensure that a review has been performed on the investment portfolio in terms of value and subsequent price volatility.

XVII. INVESTMENT POLICY ADOPTION

The Department's investment policy shall be adopted by resolution of the Board.

1. Exemptions

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendment

The policy shall be reviewed at least annually by the Board and any amendments made thereto must be approved by the Board. The Board shall adopt by written resolution a statement that it has reviewed the investment policies and strategies.

XVIII. ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY

A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction related to Department funds. The qualified representative of the business organization shall execute a written instrument in a form acceptable to the Department and the business organization, substantially to the effect that the offering business organization has:

1. received and reviewed the investment policy of the Department; and
2. acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department and the business organization that are not authorized by the Department's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio or requires an interpretation of subjective investment standards.

The Investment Officer of the Department may not buy any securities from a person who has not delivered to the Department an instrument complying with this investment policy. (See sample documents at Attachments C and D.)

XIX. TRAINING

Each member of the Department's Board and the Investment Officer who are in office on September 1, 1996 or who assume such duties after September 1, 1996, shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties. Training under this section is provided by the Texas Higher Education Coordinating Board and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this policy. The Investment Officer shall attend a training session not less than once in a two-year period and may receive training from any independent source approved by the Department's Board. The Investment Officer shall prepare a report on the training and deliver the report to the Board not later than the 180th day after the last day of each regular session of the legislature.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment A

STRATEGY

SECTION 1

All of the Department's funds as listed below are program / operational in nature, excluding the bond funds which are listed separately in Section 2 below. The following funds are held in the State Treasury and the Department earns interest on those balances at the then applicable rate.

- General Fund
- Trust Funds
- Agency Funds
- Proprietary Funds (excluding Revenue Bond Funds)

SECTION 2

The Department's Revenue Bond Funds, including proceeds, are invested in various investments as stipulated by the controlling bond indenture. Certain investments, controlled by indentures prior to the latest revised Public Funds Investment Act, are properly grandfathered from its provisions. Typical investments include: guaranteed investment contracts; agency mortgage-backed securities resulting from the program's loan origination; in some cases, long-term Treasury notes; and bonds used as reserves with maturities that coincide with certain long-term bond maturities.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment B

POLICY STATEMENTS AND RECOMMENDED PRACTICE

Repurchase Agreements

1. Repurchase agreements (“repos”) are the sale by a bank or dealer of government securities with the simultaneous agreement to repurchase the securities on a later date. Repos are commonly used by public entities to secure money market rates of interest.
2. The Department affirms that repurchase agreements are an integral part of its investment program.
3. The Department and its designated Investment Officer should exercise special caution in selecting parties with whom they will conduct repurchase transactions, and be able to identify the parties acting as principals to the transaction.
4. Proper collateralization practices are necessary to protect the public funds invested in repurchase agreements. Risk is significantly reduced by delivery of underlying securities through physical delivery or safekeeping with the purchaser’s custodian. Over-collateralization, commonly called haircut, or marking-to-market practices should be mandatory procedures.
5. To protect public funds the Department should work with securities dealers, banks, and their respective associations to promote improved repurchase agreement procedures through master repurchase agreements that protect purchasers’ interests, universal standards for delivery procedures, and written risk disclosures.
6. Master repurchase agreements should generally be used subject to appropriate legal and technical review. If the prototype agreement developed by the Public Securities Association is used, appropriate supplemental provisions regarding delivery, substitution, margin maintenance, margin amounts, seller representations and governing law should be included.
7. Despite contractual agreements to the contrary, receivers, bankruptcy courts and federal agencies have interfered with the liquidation of repurchase agreement collateral. Therefore, the Department should encourage Congress to eliminate statutory and regulatory obstacles to perfected security interests and liquidation of repurchase collateral in the event of default.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment C

ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY

1. I am a qualified representative of _____ (the “Business Organization”).
2. The Business Organization proposes to engage in an investment transaction (the “Investments”) with the Texas Department of Housing and Community Affairs (the “Department”).
3. I acknowledge that I have received and reviewed the Department’s investment policy.
4. I acknowledge that the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the business organization and the Department that are not authorized by the Department’s investment policy.
5. The Business Organization makes no representation regarding authorization of the Investments to the extent such authorization is dependent on an analysis of the Department’s entire portfolio and which requires an interpretation of subjective investment standards.

Dated this _____ day of _____, _____.

Name: _____

Title: _____

Business Organization: _____

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment D

CERTIFICATE OF COMPLIANCE WITH THE PUBLIC FUNDS INVESTMENT ACT

I, _____, a qualified representative
of

_____ (the “Business
Organization”)

hereby execute and deliver this certificate in conjunction with the proposed sale of investments to the Texas Department of Housing and Community Affairs (the “Department”). I hereby certify that:

1. I have received and thoroughly reviewed the Investment Policy of the Department, as established by the Department pursuant to Texas Government Code, Chapter 2256;
2. The Business Organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of or in any way relating to the sale of the investments to the Department by the Business Organization;
3. The Business Organization has reviewed the terms, conditions and characteristics of the investments and applicable law, and represents that the investments are authorized to be purchased with public funds under the terms of Texas Government Code, Chapter 2256; and
4. The investments comply, in all respects, with the investment policy of the Department.

Business Organization: _____

By: _____

Title: _____

Date: _____

RESOLUTION NUMBER 03-45

RESOLUTION OF THE BOARD OF DIRECTORS AUTHORIZING REVIEW AND APPROVAL OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS' INVESTMENT POLICY, WITHOUT CHANGES, IN COMPLIANCE WITH CHAPTERS 2256 AND 2306 OF THE TEXAS GOVERNMENT CODE

WHEREAS, the Texas Department of Housing and Community Affairs, a public and official governmental agency of the State of Texas, (the "Department") was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended, (together with other laws of the State applicable to the Department, collectively, the "Act"); and

WHEREAS, the Governing Board desires to authorize the review of the Department's Investment Policy, without changes, and the Governing Board has found this Investment Policy to be satisfactory and in proper form and the recitals contained herein to be true, correct and complete, and in compliance with Chapter 2256, the Public Funds Investment Act, and Chapter 2306, the Texas Government Code. The Governing Board has determined to authorize the approval and delivery of such policy.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

Section 1 – Review and Approval of the Department's Investment Policy. The Governing Board hereby authorizes and approves the Department's Investment Policy. The Governing Board has found the Investment Policy to be satisfactory and in proper form and the recitals contained therein to be true, correct and complete, and in compliance with Chapter 2256, the Public Funds Investment Act, and Chapter 2306, the Texas Government Code, and the Board has deemed to authorize the execution and delivery of such policy.

Section 2 -- Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 3 -- Open Meetings; Open Records. Written notice of the date, hour and place of the meeting of the Governing Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting, during the 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 Law, 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, Chapter 2002 and 2001, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution was posted on the Department's website and made available in hard-copy at the Department not

later than seven (7) days before the meeting of the Board, as required by Section 2306.032, Texas Government Code.

PASSED AND APPROVED this 12th day of June, 2003.

Chair of the Governing Board

ATTEST:

Secretary to the Board
(SEAL)

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

MEMORANDUM

TO: Edwina P. Carrington, Executive Director
Bill Dally, Chief of Agency Administration

THRU: David Cervantes, Director of Financial Administration

FROM: Ernie Palacios, Manager, Financial Services

DATE: June 2, 2003

RE: Update on Inspection Fee Billings/Collections

The purpose of this memo is to update the Board on LIHTC Inspection Fee Billings/Collections. At the March 13th Board meeting, it was reported that \$152,402 of the \$203 referenced in the Internal Audit Reported dated March 4, 2003, had been billed. The remaining \$50,836 has also been billed. Of the total billings, \$79,695.35 has been paid.

The report also included a Due From on 9/30/02 of \$100,126. The incremental amount of \$103K was due to funds uncovered after 9/30/02 for the period prior to 8/31/02.

The March 4th report noted \$103,113 in Due TO Project Owners. Of the \$103K originally reported, \$78,286.78 has been refunded to 51 project owners explaining the reason for the refund and what to expect regarding future inspection fees based on the status of their project. The remaining \$25K was matched against other outstanding inspection invoices/billings for the same project.

In the applications for the 9% round this year, there are project owners with outstanding inspection fee repayment balances. Portfolio Management & Compliance, Real Estate Analysis and Multifamily Finance Production have been provided an Aged Trial Balance identifying which projects have outstanding invoices.

MEMORANDUM

TO: TDHCA Board Members

FROM: William Dally, Chief of Agency Administration

DATE: June 3, 2003

RE: FY 2003 Budget Update Report

This has not been a "business as usual" year for the Department with respect to the FY 2003 operating budget. The original budget approved August 2002 was revised for the Department's reorganization effective March 1, 2003. The Department further reduced its General Revenue by 7% as requested by State leadership. Those 7% General Revenue reductions were identified and set aside for the Comptroller to sweep back to the State to fill the State's FY 2003 budget shortfall.

Therefore, the original budget amount of \$20,572,094 is now adjusted down to \$19,964,421. The Department's actual expenditures for the 6 months through February 28, 2003 before reorganization were \$9,112,964 and an additional \$3,103,841 for the 2 months through April 30, 2003. Attached, please find a schedule of the adjusted budget at the Department-wide level showing actual expenditures by Object-of-Expense for the period ending April 30, 2003. Using the March/April level of expenditures to project year end expenditures (for the last 4 months); the Department will be under budget at year end with a remaining estimated balance of \$1.8 million.

This budget savings is the result of management actions and will provide a fund balance of cash the Department can use to fund the FY 2004 budget beginning September 1, 2003. This could cover future contingencies such as appropriated receipts revenue being flat are decreasing if demand decreases in FY 2004 for some of the Department's housing programs. All key decisions on expenditures for the remainder of this year will need to be made in the context of their implications for next year's budget.

The Department is currently preparing the management reports with the most current adjustments and actual expenditures so that Directors can manage their budgets for the remainder of the year. The Department is currently evaluating the finalized appropriation bill for FY2004-05 for purposes of preparing the FY 2004 Operating Budget.

Texas Department of Housing and Community Affairs
Reorganized Budget Adjustments and 7% Reduction
Effective March 1, 2003
Projected Expenditures and Budget Balances
September 2002 thru August
2003

4 Months
Estimated

	Adjusted Budget After 7% Reduction	Expenditures through Thru February	March-April Expenditures	Expenditures Based on March-April Actuals	Total Estimated Annual Expenditures	Estimated Budget Balance at August 31st
Salaries and Wages	\$ 11,124,576	\$ (5,415,432)	\$ (1,866,360)	\$ (3,732,720)	\$ (11,014,512)	\$ 110,064
Payroll Related Costs	2,224,073	(1,166,745)	(413,109)	(826,218)	(2,406,072)	(181,999)
Travel In-State	531,999	(219,588)	(57,024)	(114,048)	(390,660)	141,339
Travel Out-of-State	89,662	(34,661)	(2,291)	(4,582)	(41,534)	48,128
Professional Fees	1,960,225	(505,628)	(183,793)	(195,026)	(884,447)	1,075,778
Material and Supplies	466,841	(166,011)	(33,831)	(67,662)	(267,504)	199,337
Repairs/Maintenance	188,277	(160,870)	(8,823)	(17,646)	(187,339)	938
Printing and Reproduction	160,171	(47,360)	(13,553)	(27,106)	(88,019)	72,152
Rentals and Leases	1,740,404	(954,844)	(267,869)	(535,738)	(1,758,451)	(18,047)
Membership Fees	76,100	(49,981)	(3,460)	(6,920)	(60,361)	15,739
Registration Fees	302,823	(43,777)	(97,617)	(195,234)	(336,628)	(33,805)
Insurance	77,000		(76,667)	0	(76,667)	333
Employee Tuition	14,947	0	(98)	(196)	(294)	14,653
Advertising	106,550	(1,028)	(3,284)	(6,568)	(10,880)	95,670
Freight/Delivery	35,706	(22,733)	(6,887)	(13,774)	(43,394)	(7,688)
Temporary Help	284,282	(134,358)	(57,693)	(115,386)	(307,437)	(23,155)
Furniture and Equipment	54,481	(105,651)	(16,514)	(13,402)	(135,567)	(81,086)
Communication and Utilities	371,928	(54,402)	(38,005)	(76,010)	(168,417)	203,511
Capital Outlay	182,877	(29,895)	14,870	0	(15,025)	167,852
State Office of Risk Management	48,500	0	(48,500)	0	(48,500)	0
Total Department	\$ 19,964,421	\$ (9,112,964)	\$ (3,103,841)	\$ (5,948,236)	\$ (18,165,041)	\$ 1,799,380

Note: Estimated Over Budget at August 31st is in brackets ().

**Low Income Housing Tax Credit Program
Board Action Request
June 12, 2003**

Action Item

Request, review and possible approval of one (1) four percent (4%) tax credit application with other issuers for tax exempt bond transaction.

Recommendation

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

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Recommended Credit Allocation
02485	Alemeda Villas	Fort Worth	Tarrant County HFC	192	192	\$15,771,442	\$10,100,000	\$503,256



LOW INCOME HOUSING TAX CREDIT PROGRAM
2003 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **Alemeda Villas**

TDHCA#: 02485

DEVELOPMENT AND OWNER INFORMATION

Development Location: Fort Worth QCT: N DDA: N TTC: N
 Development Owner: Alemeda Villas, L.P.
 General Partner(s): Alemeda General, Inc., 100 %, Contact: Glenn Lynch
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Tarrant County HFC
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$504,654 Eligible Basis Amt: \$503,256 Equity/Gap Amt.: \$683,389
Annual Tax Credit Allocation Recommendation: \$503,256
 Total Tax Credit Allocation Over Ten Years: \$ 5,032,560

PROPERTY INFORMATION

Unit and Building Information

Total Units: 192 LIHTC Units: 192 % of LIHTC Units: 100%
 Gross Square Footage: 220,419 Net Rentable Square Footage: 214,880
 Average Square Footage/Unit: 1119
 Number of Buildings: 8
 Currently Occupied: N

Development Cost

Total Cost: \$15,771,442 Total Cost/Net Rentable Sq. Ft.: \$73.4

Income and Expenses

Effective Gross Income:¹ \$1,467,566 Ttl. Expenses: \$739,151 Net Operating Inc.: \$728,415
 Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: Innovation Management Services, Inc.
 Attorney: Shackelford, Melton and McKinley Architect: Humphries and Partners Architects, L.P.
 Accountant: Novogradac & Company, LLP Engineer: The Lissiak Company
 Market Analyst: Integra Realty Resources Lender: Red Capital Markets
 Contractor: Glenn Lynch Companies, Inc. Syndicator: Paramount Financial Group, Inc.

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Kim Brimer, District 10 - NC Rep. Charlie Green, District 99 - NC Mayor Kenneth Barr - NC Reid Rector, Asst. City Manager, City of Fort Worth; Consistent with the local Consolidated Plan.

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

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

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

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

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager

Date

Brooke Boston, Director of Multifamily Finance Production Date

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

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

Other Comments including discretionary factors (if applicable). _____

Edwina P. Carrington, Executive Director

Date

Chairman of Executive Award and Review Advisory Committee

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

Chairperson Signature: _____

Michael E. Jones, Chairman of the Board

Date

Developer Evaluation

Project ID # **02485**

Name: **Alemeda Villas**

City:

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

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

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

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

Total # of Projects monitored: 5 Projects grouped by score 0-9 5 10-19 0 20-29 0

Total # monitored with a score less than 30: 5 # not yet monitored or pending review: 2

Program Monitoring/Draws

Not applicable Review pending No unresolved issues Unresolved issues found

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

Asset Management

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by Sara Carr Newsom Date sday, June 03, 2003

Multifamily Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by Robbye Meyer Date 2/7/2003

Single Family Finance Production

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by _____ Date _____

Community Affairs

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by _____ Date _____

Office of Colonia Initiatives

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by _____ Date _____

Real Estate Analysis (Cost Certification and Workout)

Not applicable Review pending No unresolved issues Unresolved issues found

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

Reviewed by _____ Date _____

Loan Administration

Not applicable No delinquencies found Delinquencies found

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

Reviewed by _____ Date _____

Executive Director: _____

Executed: _____

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

DATE: May 30, 2003

PROGRAM: 4% LIHTC

FILE NUMBER: 02485

DEVELOPMENT NAME

Alemeda Villas

APPLICANT

Name:	<u>Alemeda Villas, LP</u>	Type:	<u>For Profit</u>
Address:	<u>1675 Fort Worth Highway</u>	City:	<u>Weatherford</u> State: <u>TX</u>
Zip:	<u>76086</u>	Contact:	<u>Glenn W. Lynch</u> Phone: <u>(817) 341-1378</u> Fax: <u>(817) 341-1391</u>

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	<u>Alemeda General, Inc.</u>	(%):	<u>.01</u>	Title:	<u>General Partner</u>
Name:	<u>Glenn W. Lynch</u>	(%):	<u>N/A</u>	Title:	<u>100% owner of GP, Developer and GC</u>

PROPERTY LOCATION

Location: 3000 Block of Alemeda Street **QCT** **DDA**
City: Fort Worth **County:** Tarrant **Zip:** 76108

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
1) \$504,654	N/A	N/A	N/A
Other Requested Terms: <u>1) Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>New Construction</u>		Property Type: <u>Multifamily</u>	

RECOMMENDATION

RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$503,256 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

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

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

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 192 **# Rental Buildings:** 8 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** N/A yrs
Net Rentable SF: 214,880 **Av Un SF:** 1,119 **Common Area SF:** 5,539 **Gross Bldg SF:** 220,419

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 70% brick veneer/20% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & ceramic flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, fiberglass tub/shower, washer & dryer connections, ceiling fans, tile counter tops, individual water heaters, cable, fireplace

ON-SITE AMENITIES

5,539-SF community building with community and conference rooms, children's activity/game room, management offices, kitchen, restrooms, computer/business center, central mailroom, swimming pool, equipped children's play area are located at the entrance to the property. In addition perimeter fencing with limited access gate is also planned for the site. A separate 765-SF laundry and maintenance building is also planned for the site and will be located in the southern portion of the property.

Uncovered Parking: 194 spaces **Carports:** 170 spaces **Garages:** 24 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Alameda Villas is a relatively dense single family 18 units per acre new construction development of 192 units of affordable housing located in the western region of Tarrant county. The development is comprised of eight evenly distributed large garden style walk-up residential buildings:

Each building will consist of four two-bedroom/two-bath units @ 959sf, four two-bedroom/two-bath units @ 986sf, eight three-bedroom/two-bath units @ 1,156sf, four three-bedroom/two-bath units @ 1,158sf and four three-bedroom/two-bath units @ 1,300sf;

Architectural Review: The exterior elevations are functional, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies. Each unit has a semi-private exterior entry off a breezeway that is shared with three other units.

Supportive Services: The Applicant has contracted with Beacon Endeavors, Inc. to provide supportive services to the tenants including, but not limited to, recreational and activities programming, information center, mentoring program, youth program and senior's program. The contract states a fee of \$800 per month for the program and services.

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

SITE ISSUES

SITE DESCRIPTION

Size: 10.86 acres 473,062 square feet **Zoning/ Permitted Uses:** C- Medium Density Multifamily District
Flood Zone Designation: Zone X **Status of Off-Sites:** Raw Land

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the southwest area of Fort Worth, approximately

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

six miles from the central business district. The site is situated on the west side of Alemeda Street.

Adjacent Land Uses:

- € **North:** Center for Ministry Church
- € **South:** vacant land
- € **East:** vacant land
- € **West:** vacant land

Site Access: Access to the property is from the north or south from Alemeda Street. The development is to have two main entries, from the north or south from Alemeda Street. Access to Interstate Highway 30 is less than one mile north, which provides connections to all other major roads serving the DFW area.

Public Transportation: “The city of Fort Worth operates a public transportation system known as the “T”, which is a bus-only system.” (p. 10 of Market Study)

Shopping & Services: The site is within 6 miles of various major grocery stores, shopping centers, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on March 14, 2003 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated April 4, 2002 was prepared by Dominion Environmental, Inc. and contained the following findings and conclusions:

“The are the findings and conclusions of the Phase I ESA:

- € Federal and state database searches did not identify the Site or properties adjacent to the Site as having recognized environmental conditions.
- € Inactive Chevron pipelines are located in the easement located immediately outside and parallel to the southern boundary of the Site. This pipeline carried diesel and gasoline until late 1980’s- early 1990. The condition of this pipeline is unknown.
- € According to FEMA’s Flood Insurance Rate Map (FIRM), Tarrant County, Texas and Incorporated Areas, Community Panel Number 380 if 595, Map Number 48439C0380 H, dated August 2, 1995, the majority of the Site is in Zone X, areas determined to be outside the 100 and 500-year floodplain. A small strip of land along the western edge of the Site is located within the Zone A, the 100 year floodplain.

Recommendations

No further environmental investigation is believed necessary or recommended.” (p. 14)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 192 of the units (100% of the total) will be reserved for low-income tenants. All of the units (100%) will be reserved for households earning 50% or less of AMGI. As a Priority 1 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI, though all of the units may lease to residents earning up to 60% of the AMFI.

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

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MARKET HIGHLIGHTS

A market feasibility study dated April 30, 2003 was prepared by Integra Realty Resources and highlighted the following findings:

Definition of Market/Submarket: "...we consider the primary market area (PMA) to be a 6-mile radius from the proposed subject site." (p. 19)

Population: The estimated 2002 population of the PMA was 135,121 and is expected to increase by 1.34% to approximately 144,430 by 2007. Within the primary market area there were estimated to be 57,199 households in 2002.

Total Local/Submarket Demand for Rental Units: "The subject is located in an area with average occupancy levels, average rents, and a substantial amount of new supply forecast to come on-line within the next 24 months...The average overall occupancy within the PMA is 93%...Thus, there appears to be sufficient unmet demand to support the development of the subject." (p. 76)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	58	3%	55	3%
Resident Turnover	1,827	97%	1,984	97%
Other Sources: 10 yrs pent-up demand	N/A	N/A	N/A	N/A
TOTAL ANNUAL DEMAND	1,885	100%	2,039	100%

Ref: p. 52

Inclusive Capture Rate: The Underwriter calculated a concentration capture rate of 23.1% based upon a revised supply of unstabilized comparable affordable units of 470 divided by a revised demand of 2,039. The Underwriter included 62 rent restricted units of the nearby Oak Timbers-White Settlement development which was awarded tax credits during the 2001 LIHTC cycle. Oak Settlement is located in Tarrant County and is within two miles of the subject. It should be noted that if these additional 62 units are included in the market analyst's calculation, the capture rate would be increased to 24.9%, which is right at the maximum allowed for urban area developments.

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,702 units in the market area. (p. 58)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (50%)- 959sf	\$602	\$602	\$0	\$795	-\$193
2-Bedroom (50%)- 986sf	\$602	\$602	\$0	\$815	-\$213
3-Bedroom (50%)- 1,156sf	\$695	\$695	\$0	\$1,015	-\$320
3-Bedroom (50%)- 1,158sf	\$695	\$695	\$0	\$1,015	-\$320
3-Bedroom (50%)- 1,300sf	\$695	\$695	\$0	\$1,180	-\$485

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

Submarket Vacancy Rates: "The average overall occupancy within the PMA is 93%." (p. 76)

Absorption Projections: "The subject is forecast to reach a stabilized occupancy in 11 months, equating to an absorption pace of 18 units per month." (p. 75)

Known Planned Development: "After reviewing data from M/PF Research, Inc. and Apartment Listing Network (ALN) Systems, Inc., we found there to be two other projects, besides the subject, expected to come on-line within the PMA during the next 24 months...Overton Park, a 216-unit complex, is under construction,

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approximately 4.6 miles southeast of the subject. All of the units will be restricted to persons earning no more than 50% of AMI...Clover Ridge Apartments, a 156-unit complex is under construction, approximately 3.7 miles southeast of the subject...All of the units will be market rate.” (p. 46-47) The site is located just over six miles northwest of Arbor Bend a 4% bond transaction that was proposed for approval in May 2003 but failed to receive approval by the TDHCA Board.

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

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines. The Applicant stated that tenants will pay water and sewer in this project, and rents and expenses were calculated accordingly. The Applicant estimated secondary income at \$35.77/unit/month, which is higher than Underwriting guidelines. However, historical information for projects located in the DFW area average \$24.61, thus the Underwriter utilized this average for secondary income. Vacancy and collection losses are in line with TDHCA underwriting guidelines.

Expenses: The Applicant’s total expense estimate of \$3,647 per unit is more than 5% lower than a TDHCA database-derived estimate of \$3,926 per unit for comparably-sized developments. The Applicant’s budget shows several line item estimates, however, that deviate significantly when compared to the database averages, particularly payroll (\$58K lower), utilities (\$28K lower), property tax (\$49K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

Conclusion: The Applicant’s total estimated operating expense is inconsistent with the Underwriter’s expectations and the Applicant’s net operating income is not within 5% of the Underwriter’s estimate. Therefore, the Underwriter’s NOI will be used to evaluate debt service capacity. Due primarily to the difference in operating expenses, the Underwriter’s estimated debt coverage ratio (DCR) of 1.05 is slightly less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project is predicted to be limited to \$662,639 by a reduction of the loan amount or interest rate.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: 10.862 acres	\$175,932	Assessment for the Year of:	2002
Building:	N/A	Valuation by:	Tarrant County Appraisal District
Total Assessed Value:	\$175,932	Tax Rate:	3.215

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved Property Contract						
Contract Expiration Date:	07/	04/	2003	Anticipated Closing Date:	07/	04/	2003
Acquisition Cost:	\$750,000			Other Terms/Conditions:			
Seller:	Fort Worth Curlee Land Project- Huey-Min Yu			Related to Development Team Member:	No		

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price is assumed to be reasonable since the acquisition is an arm’s-length transaction.

Sitework Cost: The Applicant’s claimed sitework costs of \$7,099 per unit are within the 2003 guidelines for sitework costs for multifamily projects.

Direct Construction Cost: The Applicant’s costs are more than 5% different than the Underwriter’s Marshall & Swift Residential Cost Handbook-derived estimate after all of the Applicant’s additional justifications were

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considered. This would suggest that the Applicant's direct construction costs are understated. The applicant excluded the cost of garages and carports from eligible basis, thus allowing them to be treated as commercial space and increasing the potential for them to be leased to residents outside of the housing rental limitations. The Underwriter also excluded these costs from eligible basis in the TDHCA cost estimate.

Ineligible Costs: The Applicant incorrectly included \$38,400 in marketing as an eligible cost; the Underwriter moved this cost to ineligible costs, resulting in an equivalent reduction in the Applicant's eligible basis.

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

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$13,825,717 is used to determine a credit allocation of \$503,256 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE									
INTERIM TO PERMANENT FINANCING									
Source:	Red Capital Markets				Contact:	Tracey Peters			
Principal Amount:	\$10,555,000			Interest Rate:	5.95% (5.45% + 50 basis points per Applicant)				
Additional Information:									
Amortization:	40	yrs	Term:	40	yrs	Commitment:	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional
Annual Payment:	\$692,491			Lien Priority:	1st		Commitment Date	03/ 12/ 2003	
LIHTC SYNDICATION									
Source:	Paramount Financial Group, Inc.				Contact:	Dale Cook			
Address:	3825 Columbus Rd., SW, Bldg. F				City:	Granville			
State:	OH	Zip:	43023	Phone:	(740) 587-4150	Fax:	(740) 587-4626		
Net Proceeds:	\$4,188,209			Net Syndication Rate (per \$1.00 of 10-yr LIHTC)	83¢				
Commitment	<input type="checkbox"/> LOI	<input type="checkbox"/> Firm	<input checked="" type="checkbox"/> Conditional	Date:	04/ 28/ 2003				
Additional Information:									
APPLICANT EQUITY									
Amount:	\$1,028,233			Source:	Deferred Developer Fee				

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The permanent financing commitment is consistent with the terms reflected in the sources and uses listed in the application. In particular, the term of the loan is 40 years with an interest rate of 5.45% (not inclusive of FHA's mortgage insurance premium). The Applicant indicated that the all inclusive rate is reached by adding 50 basis points to this rate to arrive at 5.95%. The Underwriter's proforma suggests that at this rate up to \$400,000 of the proposed debt would likely be redeemed due to debt coverage limitations as part of the typical mandatory redemption clause in the purchase agreement. Should the Applicant's expense projections prevail, the full amount of the debt would help control the need to defer developer fees.

LIHTC Syndication: Paramount Financial Group, Inc. has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$4,188,209 based on a syndication factor of 83% and acquisition of 99.99% of the credits. Based upon the revised credit amount a reduction of \$11,601 is projected.

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Deferred Developer's Fees: The Applicant initially estimated deferred development fees of \$1,028,233 or 86% of proposed developer fees. However, based on the Underwriter's analysis the Applicant's deferred developer would increase to \$1,494,834 or 125% of the total fees. This will require the deferral of \$294,834 in related party contractor fees as well. The Underwriter estimates the Applicant will be able to repay the deferred fees in over ten years but within 15 years of stabilized occupancy. While developer fee that is not repaid after ten years is generally considered to have not been true developer fee and therefore could be removed from eligible basis, the Department's guideline allows a 15 year repayment period in determining financial feasibility.

Financing Conclusions: The Applicant's proposed development costs establish a need for \$15,771,442 in sources of funds. The Underwriter's analysis reflects the projection that the debt portion of these sources will be reduced to \$10,100,000 due to the minimum debt coverage issues and the syndication proceeds will be reduced to \$4,176,608 due to eligible basis issues. The resulting gap of \$1,494,838 can be funded through deferred developer and related party contractor fee, which themselves are forecast to be repaid within 15 years. Therefore, the proposed financing, as amended, allows the development to be characterized as feasible.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The principal of the Applicant, Glenn W. Lynch, is also owner of the Developer, General Contractor and Property Management firms. These are common relationships for LIHTC-funded developments.

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

Financial Highlights:

- € The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- € The principal of the General Partner, Glenn W. Lynch, submitted an unaudited financial statement as of January 31, 2003 and is anticipated to be guarantor of the development.

Background & Experience:

- € The Applicant and General Partner are new entities formed for the purpose of developing the project.
- € The owner of the GP, Developer and General Contractor has completed 7 LIHTC housing developments totaling 878 units since 1997.

SUMMARY OF SALIENT RISKS AND ISSUES

- € The Applicant's operating expenses/operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- € The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift* based estimate by more than 5%.
- € The recommended amount of deferred developer fee can not be repaid within ten years and any amount unpaid past ten years would be removed from eligible basis.

Underwriter:

Raquel Morales

Date:

May 30, 2003

Director of Real Estate Analysis:

Tom Gouris

Date:

May 30, 2003

MULTIFAMILY COMPARATIVE ANALYSIS

Alemeda Villas, Fort Worth, LIHTC #02485

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
TC50%	32	2	2	959	\$690	\$602	\$19,264	\$0.63	\$88.00	\$10.00
TC50%	32	2	2	986	690	\$602	19,264	0.61	88.00	10.00
TC50%	64	3	2	1,156	796	\$695	44,480	0.60	101.00	10.00
TC50%	32	3	2	1,158	796	\$695	22,240	0.60	101.00	10.00
TC50%	32	3	2	1,300	796	\$695	22,240	0.53	101.00	10.00
TOTAL:	192		AVERAGE:	1,119	\$761	\$664	\$127,488	\$0.59	\$96.67	\$10.00

INCOME Total Net Rentable Sq Ft: **214,880**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: **\$24.61**
 Other Support Income: (describe)

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: **-7.50%**
 Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.97%	\$380	0.34
Management	4.00%	306	0.27
Payroll & Payroll Tax	14.11%	1,079	0.96
Repairs & Maintenance	5.60%	428	0.38
Utilities	2.70%	206	0.18
Water, Sewer, & Trash	1.67%	127	0.11
Property Insurance	3.07%	235	0.21
Property Tax 3.215	10.52%	804	0.72
Reserve for Replacements	2.62%	200	0.18
Other Expenses: Supportive Services, Compliance	1.11%	85	0.08

TOTAL EXPENSES

50.37% **\$3,850** **\$3.44**

NET OPERATING INC

49.63% **\$3,794** **\$3.39**

DEBT SERVICE

	% OF EGI	PER UNIT	PER SQ FT
First Lien Mortgage	47.19%	\$3,607	\$3.22
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00
Additional Financing	0.00%	\$0	\$0.00

NET CASH FLOW

2.45% **\$187** **\$0.17**

INITIAL AGGREGATE DEBT COVERAGE RATIO

INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO

RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		4.52%	\$3,906	\$3.49
Off-Sites		0.00%	0	0.00
Sitework		8.21%	7,099	6.34
Direct Construction		54.43%	47,055	42.04
Contingency	4.56%	2.86%	2,469	2.21
General Req'ts	4.55%	2.85%	2,466	2.20
Contractor's G & A	1.64%	1.03%	891	0.80
Contractor's Profit	4.33%	2.71%	2,344	2.09
Indirect Construction		2.55%	2,204	1.97
Ineligible Costs		6.35%	5,488	4.90
Developer's G & A	2.26%	1.81%	1,563	1.40
Developer's Profit	6.78%	5.42%	4,688	4.19
Interim Financing		5.28%	4,563	4.08
Reserves		1.99%	1,716	1.53
TOTAL COST		100.00%	\$86,451	\$77.25
Recap-Hard Construction Costs		72.09%	\$62,323	\$55.69

SOURCES OF FUNDS

	% OF EGI	PER UNIT	PER SQ FT
Tax-Exempt Bonds	63.59%	\$54,974	\$49.12
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	25.23%	\$21,814	\$19.49
Deferred Developer Fees	6.19%	\$5,355	\$4.79
Additional (excess) Funds Required	4.98%	\$4,308	\$3.85
TOTAL SOURCES			

	TDHCA	APPLICANT
INCOME	\$1,529,856	\$1,529,856
Secondary Income	56,701	82,416
Other Support Income	0	0
POTENTIAL GROSS INCOME	\$1,586,557	\$1,612,272
Vacancy & Collection Loss	(118,992)	(120,924)
Employee or Other Non-Rental Units or Concessions	0	0
EFFECTIVE GROSS INCOME	\$1,467,566	\$1,491,348
General & Administrative	\$72,933	\$60,600
Management	58,703	\$59,654
Payroll & Payroll Tax	207,135	\$149,000
Repairs & Maintenance	82,176	\$92,000
Utilities	39,560	\$12,000
Water, Sewer, & Trash	24,476	\$24,000
Property Insurance	45,125	\$45,151
Property Tax 3.215	154,324	\$203,193
Reserve for Replacements	38,400	\$38,400
Other Expenses: Supportive Services, Compliance	16,320	\$16,320
TOTAL EXPENSES	\$739,151	\$700,318
NET OPERATING INC	\$728,415	\$791,030
First Lien Mortgage	\$692,491	\$692,491
Additional Financing	\$0	\$0
Additional Financing	0	0
Additional Financing	0	0
NET CASH FLOW	\$35,924	\$98,539
INITIAL AGGREGATE DEBT COVERAGE RATIO	1.05	1.14
INITIAL BONDS & TRUSTEE FEE-ONLY DEBT COVERAGE RATIO	1.05	
RECOMMENDED BONDS-ONLY DEBT COVERAGE RATIO	1.10	

	PER SQ FT	PER UNIT	% OF EGI
USS Region 3			
IREM Region Fort Worth			
Secondary Income	\$35.77		
Vacancy & Collection Loss	-7.50%		
General & Administrative	\$0.28	\$316	4.06%
Management	0.28	311	4.00%
Payroll & Payroll Tax	0.69	776	9.99%
Repairs & Maintenance	0.43	479	6.17%
Utilities	0.06	63	0.80%
Water, Sewer, & Trash	0.11	125	1.61%
Property Insurance	0.21	235	3.03%
Property Tax 3.215	0.95	1,058	13.62%
Reserve for Replacements	0.18	200	2.57%
Other Expenses: Supportive Services, Compliance	0.08	85	1.09%
TOTAL EXPENSES	\$3.26	\$3,647	46.96%
NET OPERATING INC	\$3.68	\$4,120	53.04%
First Lien Mortgage	\$3.22	\$3,607	46.43%
Additional Financing	\$0.00	\$0	0.00%
Additional Financing	\$0.00	\$0	0.00%
Additional Financing	\$0.00	\$0	0.00%
NET CASH FLOW	\$0.46	\$513	6.61%

	TDHCA	APPLICANT
Acquisition Cost (site or bldg)	\$750,000	\$750,000
Off-Sites	0	0
Sitework	1,362,980	1,362,980
Direct Construction	9,034,612	8,395,000
Contingency	474,000	474,000
General Req'ts	473,478	473,478
Contractor's G & A	171,000	171,000
Contractor's Profit	450,000	450,000
Indirect Construction	423,234	423,234
Ineligible Costs	1,053,659	1,007,325
Developer's G & A	300,000	300,000
Developer's Profit	900,000	900,000
Interim Financing	876,025	876,025
Reserves	329,555	188,400
TOTAL COST	\$16,598,543	\$15,771,442
Recap-Hard Construction Costs	\$11,966,070	\$11,326,458

	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)	\$3.49	\$3,906	4.76%
Off-Sites	0.00	0	0.00%
Sitework	6.34	7,099	8.64%
Direct Construction	39.07	43,724	53.23%
Contingency	2.21	2,469	3.01%
General Req'ts	2.20	2,466	3.00%
Contractor's G & A	0.80	891	1.08%
Contractor's Profit	2.09	2,344	2.85%
Indirect Construction	1.97	2,204	2.68%
Ineligible Costs	4.69	5,246	6.39%
Developer's G & A	1.40	1,563	1.90%
Developer's Profit	4.19	4,688	5.71%
Interim Financing	4.08	4,563	5.55%
Reserves	0.88	981	1.19%
TOTAL COST	\$73.40	\$82,143	100.00%
Recap-Hard Construction Costs	\$52.71	\$58,992	71.82%

	RECOMMENDED
Tax-Exempt Bonds	\$10,100,000
Additional Financing	0
LIHTC Syndication Proceeds	4,176,608
Deferred Developer Fees	1,494,834
Additional (excess) Funds Required	0
TOTAL SOURCES	\$15,771,442

MULTIFAMILY COMPARATIVE ANALYSIS(continued)

Alameda Villas, Fort Worth, LIHTC #02485

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$40.58	\$8,719,020
Adjustments				
Exterior Wall Finish	4.20%		\$1.70	\$366,199
9' Ceiling	2.00%		0.81	174,380
Roofing			0.00	0
Subfloor			(0.67)	(144,686)
Floor Cover			1.92	412,570
Porches/Balconies	\$19.97	49,933	4.64	996,996
Plumbing	\$615	576	1.65	354,240
Built-In Appliances	\$1,625	192	1.45	312,000
Garages	\$13.76	6,444	0.41	88,669
Floor Insulation			0.00	0
Heating/Cooling			1.47	315,874
Carports	\$7.83	25,500	0.93	199,665
Comm &/or Aux Bldgs	\$55.70	5,539	1.44	308,531
Other: Fireplaces	\$3,725	64	1.11	238,400
SUBTOTAL			57.44	12,341,857
Current Cost Multiplier	1.03		1.72	370,256
Local Multiplier	0.90		(5.74)	(1,234,186)
TOTAL DIRECT CONSTRUCTION COSTS			\$53.42	\$11,477,927
Plans, specs, survy, bld prnt	3.90%		(\$2.08)	(\$447,639)
Interim Construction Interes	3.38%		(1.80)	(387,380)
Contractor's OH & Profit	11.50%		(6.14)	(1,319,962)
NET DIRECT CONSTRUCTION COSTS			\$43.39	\$9,322,946

PAYMENT COMPUTATION

Primary	\$10,555,000	Term	480
Int Rate	5.95%	DCR	1.05

Secondary		Term	
Int Rate		Subtotal DCR	1.05

All-In		Term	
Rate		Aggregate DCR	1.05

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$662,639
Additional Financing	0
Additional FinancingAdditional Finan	0
NET CASH FLOW	\$65,776

Primary	\$10,100,000	Term	480
Int Rate	5.95%	DCR	1.10

Secondary		Term	
Int Rate		Subtotal DCR	1.10

All-In		Term	
Rate		Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

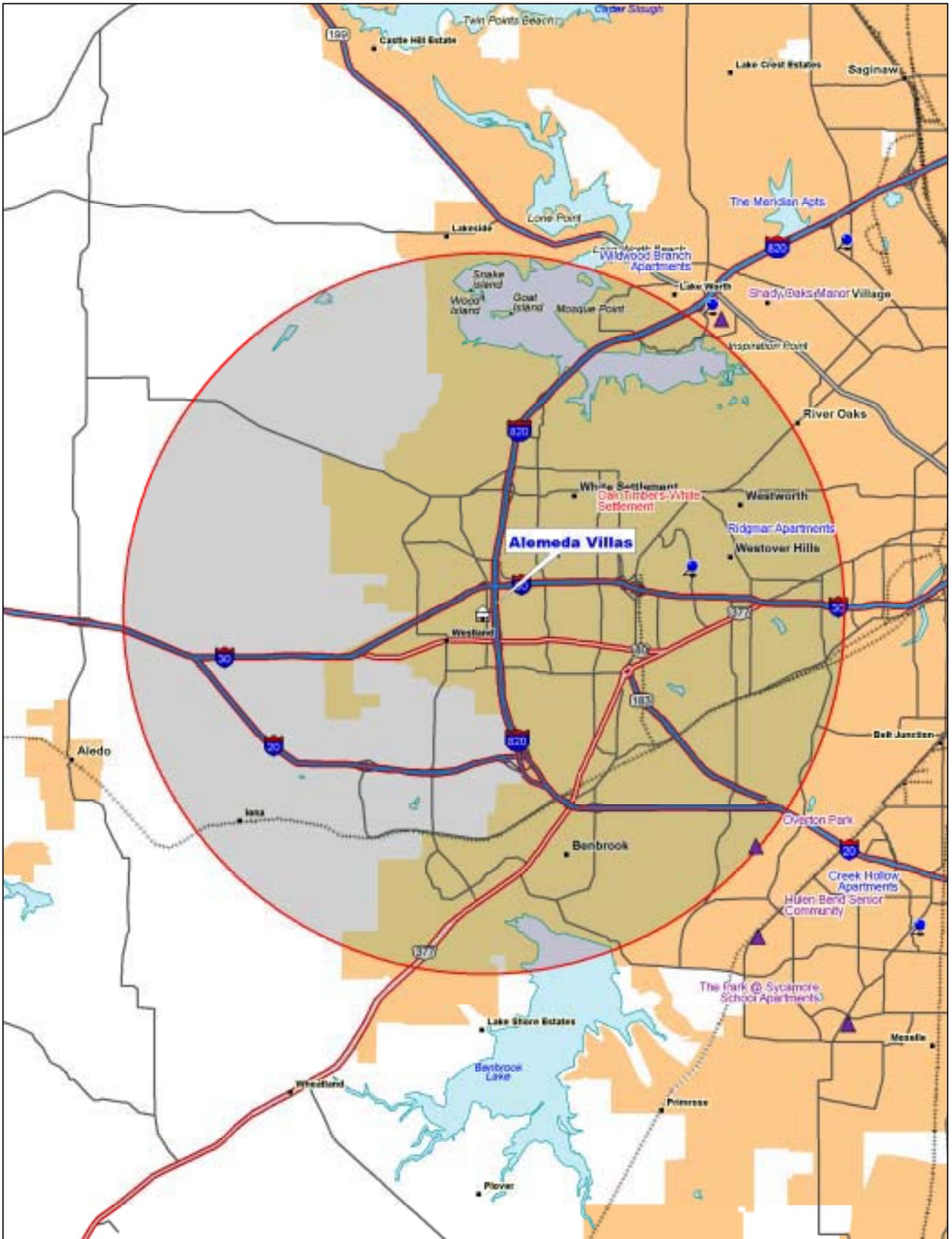
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$1,529,856	\$1,575,752	\$1,623,024	\$1,671,715	\$1,721,866	\$1,996,115	\$2,314,044	\$2,682,612	\$3,605,206
Secondary Income	56,701	58,402	60,155	61,959	63,818	73,983	85,766	99,426	133,621
Other Support Income: (describ:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,586,557	1,634,154	1,683,179	1,733,674	1,785,684	2,070,098	2,399,810	2,782,038	3,738,827
Vacancy & Collection Loss	(118,992)	(122,562)	(126,238)	(130,026)	(133,926)	(155,257)	(179,986)	(208,653)	(280,412)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$1,467,566	\$1,511,593	\$1,556,940	\$1,603,649	\$1,651,758	\$1,914,840	\$2,219,825	\$2,573,385	\$3,458,415
EXPENSES at 4.00%									
General & Administrative	\$72,933	\$75,850	\$78,884	\$82,039	\$85,321	\$103,806	\$126,296	\$153,658	\$227,451
Management	58,703	60,464	62,278	64,146	66,070	76,594	88,793	102,935	138,337
Payroll & Payroll Tax	207,135	215,421	224,037	232,999	242,319	294,818	358,691	436,403	645,982
Repairs & Maintenance	82,176	85,463	88,881	92,436	96,134	116,962	142,302	173,132	256,277
Utilities	39,560	41,142	42,788	44,499	46,279	56,306	68,505	83,346	123,373
Water, Sewer & Trash	24,476	25,455	26,473	27,532	28,634	34,837	42,385	51,568	76,333
Insurance	45,125	46,930	48,807	50,759	52,790	64,227	78,142	95,071	140,729
Property Tax	154,324	160,497	166,917	173,593	180,537	219,651	267,239	325,137	481,282
Reserve for Replacements	38,400	39,936	41,533	43,195	44,923	54,655	66,496	80,903	119,756
Other	16,320	16,973	17,652	18,358	19,092	23,228	28,261	34,384	50,896
TOTAL EXPENSES	\$739,151	\$768,130	\$798,250	\$829,557	\$862,098	\$1,045,083	\$1,267,109	\$1,536,537	\$2,260,417
NET OPERATING INCOME	\$728,415	\$743,463	\$758,690	\$774,091	\$789,660	\$869,757	\$952,716	\$1,036,849	\$1,197,998
DEBT SERVICE									
First Lien Mortgage	\$662,639	\$662,639	\$662,639	\$662,639	\$662,639	\$662,639	\$662,639	\$662,639	\$662,639
Additional Financing	0	0	0	0	0	0	0	0	0
Additional FinancingAdditional Fi	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$65,776	\$80,824	\$96,051	\$111,452	\$127,020	\$207,118	\$290,077	\$374,209	\$535,359
AGGREGATE DCR	1.10	1.12	1.14	1.17	1.19	1.31	1.44	1.56	1.81

LIHTC Allocation Calculation - Alameda Villas, Fort Worth, LIHTC #02485

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$750,000	\$750,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,362,980	\$1,362,980	\$1,362,980	\$1,362,980
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$8,395,000	\$9,034,612	\$8,395,000	\$9,034,612
(4) Contractor Fees & General Requirements				
Contractor overhead	\$171,000	\$171,000	\$171,000	\$171,000
Contractor profit	\$450,000	\$450,000	\$450,000	\$450,000
General requirements	\$473,478	\$473,478	\$473,478	\$473,478
(5) Contingencies				
	\$474,000	\$474,000	\$474,000	\$474,000
(6) Eligible Indirect Fees				
	\$423,234	\$423,234	\$423,234	\$423,234
(7) Eligible Financing Fees				
	\$876,025	\$876,025	\$876,025	\$876,025
(8) All Ineligible Costs				
	\$1,007,325	\$1,053,659		
(9) Developer Fees				
Developer overhead	\$300,000	\$300,000	\$300,000	\$300,000
Developer fee	\$900,000	\$900,000	\$900,000	\$900,000
(10) Development Reserves				
	\$188,400	\$329,555		
TOTAL DEVELOPMENT COSTS	\$15,771,442	\$16,598,543	\$13,825,717	\$14,465,329

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$13,825,717	\$14,465,329
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$13,825,717	\$14,465,329
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$13,825,717	\$14,465,329
Applicable Percentage			3.64%	3.64%
TOTAL AMOUNT OF TAX CREDITS			\$503,256	\$526,538

Syndication Proceeds	0.8299	\$4,176,608	\$4,369,828
Total Credits (Eligible Basis Method)		\$503,256	\$526,538
Syndication Proceeds		\$4,176,608	\$4,369,828



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LOW INCOME HOUSING TAX CREDIT PROGRAM

BOARD ACTION REQUEST

June 12, 2003

Action Item

Requests for extension of deadline to close construction loans.

Required Action

Approve requests for extension associated with the 2002 commitments.

Background

§49.11(d)(4) of the 2002 QAP requires that all 2002 awardees must close their construction loan no later than June 13, 2003. That section of the QAP also limits extensions on construction loan closing to a one-time 30 day extension.

Pertinent facts about the developments requesting extensions of the deadline to close the construction loan are summarized below. Each request was accompanied by a mandatory \$2,500 extension request fee. Staff has reviewed the information and recommends granting the extensions pursuant to Section 49.13(j) of the 2002 QAP.

Refugio Street Apartments, LIHTC Development No. 02086

Summary of Request: Applicant reports that, after applying in 1999, 2000 and 2001, \$18.9 million in HOPE VI funds were approved in March 2003 for the San Antonio Housing Authority (SAHA) to use in redeveloping 600 units of Victoria Courts, a 660 unit apartment complex built in 1947. Twenty-five percent of the units were proposed to be affordable housing and fifty units of the 600 are a part of the proposed LIHTC development. When the 2001 HOPE VI application failed, prohibiting redevelopment of the whole property, SAHA contracted Carleton Residential Properties to apply for tax credits to redevelop a part of the 600 units proposed. Although the HOPE award in March, with the details of the rules governing the grant disclosed at meetings on April 21-22, will improve the quality and affordability of the housing available at the subject location, the HOPE VI funding requires HUD approval of the capital structure and financing plan and has slowed the process of closing the construction loan. Discussions with HUD indicate that the June 13 deadline for closing the loan cannot be met. Note that the Applicant requested a closing deadline of August 15, 2003; however the QAP restricts extensions on loan closings to a one-time 30 day extension.

Applicant:	Refugio Street Limited Partnership
General Partner:	Refugio Street Public Facility Corporation
Principals/Interested Parties:	San Antonio Housing Authority/Printice Gary
Syndicator:	Red Capital Group
Construction Lender:	Red Capital Group
City/County:	San Antonio/Bexar
Set-Aside:	General/Family
Type of Project:	New Construction
Units:	105 LIHTC and 105 market rate units
2002 Allocation:	\$747,562
Allocation per LIHTC Unit:	\$7,120
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Construction loan closing
Note on Time of Request:	Request was submitted within the deadline for requests.
Current Deadline:	June 13, 2003
New Deadline Requested:	August 15, 2003
New Deadline Recommended:	July 13, 2003
Prior Extensions:	Carryover was extended
Staff Recommendation:	Grant extension as requested.

Colony Park Apartments, LIHTC Development No. 02046

Summary of Request: In addition to tax credits, the development was approved by the Board for Multifamily Preservation Funds on July 29, 2002. The Department is processing documents for closing a Preservation Fund Loan of \$633,078. The loan will provide construction and permanent financing. The applicant has provided all documentation necessary for closing except an executed partnership agreement.

Applicant:	Eastland Rental Housing Services, Ltd.
General Partner:	SumTex Partners, Inc.
Principals/Interested Parties:	Judy and Joe Chamy/USDA-RD
Syndicator:	Raymond James Tax Credit Funds, Inc.
Construction Lender:	TDHCA – Multifamily Preservation Fund
City/County:	Eastland/Eastland
Set-Aside:	Rural/Family
Type of Project:	Acquisition/Rehabilitation
Units:	68 LIHTC units
2002 Allocation:	\$53,565
Allocation per LIHTC Unit:	\$788
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Construction loan closing
Note on Time of Request:	Request was submitted within the deadline for requests.
Current Deadline:	June 13, 2003
New Deadline Requested:	July 13, 2003
New Deadline Recommended:	July 13, 2003
Prior Extensions:	None
Staff Recommendation:	Grant extension as recommended.

Walnut Hill Apartments, LIHTC Development No. 02047

Summary of Request: In addition to tax credits, the development was approved by the Board for Multifamily Preservation Funds on July 29, 2002. The Department is processing documents for closing a Preservation Fund Loan of \$282,355. The loan will provide construction and permanent financing. The applicant has provided all documentation necessary for closing except an executed partnership agreement.

Applicant:	Baird Rental Housing Services, Ltd.
General Partner:	SumTex Partners, Inc.
Principals/Interested Parties:	Judy and Joe Chamy/USDA-RD
Syndicator:	Raymond James Tax Credit Funds, Inc.
Construction Lender:	TDHCA – Multifamily Preservation Funds
City/County:	Baird/Calahan
Set-Aside:	Rural/Family
Type of Project:	Acquisition/Rehabilitation
Units:	24 LIHTC units
2002 Allocation:	\$20,606
Allocation per LIHTC Unit:	\$859
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Construction loan closing
Note on Time of Request:	Request was submitted within the deadline for requests.
Current Deadline:	June 13, 2003
New Deadline Requested:	July 13, 2003
New Deadline Recommended:	July 13, 2003
Prior Extensions:	None
Staff Recommendation:	Grant extension as recommended.

Fallbrook Ranch, LIHTC Development No. 02080

Summary of Request: Applicant reports that a request for the development to be annexed into a MUD was delivered to the public works office of the City of Houston in November of 2002. The MUD has already agreed to the annexation, but city council approval is necessary. The annexation was recommended for council approval on May 20, and the Applicant expects the item to be on the council agenda for June 4. The present extension request is a precaution. Applicant stated that the rate from the permanent lender, Continental Wingate Associates, Inc., has already been locked because of a forward commitment from FNMA to buy the mortgage.

Applicant: Fallbrook Ranch, Ltd.
General Partner: Investors Affordable Housing Group IV, LLC
Principals/Interested Parties: John Hettig, Barry Kahn, Darlene Guidry
Syndicator: JER Hudson
Construction Lender: Mitchell Mortgage
City/County: Houston/Harris
Set-Aside: General/Family
Type of Project: New Construction
Units: 156 LIHTC and 40 market rate units
2002 Allocation: \$936,382
Allocation per LIHTC Unit: \$6,002
Extension Request Fee Paid: \$2,500
Type of Extension Request: Construction loan closing
Note on Time of Request: Request was submitted within the deadline for requests.
Current Deadline: June 13, 2003
New Deadline Requested: July 13, 2003
New Deadline Recommended: July 13, 2003
Prior Extensions: None
Staff Recommendation: Grant extension as recommended.

Sunrise Village Apartments, LIHTC Development No. 02099

Summary of Request: Applicant requests extension out of caution even though closing on time may be possible.

Applicant: Sunrise Village Apartments, L.P.
General Partner: Sunrise Village Joint Venture
Principals/Interested Parties: Tom Scott, Paul Buchanan
Syndicator: Lend Lease
Construction Lender: Southwest Bank of Texas
City/County: Houston/Harris
Set-Aside: Nonprofit/Family
Type of Project: New Construction
Units: 72 LIHTC and 8 market rate units
2002 Allocation: \$616,304
Allocation per LIHTC Unit: \$8,560
Extension Request Fee Paid: \$2,500
Type of Extension Request: Construction loan closing
Note on Time of Request: Request was submitted within the deadline for requests.
Current Deadline: June 13, 2003
New Deadline Requested: July 13, 2003
New Deadline Recommended: July 13, 2003
Prior Extensions: None
Staff Recommendation: Grant extension as recommended.

Meadows of Oakhaven Apartments, LIHTC Development No. 02131

Summary of Request: Applicant stated that the extension is needed to estimate the development cost and execute a construction contract. Architectural plans were released in the week ending May 31 and engineering plans were expected to be complete by June 6. Estimating and bidding to arrive at a contract amount is in progress. The lender required a new market study, environmental study and appraisal by providers chosen by the lender. The additional documentation was a cause of delay in closing and added \$20,000 to development costs.

Applicant: Pleasanton Apartment Ventures, LP
General Partner: Pleasanton Apartments GP Corporation
Principals/Interested Parties: Lacy & Mike Gilbert
Syndicator: Midland Equity Corporation
Construction Lender: MuniMae Midland Construction Finance, LLC
City/County: Pleasanton/Atascosa
Set-Aside: Rural/Family
Type of Project: New Construction
Units: 72 LIHTC and 4 market rate units
2002 Allocation: \$407,934
Allocation per LIHTC Unit: \$5,666
Extension Request Fee Paid: \$2,500
Type of Extension Request: Construction loan closing
Note on Time of Request: Request was submitted within the deadline for requests.
Current Deadline: June 13, 2003
New Deadline Requested: July 13, 2003
New Deadline Recommended: July 13, 2003
Prior Extensions: Carryover extended from 12/6/02 to 12/17/02
Staff Recommendation: Grant extension as recommended.

Gateway Village Apartments, LIHTC Development No. 02174

Summary of Request: Applicant states that “value engineering” the development to reduce costs to the Department’s cost estimate was a condition of closing the construction loan. After the Applicant received an acceptable bid from a new general contractor, an architect began the analysis to reduce costs. A change in the ownership structure to admit a member with Section 42 experience was also a condition of closing. The Applicant found an experienced party and delivered a request for an ownership change to the Department’s legal staff last week.

Applicant: Gateway Senior Housing, Ltd.
General Partner: Gateway Senior Housing I, L.L.C.
Principals/Interested Parties: David Hendricks
Syndicator: Related Capital
Construction Lender: MuniMae Midland
City/County: Beaumont/Jefferson
Set-Aside: General/Family
Type of Project: New Construction
Units: 110 LIHTC and 6 market rate units
2002 Allocation: \$719,168
Allocation per LIHTC Unit: \$6,538
Extension Request Fee Paid: \$2,500
Type of Extension Request: Construction loan closing
Note on Time of Request: Request was submitted within the deadline for requests.
Current Deadline: June 13, 2003
New Deadline Requested: July 13, 2003
New Deadline Recommended: July 13, 2003
Prior Extensions:
Staff Recommendation: Grant extension as recommended.

Action Item

Requests for extension of deadline to commence substantial construction.

Required Action

Approve a request for extension associated with a 2001 commitment.

Background

§50.9(d)(3) of the 2001 QAP requires that all 2001 awardees must commence substantial construction of their Development by November 8, 2002.

Pertinent facts about the development requesting an extension of the deadline to commence substantial construction are summarized below. The request was accompanied by a mandatory \$2,500 extension request fee. Staff has reviewed the information and recommends granting the extension pursuant to Section 50.11(h) of the 2001 QAP.

Springdale Estates Apartments, LIHTC Development No. 01027

Summary of Request: Applicant requests extension retroactively. Although Applicant requested an extension until June 30 to achieve Commencement of Substantial Construction, the Department recommended approval for an extension to only April 1, and the Board only approved April 1. The Applicant commenced framing on May 21, and framing has progressed swiftly in this small development. The other extensions noted below resulted from delays in closing the construction loan from HUD.

Applicant:	Springdale Estates Limited Partnership
General Partner:	Meridian Commercial, Inc. (managing GP); RMH Holdings, Inc. (Co-GP); SBG Realty Advisors, Inc. (Co-GP)
Principals/Interested Parties:	Anthony Hernandez (Meridian), Ruel Hamilton (RMH), Robert Sherman (SBG)
Syndicator:	Simpson Housing Solutions
Lender:	GMAC Commercial Mortgage (HUD insured 221(d)(4) loan)
City/County:	Austin/Travis
Set-Aside:	General/Family
Type of Project:	New Construction
Units:	25 LIHTC and 18 market rate units
2002 Allocation:	\$236,453
Allocation per LIHTC Unit:	\$9,458
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Commencement of substantial construction
Note on Time of Request:	Request was submitted beyond the deadline for requests and after the deadline for compliance.
Current Deadline:	April 1, 2003
New Deadline Requested:	June 12, 2003 (Request was too late to be heard at May Board meeting.)
New Deadline Recommended:	June 12, 2003
Prior Extensions:	Construction loan closing extended twice from 6/14/02 to 11/26/02 then to 1/31/03, Commencement of construction extended in conjunction with last loan extension from 11/8/02 to 4/1/03
Staff Recommendation:	Grant extension as recommended.

BOARD ACTION REQUEST
June 12, 2003

Action Items

Consideration of application amendment submitted for Pleasant Valley Courtyards, #02073.

Prior Board Actions

Approval of Allocation:	July 29, 2002
Amendment Request Denied:	April 10, 2003

Requested Action

Staff does not recommend approval of the application amendment.

Background and Recommendations

Background

Pleasant Valley Courtyards, located in Austin, was awarded tax credits out of the 2002 Credit Ceiling from Region 7. At the time the application was being reviewed, TDHCA realized that the applicant did not have sufficient site control and the application was terminated. Subsequently, the application was reinstated, but with adjustments made by the applicant to the site plan to reflect the reduced acreage from the original parcel. A reduction to the site size was approved by the Department as part of the reinstatement of the application, and the application reinstated, because the site was not changed, but was merely reduced. Staff advised the applicant at that time that the revised site design may be infeasible but the Applicant stated it could work as submitted. Prior to the carryover deadline, the Applicant met with TDHCA staff several times to discuss the problems associated with the site plan. At the time the Carryover Allocation Agreement was being executed, staff reiterated its concerns to the Applicant. The Applicant indicated through submission of several surveys and site plans that they would prefer to augment the site to make it more appealing, however they still affirmed they could make it work on the original parcel. On March 28, the Applicant submitted a request to TDHCA asking for approval to increase their site (at the time of allocation only 10.82 acres) by an additional 15.7 acres to 26.528 acres, reflecting a change of 145% from the original submission. As you know, this request was heard by the TDHCA Board on April 10 and the Board voted not to approve the application amendment. A copy of the Board summary for the April meeting is attached.

New Amendment Request

On May 28, the Applicant through their legal counsel, Locke Liddell & Sapp, LLP, submitted a second request to TDHCA asking for approval to increase their site by an additional 15.7 acres, the same requested change as in their April amendment request. The Applicant, in their new amendment request, suggests that the site plan amendment should not result in a deduction of points, and even if it does, that it would still allow the change because no tie with Killeen Stone Ranch actually existed.

According to §49.7(k) of the 2002 QAP, the Board may only reject an amendment if it would materially alter the development in a negative manner (which staff concurs is not the case with this proposed change) or if it “would have adversely affected the selection of the Application in the Application Round.” The Applicant argues that this is not the case because if the pre-application points were deducted from the application, it still would have gotten an allocation because Killeen Stone Ranch would not have been eligible to compete in a tie breaker situation.

Point Reduction

The Applicant asserts that the 15 point loss should not actually occur in association with the site amendment because the “identical site” requirement was intended to apply only during the application cycle. The Applicant did keep their site unchanged between pre-application and application. However, staff does not concur with this interpretation which would support applicant’s submitting misleading information through the application cycle and then merely submitting amendments to change it. Additionally, as with all point items, the Department does not allow reductions in points after the time the points are awarded merely because the application cycle has ended. Furthermore, in the 2002 cycle, other applicants were told very clearly that changes to their site would preclude the award of the 15 points. Allowing an awarded applicant to now make this change, when other applicants who realized a possible change was needed but did not claim the 15 points or did not proceed, would be inconsistent of TDHCA. A change in this policy at this time is inequitable for the other 2002 applicants.

Tie with Killeen Stone Ranch

As outlined in their letter, Killeen Stone Ranch was not recommended by the Underwriting Division based on financial feasibility. Killeen Stone Ranch appealed this recommendation status, which was denied by the Executive Director. Subsequently, at the July 29 Board meeting, the Board denied the appeal, supporting that the development was not financially feasible. On August 8, the Board reconvened to approve Forward Commitments and a Waiting List. Staff did not recommend any developments to the Board that were not recommended by the Underwriting Division. However, the Board voted on August 8 to add Killeen Stone Ranch to the waiting list for Region 7.

The critique of the utilization of the first tie-breaker criteria, “to serve a greater number of lower income families for fewer credits,” suggests that staff’s implementation of this clause was faulty. However, staff created a simple and quantitative method for evaluation of this criterion (the number of credits recommended divided by number of low income units). While not as comprehensive as the Applicant might prefer, it was used uniformly throughout the entire application round to all applications that were tied. To change the method now, for one development, would be inequitable to the other 2002 applicants.

Basis for Recommendation

As you know, from the April Board summary regarding this request, the only basis for staff’s recommendation to deny the amendment was that in a tie-breaker situation Killeen Stone Ranch would have won over Pleasant Valley. In applying the test of “would it have altered the allocation decision” it is most likely that if Killeen Stone Ranch were not eligible to be compared in a tie-breaker, the allocation would have gone to 02015, Eagle’s Point Apartments (which actually received a Forward Commitment) and Pleasant Valley would then have been recommended (with site change allowed) for a Forward Commitment.

In reviewing the amendment request, staff continues to agree that the addition of the land would make a better site for the development. In spite of the arguments suggested by the Applicant, staff feels that the only aspect of the new amendment that would merit a change in recommendation from staff’s April recommendation is that Killeen Stone Ranch was not eligible to be evaluated in a tie-breaker. At the time staff responded to the April amendment request, staff based its recommendation on the prior Board decision made on August 8 that placed Killeen Stone Ranch on the waiting list. **Staff continues to recommend that this amendment be denied because staff must presume, based on the Board’s directive, that Killeen Stone Ranch was indeed an eligible applicant on the waiting list.** It should be noted that the Board may approve or reject the amendment; the applicant still is permitted to move forward with the original site plan, if they choose and are able to.

LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE
SUITE 300
AUSTIN, TEXAS 78701-4042

AUSTIN & DALLAS & HOUSTON & NEW ORLEANS

(512) 305-4700
Fax: (512) 305-4800
www.lockeliddell.com

Direct Number: (512) 305-4707
email: cbast@lockeliddell.com

May 28, 2003

VIA HAND DELIVERY AND FAX

Ms. Brooke Boston
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

Re: Pleasant Valley Courtyards
TDHCA No.: 02073

Dear Brooke:

Pursuant to our conversation this morning, I am delivering to you the request for reconsideration of the Pleasant Valley Courtyards site plan amendment. I understand that you will deliver copies of this request to Edwina, Tom, and Chris.

Thank you very much for your continued assistance.

Sincerely,

/s/

Cynthia L. Bast

Enclosure

LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE
SUITE 300
AUSTIN, TEXAS 78701-4042

AUSTIN & DALLAS & HOUSTON & NEW ORLEANS

(512) 305-4700
Fax: (512) 305-4800
www.lockeliddell.com

Direct Number: (512) 305-4707
email: cbast@lockeliddell.com

May 28, 2003

Ms. Edwina Carrington
Executive Director
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

Re: Pleasant Valley Courtyards
TDHCA No.: 02073

Dear Edwina:

As you know, we have been assisting the Pleasant Valley Courtyards project ("*Pleasant Valley*") with a request for a site plan amendment. The request for a site plan amendment was originally heard at the April 10 Board meeting. Department staff recommended that the Board reject the site plan amendment, and the Board concurred with staff's recommendation. On further review, we believe the analysis and recommendation leading to the Board's decision omitted material issues that should have been considered. Therefore, we request a reconsideration of the site plan amendment for Pleasant Valley by the Board.

The reasons for our request are outlined in more detail below, but briefly summarized, they are:

- § In making the recommendation to the Board, Department staff stated that the site plan amendment would result in a reduction of points for Pleasant Valley's application and, further, that the reduction in points would have led to a tie with the Killeen Stone Ranch project.
- § The site plan amendment should not result in a reduction of points.
- § Even if the site plan amendment did result in a reduction of points, Pleasant Valley and Killeen Stone Ranch could not have been considered to be legitimately "tied" because Pleasant Valley was recommended by underwriting and Killeen Stone Ranch was not recommended by underwriting.
- § The fact that Killeen Stone Ranch was not recommended by underwriting is a material fact that was not contemplated in the staff's prior recommendation to the Board.

Site Plan Amendment -- Brief History and Review

In its tax credit application, Pleasant Valley Courtyards Housing, L.P. (the "*Partnership*") presented a site plan for the development of Pleasant Valley on an approximately 12.4 acre site. The site included tracts from two sellers -- Mr. Pospisil (7 acres) and Ms. de la Llata (5.4 buildable acres). In a letter to you dated March 28, 2003, the Partnership requested approval of an amendment to the site plan (the "*Revised Plan*") that would increase the acreage on which Pleasant Valley would be built. The Revised Plan would encompass the acreage originally included in the tax credit application and would add some land from Ms. de la Llata's tract. The Revised Plan would maintain the same number of units, with the same unit mix and tenant income restrictions as specified in the application. The Revised Plan would not affect the financial feasibility of Pleasant Valley or require any additional tax credits. It is simply, as explained at the April 10 Board meeting, a site plan that makes the best possible land use of a sensitive and beautiful environment.

The requested site plan amendment was deemed by Department staff to be a material change to the application, requiring Board approval. Under Section 49.7(k) of the 2002 Qualified Allocation Plan (the "*QAP*"), the Board may reject a request for a material change if: (1) the change would have a material adverse impact on the project or (2) the change would have had an adverse impact on the Department's decision to allocate tax credits to the project during the application round. Because of the unique environmental features of this site, all agreed that the site plan amendment would actually improve the project. Therefore, the only grounds on which the Board could have rejected the Revised Plan was that the change would have had an adverse impact on the Department's decision to allocate tax credits to the project during the application round.

In a recommendation memo presented to the Board, Department staff presented the following analysis: Changing the site plan would cost Pleasant Valley the 15 points associated with filing a pre-application. To maintain the 15 points associated with filing a pre-application, the proposed site submitted in the application must be the "identical site" as the proposed site submitted in the pre-application. Without those 15 points, Pleasant Valley would have had a score of 143. The Killeen Stone Ranch project ("*Killeen*"), which was in the same region, but not the same set-aside, as the Pleasant Valley project, also scored 143 points. This would have created a tie, and there were insufficient credits in this region to allow both projects to receive a commitment. Employing the tiebreaker criteria of Section 49.7(d) of the QAP, as interpreted by staff, Killeen would have received the commitment. Thus, the site plan amendment would have had a material adverse affect on the Department's selection of Pleasant Valley for a commitment of tax credits in 2002 and should be rejected.

The staff's analysis and recommendation omitted an essential fact: Killeen was not recommended by underwriting for a tax credit commitment. Therefore, Pleasant Valley and Killeen should have never been compared in staff's analysis.

Killeen

While we would rather not focus on another tax credit application in making this request for Pleasant Valley, the assertion of a potential tie between Killeen and Pleasant Valley mandates that we do so.

Like Pleasant Valley, Killeen applied for tax credits in Region 7. Killeen applied in the non-profit set-aside, and Pleasant Valley applied in the general set-aside. In an underwriting analysis dated July 19, 2002, the underwriting division recommended Pleasant Valley for a tax credit commitment. In an underwriting analysis dated June 3, 2002, the underwriting division declined to recommend Killeen for a tax credit commitment; the underwriting division asserted that the project was not economically feasible, based on its proposed development costs and projected revenues.

As permitted by the QAP, Killeen appealed the underwriting recommendation, first to the Department staff, and then to the Department Board. Staff rejected the appeal, and the appeal was then heard at the July 29, 2002 Board meeting. The Board voted to reject the appeal, as well. Under Section 49.7(k)(5) of the QAP, this decision of the Board is final; thus, Killeen maintained the status of "not recommended by underwriting."

At the July 29, 2002 Board meeting, Department staff presented its recommendations for tax credit commitments. Staff explained that projects that had not been recommended by underwriting would not be recommended for tax credit commitments. Accordingly, Killeen was not recommended for a tax credit commitment and did not receive a commitment at the July 29 Board meeting.

A Board meeting was called on August 8, 2002 for the Board to consider forward commitments of 2003 tax credits and a waiting list for the 2002 application round. Staff explained that projects that had not been recommended by underwriting would not be recommended for forward commitments. With regard to prioritizing the waiting list, staff advised the Board that, should tax credits become available for projects on the waiting list, any project that had not been underwritten would be required to receive an underwriting approval before receiving a tax credit commitment.

Killeen had not been recommended by underwriting and the Board upheld that decision, so staff did not recommend Killeen for a forward commitment or a waiting list priority. However, when it came time to approve the waiting list priorities, the Board voted to accept the staff's recommendations with the contradictory exception of giving Killeen a priority position on the waiting list. There was no discussion of the fact that Killeen had not been recommended by underwriting or that the Board had previously upheld this underwriting decision. We believe the Board erred in giving Killeen a priority on the waiting list for a variety of reasons:

- § Section 49.4(g) of the QAP states: "The Board may not make, without good cause, an allocation decision that conflicts with the recommendations of Department staff." There is no evidence in the record of good cause for Killeen to be given a priority on the waiting list. The project was not recommended by underwriting; the Board upheld this underwriting decision.
- § While Section 49.4(h) of the QAP gives the Board some discretion in making allocation decisions, that discretion is limited. Chairman Jones acknowledged this in the transcript of the August 8 Board meeting. When the representatives of the City of Killeen requested that the Board use discretion to issue a commitment to Killeen, Chairman Jones stated that the courts had limited the amount of discretion the Board could use.
- § Section 42 of the Internal Revenue Code and various provisions of the QAP reflect that the Department should consider economic feasibility in making its tax credit commitments. The QAP requires an underwriting analysis to confirm economic feasibility. To place a project on the waiting list when the underwriting division has not recommended it is inconsistent with these basic directives of the tax credit program.
- § Department staff specifically stated that any project on the waiting list that had not been underwritten would be required to have underwriting approval before receiving a tax credit commitment. If tax credits had become available for the Killeen project when it was on the waiting list, it is unlikely the Department could have justified making a commitment to Killeen when it did not meet the fundamental staff requirement of underwriting approval.
- § Throughout the 2002 application round, the Department strove to treat each applicant fairly and equally. No other project that failed the underwriting analysis was allowed to receive a commitment, a forward commitment, or a position on the waiting list. To place Killeen on the waiting list was contrary to the spirit of objectivity that the Department employed.

Tie Breaker Issues

These facts regarding the Killeen project are very important to assessing Pleasant Valley and its request for approval of the Revised Plan. Department staff interpreted the fact that the Board gave Killeen a priority on the waiting list to mean that Killeen was eligible to receive a commitment and therefore stood in the same position as Pleasant Valley. We disagree, for all of the reasons cited above. The fundamental fact remains that the underwriting division did not recommend Killeen, and the Board upheld the underwriting division's decision during the appeal process. Giving Killeen a priority on the waiting list does not override this fact. There is nothing in the record of the August 8 Board meeting to indicate that the Board overturned its

decision with regard to the underwriting status of Killeen, and the QAP specifies that the Board's original decision is final.

Department staff's assertion that the Revised Plan would have had an adverse impact on the Department's decision to allocate tax credits to the project during the application round is flawed on several levels:

- § First of all, the Revised Plan should not cause Pleasant Valley to lose its 15 points for filing the pre-application. The "identical site" requirement was intended to apply between the period of pre-application and final application. Section 2306.6704 of the Government Code states that the purpose of the pre-application process is "to enable a preliminary assessment of an application proposed for filing" Maintaining the same site between the time of the pre-application and the time of the application was a critical factor in allowing applicants to make that preliminary assessment. The "identical site" requirement should not carry through until today, and Pleasant Valley should not lose the 15 points because of the Revised Plan. Pleasant Valley complied with the QAP -- it maintained the "identical site" between the time of pre-application and application. The QAP does not require Pleasant Valley to maintain the "identical site" after the application is submitted.
- § Staff contends that, if Pleasant Valley had lost its 15 points for filing a pre-application, it would have been in a tie with Killeen. But Pleasant Valley was recommended by underwriting and Killeen was not. So even if the two projects had the same points, according to staff's uniformly applied procedures, Pleasant Valley could have been considered for an allocation and Killeen could not.
- § The tiebreaker criteria in Section 49.7 of the QAP refer to a consideration of economic feasibility. Killeen was deemed by underwriting not to be economically feasible.
- § Assuming, hypothetically, that Pleasant Valley and Killeen were tied with 143 points and both were recommended by underwriting, staff would have turned to Section 49.7(d) of the QAP for tie breaker criteria. Section 49.7(d) states that tiebreaker criteria are applied when two projects have the same score and are in the same region and the same set-aside. (Killeen and Pleasant Valley are not in the same set-aside, so this conflicts with the QAP.) Section 49.7(d) directs the staff to consider, first, the priority of Section 49.7(c)(1) of the QAP, giving preference for the project that "serve[s] a greater number of lower income families for fewer credits." During the 2002 application round, staff implemented this preference by calculating a credit per unit figure. Staff was consistent in its use of this calculation. However, we must point out that this calculation is fundamentally faulty. Killeen is an elderly project with 1 and 2 bedroom units; Pleasant Valley is a family project with 2, 3, and 4 bedroom units. To perform a

Ms. Edwina Carrington

May 28, 2003

Page 6

strict credit per unit calculation in this situation is like comparing an apple and an orange. The credit per unit calculation does not consider which project is serving the greatest number of lower income (30%, 40%, and 50% of AMFI) people. Pleasant Valley is reserving 130 units for families at 30%, 40%, and 50% of AMFI, while Killeen is reserving only 93 units at those lower income levels. We appreciate that the staff chose a way to implement this tiebreaker evaluation and stuck with it, but that does not make staff's calculation choice proper, and the calculation should not be employed to the detriment of Pleasant Valley.

We believe this refutes the staff's suggestion that the Revised Plan would have had an adverse impact on the Department's decision to allocate tax credits to the project during the application round. Therefore, according to Section 49.7(k) of the QAP, the Board has no reason to deny Pleasant Valley's request for approval of the Revised Plan.

Request

We request that the Department consider the information presented in this letter and that: (1) the staff recommend the Revised Plan for Pleasant Valley to the Board and (2) the Board approve the Revised Plan.

Please consider and act on this request at your earliest convenience. As you know, Pleasant Valley would like to have this considered at the June 12 Board meeting.

Of course, if you have any questions about the information in this letter, please feel free to contact me. We appreciate the time and consideration that you and your staff are giving to this important issue.

Sincerely,

/s/

Cynthia L. Bast

cc: Brooke Boston
Tom Gouris
Chris Wittmayer
Carlos Herrera

BOARD ACTION REQUEST

April 10, 2003

Action Items

Consideration of application amendment submitted for Pleasant Valley Courtyards, #02073.

Requested Action

Staff does not recommend approval of the application amendment.

Background and Recommendations

Pleasant Valley Courtyards, located in Austin, was awarded tax credits out of the 2002 Credit Ceiling from Region 7. At the time the application was being reviewed, TDHCA realized that the applicant did not have sufficient site control and the application was terminated. Subsequently, the application was reinstated, but with adjustments made by the applicant to the site plan to reflect the reduced acreage from the original parcel. A reduction to the site size was approved by the Department as part of the reinstatement of the application, and the application reinstated, because the site was not changed, but was merely reduced. Staff advised the applicant at that time that the revised site design may be infeasible but the Applicant stated it could work as submitted. Prior to the carryover deadline, the Applicant met with TDHCA staff several times to discuss the problems associated with the site plan. At the time the Carryover Allocation Agreement was being executed, staff reiterated its concerns to the Applicant. The Applicant indicated through submission of several surveys and site plans that they would prefer to augment the site to make it more appealing, they still affirmed they could make it work on the original parcel. However, on March 28, the Applicant submitted a request to TDHCA asking for approval to increase their site (at the time of allocation only 10.82 acres) by an additional 15.7 acres to 26.528 acres, reflecting a change of 145% from the original submission.

The Applicant in their letter, attached, questioned if this amendment was “material” and whether it required Board approval. The 2002 QAP, Section 49.9(k), states that material alterations include, among other items, “a significant modification of the site plan,” and “any other modification considered significant by the Board.” Staff has concluded that the proposed site plan changes are significant because it relates to selection criteria and because it involves such a large amount of acreage.

In reviewing the amendment request, staff agrees that the addition of the land would make a better site for the development. However, staff does not recommend approval of the requested amendment for the following reasons:

- ³ In reviewing amendments, staff confirms that point reductions will not take place based on the proposed change. However, at the time the Application was awarded it received 15 points for submitting a Pre-Application. One of the requirements to receive the points is that the proposed development in the Pre-Application must be for the **identical site** and unit mix as the proposed development in the Application. In this instance, because the sites would not be identical, the 15 points would be lost. This would bring the score down to 143 points – which would have caused a tie with Killeen Stone Ranch Apartments, #02116. In the 2002 cycle all ties for score were settled based on the evaluation factor found at 49.7(c)(1): to serve a greater number of lower income families for fewer credits. Pleasant Valley Courtyards had credits per low income unit of \$7,900, while the competing development in Killeen had credits per low income unit of \$4,225. **Therefore, without the 15 pre-application points, Pleasant Valley Courtyards would not have been recommended for an allocation of credits.**

- ³ In the 2002 cycle, other applicants were told very clearly that changes to their site would preclude the award of the 15 points. Allowing an awarded applicant to now make this change, when other applicants who realized a possible change was needed, did not claim the 15 points and may not have proceeded. **A change in this policy at this time is inequitable for the other 2002 applicants.**
- ³ In accordance with Section 49.7(k) of the 2002 QAP, an application amendment requires that the proposed amendment be underwritten and reviewed for compliance monitoring. Because the applicant only submitted a request for this change on March 28, this level of review has not been completed.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS
BOARD MEETING
June 12, 2003**

PRESENTATION, DISCUSSION AND POSSIBLE APPROVAL OF
HOME INVESTMENT PARTNERSHIPS PROGRAM
HOMEBUYER ASSISTANCE COUNTY INCOME CALCULATIONS

The HOME Program currently uses a three-tiered subsidy structure that was adopted by the Board on June 12, 1998 to distribute the Homebuyer Assistance funds. Current policy utilizes 80% of the Area Median Family Income (AMFI) for a family of four by County to determine the amount of assistance available. The amounts of assistance range from \$5,000, \$7,500 or \$10,000 depending upon the median income of the County in which the property is located.

Current Policy:

If 80% of the AMFI for a family of four in a County is \$40,000 or more, the maximum amount of assistance is \$5,000

If between \$30,000 and \$40,000 in a County, the maximum assistance is \$7,500

If \$30,000 or less in a County, the maximum assistance is \$10,000

Each loan must not exceed the limit depending upon the County in which the property is located or \$15,000 for entities serving special need populations. Each loan is forgivable at a rate of 10% per year of assisted homebuyer occupancy.

Under the current structure, no Counties will qualify for the \$10,000 maximum amount of assistance based on 2003 HUD income figures. The lowest income for any County in Texas at 80% AMFI for a family of four is now \$32,950. Therefore, to prevent this problem from reoccurring in the future, staff recommends that the three-tiered subsidy be indexed to the Statewide median income so that the income parameters adjust yearly to increases or decreases.

Recommended Policy:

If 80% AMFI for a family of four in a County is greater than 100% of the State median (currently \$52,100), the maximum amount of assistance would be \$5,000

If 80% AMFI for a family of four in a County is between 80% and 100% of the State median (\$41,680 - \$52,100), the maximum amount of assistance would be \$7,500

If 80% AMFI for a family of four in a County is less than 80% of the State median (\$41,680), the maximum amount of assistance would be \$10,000

This allows more lower income and rural homebuyers the opportunity of homeownership.

Recommendation:

The Board approve the revised funding structure for the Homebuyer Assistance Activity.

**Single Family Finance Production Division
HOME Investment Partnership Program
Homebuyer Assistance (HBA) Activity Report
June 12, 2003**

Activity History

<p>Prior to 1997 Program Year</p>	<p>Prior to 1997, two options were allowed under the HBA Program. One option was a forgivable loan limited to \$5,000. The deferred loan was non-interest bearing for five years. The other option was a 0% interest loan up to \$5,000 repayable over 10 years to the administrator/grantee. Eligible participants were households whose income did not exceed 80% of the AMFI adjusted for family size. The most common option used was the deferred forgivable option. Repayable loans were fully recaptured out of net proceeds and were repayable to the grantee. Any funds repaid by the initial homebuyer as a result of the sale of property were used by the Grantee to assist other homebuyer applicants.</p>
<p>Program Years 1997-1998</p>	<p>In 1997 and 1998, HBA funds were loans limited to \$5,000 and were repayable to TDHCA upon sale, refinance or pay off of the first lien. All assistance was provided in the form of 0% interest loans repayable to TDHCA. The gross annual income could not exceed 80% of the median income adjusted for family size.</p>
<p>Program Years 1999- 2001</p>	<p>In 1999, the HBA maximum per unit subsidy was increased to \$10,000 depending upon the County in which the property was located. This item was approved at the June 12, 1998 Board meeting and was retroactive on all existing HOME Program HBA contracts. Since the AMFI across the state was so drastically different, one amount of assistance would not work for the entire state. Therefore, a three-tiered subsidy structure was created to distribute the funds utilizing the Section 8 Area Median Family Income (AMFI) at 80% AMFI for a family of four for the program's designated service area.</p> <p>For example, if 80% of the AMFI for a family of four was \$40,000 or more in a particular county, the maximum amount of assistance was \$5,000.</p> <p>If between \$30,000 and \$40,000, the maximum assistance was \$7,500.</p> <p>If \$30,000 or less, the maximum assistance was \$10,000. This method of distribution was created to provide more assistance to lower income and rural homebuyers. The assistance was provided in the form of 0% interest loans repayable to TDHCA.</p>

2001- Present	The Homebuyer Assistance (HBA) Program currently utilizes deferred forgivable loans to assist homebuyers. Each loan must not exceed the \$5,000, \$7,500 or \$10,000 limit depending upon the County in which the property is located or \$15,000 to administrators serving special need populations only. Each loan is forgivable at a rate of 10% per year of assisted homebuyer occupancy. Should the homebuyer sell the home, refinance, or payoff the first lien Note prior to the 10-year expiration, the remaining loan balance is repayable to the Department from net proceeds of the sale. Net proceeds are defined as the sale price minus the first lien payoff and customary closing costs actually paid. If net proceeds do not allow for the full payoff of the second or third lien Note, the loan balance may be repaid in equal monthly installments over a five (5) year period.
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Funding History

Listed below are the amounts of funding awarded since 1995.

Year of Contract	Amount Awarded	Number of Units	Amount/Unit
1995	\$9,713,600 (1)	2285	\$4,251
1996	\$4,531,000	1033	\$4,386
1997	\$16,977,150 (2)	3,335	\$5,090
1998	\$7,755,830	1,173	\$6,611
1999	\$8,338,964	1,181	\$7,060
2000	\$6,673,794	852	\$7,833
2001	\$4,519,192	569	\$7,942
2002	\$104,000 (3)	20	\$5,200
Totals	\$63,297,882	10,926	\$5,793

- (1) Includes \$3,120,000 awarded to Texas State Affordable Housing Corporation (1,000 Units)
- (2) Includes \$8,132,800 award to Texas State Affordable Housing Corporation (1,659 Units)
- (3) 2002-2003 HOME Program funds will not be awarded until June 25th. The City of Bartlett was awarded an HBA contract using 2001 funds for \$104,000 in June 2002.

According to the Department's Loan Servicing records, \$1,337,793 has been repaid to date.

2002/2003 Funding Cycle

For the current HOME HBA funding cycle, applications were received on April 2, 2003. An allocation of \$9,757,541 is available. Total requests for HBA were \$11,865,454. Uniform State Service\Region 11 was the most over subscribed, and Region 2 was the least subscribed. No requests were submitted from Region 2 for HBA. (See attachment). **Based on current 2003 income figures, our research indicates that no Texas counties**

will qualify for the \$10,000 maximum amount of assistance based on the three-tiered structure criteria currently in use under the program. Therefore, staff is proposing a change to the subsidy structure for applicants participating in the current funding cycle.

In order to continue the existing three-tiered subsidy structure, it is suggested that it be indexed to the HUD Section 8 Income Limits so that the income parameters adjust yearly to increases or decreases in the State median income. If using the index figures, the following structure is proposed:

If 80% AMFI for a family of four in a County is greater than 100% of the State median (\$52,100), the maximum amount of assistance would be \$5,000.

If 80% AMFI for a family of four in a County is between 80% and 100% of the State median (\$41,680 - \$52,100), the maximum amount of assistance would be \$7,500.

If 80% AMFI for a family of four in a County is less than 80% of the State median (\$41,680), the maximum amount of assistance would be \$10,000.

Percentages	Median Income	Amount of Assistance
100% or Greater	\$52,100	\$5,000
Between 80% - 100%	\$41,680 - \$52,100	\$7,500
Less than 80%	\$41,680	\$10,000

Under this scenario, the maximum assistance amounts by County per household would be as follows:

Bastrop	5000	Austin	7500
Caldwell	5000	Bandera	7500
Collin	5000	Brazoria	7500
Dallas	5000	Brazos	7500
Denton	5000	Carson	7500
Ellis	5000	Chambers	7500
Hays	5000	Cooke	7500
Hunt	5000	Delta	7500
Kaufman	5000	Fort Bend	7500
Rockwall	5000	Galveston	7500
Travis	5000	Harris	7500
Williamson	5000	Hartley	7500
	(12)	Hood	7500
		Irion	7500
		Johnson	7500
		Kendall	7500
		Liberty	7500
		Loving	7500

Montgomery	7500
Ochiltree	7500
Parker	7500
Roberts	7500
Tarrant	7500
Waller	7500
Wise	7500

(25)

All Counties Not Listed Above Would Qualify For \$10,000

Action Requested

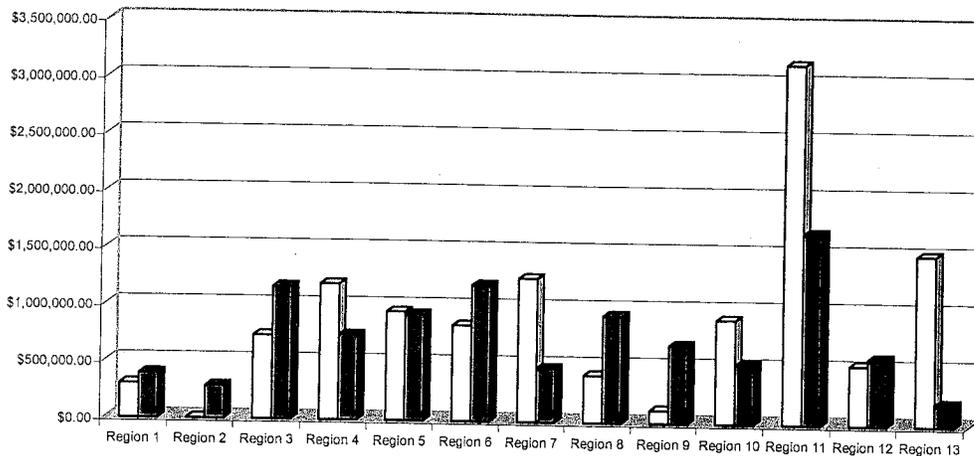
The Executive Director and TDHCA staff requests that the Board approve the revised structure for use in awarding the 2002-2003 Homebuyer Assistance Activity funds scheduled for award at the June 25th TDHCA Board meeting.

Under the revision, the three-tiered subsidy structure would continue; however, it would be indexed to the HUD Section 8 Income Limits so that the income parameters adjust yearly to increases or decreases in the State median income rather than being randomly set. Each loan would remain forgivable at a rate of 10% per year of assisted homebuyer occupancy. Should the homebuyer sell the home, refinance, or payoff the first lien Note prior to the 10-year expiration, the remaining loan balance would be repayable to the Department.

2002-2003 HOME HBA Requests At A Glance

Total Allocation For HBA ⇒ \$ 9,757,541.00
Total Requests For HBA ⇒ \$11,865,454.00
Total Number of Requests ⇒ 45

2002-2003 Homebuyer Assistance Requests vs. Allocation



Region's Actual Requests
 Regional Allocation of Funds

	Amount Requested	Amount Allocated	Available for Other Activities
Region 1	\$300,000.00	\$390,302.00	\$90,302.00
Region 2	\$0.00	\$282,969.00	\$282,969.00
Region 3	\$732,154.00	\$1,161,147.00	\$428,993.00
Region 4	\$1,187,500.00	\$741,573.00	-\$445,927.00
Region 5	\$950,000.00	\$926,966.00	-\$23,034.00
Region 6	\$837,500.00	\$1,190,420.00	\$352,920.00
Region 7	\$1,255,000.00	\$468,362.00	-\$786,638.00
Region 8	\$412,500.00	\$936,724.00	\$524,224.00
Region 9	\$112,500.00	\$683,028.00	\$570,528.00
Region 10	\$909,700.00	\$517,150.00	-\$392,550.00
Region 11	\$3,156,600.00	\$1,678,297.00	-\$1,478,303.00
Region 12	\$522,000.00	\$585,452.00	\$63,452.00
Region 13	\$1,490,000.00	\$195,151.00	-\$1,294,849.00
Total			-\$2,107,913.00

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS
BOARD MEETING
JUNE 12, 2003**

**REVIEW AND DISCUSSION OF APPEALS TO THE BOARD FROM HOME PROGRAM
APPLICANTS ON APPLICATION MATTERS**

Background

The 2002-2003 HOME Program application guidelines require applicants to submit one original application and one copy to the Department by the established application deadline. If the application is hand-delivered to the HOME Program office, the application must be delivered by 5:00 p.m. on the application due date. If it is mailed, the mailing package must be postmarked no later than midnight on the application due date and received within three (3) calendar days of the respective deadline.

Under the current funding cycle, a total of six applications were submitted after the application deadline of April 2, 2003. Listed below are the names of the late applicants.

ALT Affordable Housing Services, Inc. Community Action Social Services & Education Inc. (CASSE) Housing Authority of the City of Bastrop	Neighbors in Need of Services (NINOS) Seguin Housing Development Corporation Starr County
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Although the applications were postmarked from Round Rock, Texas by the application deadline, they were not received by the Department within three (3) calendar days as specified in the application guidelines. Since the third calendar day fell on Saturday April 5th the applications were undeliverable because the agency was closed; therefore, any mailed applications postmarked with an April 2nd postdate were accepted by Department staff on Monday April 7th. After careful consideration by staff and TDHCA's Legal Division, a decision was made to disqualify the applications in accordance with the program application guidelines. Staff sent letters dated May 1, 2003 to each entity as well as the consultant notifying them of their disqualification.

In accordance with the TDHCA Board appeals process, the following four (4) organizations are requesting that staff's decision be reconsidered and that they be allowed to compete under the 2002-2003 HOME Program funding cycle.

ALT Affordable Housing Services, Inc. Community Action Social Services & Education Inc. (CASSE)	Housing Authority of the City of Bastrop Neighbors in Need of Services, Inc. (NINOS)
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Recommendation

The TDHCA Board not reinstate the following 2002-2003 HOME Program applications:

ALT Affordable Housing Services, Inc.
Community Action Social Services & Education Inc. (CASSE)
Housing Authority of the City of Bastrop
Neighbors in Need of Services, Inc. (NINOS)

Late Applicants Appealing Staff Recommendation to Terminate

Application Number	Name of Organization	Date Post Marked	Date Received
20030375	Alt. Affordable Housing	April 2 nd , 2003	April 8 th , 2003 *
20030378	Neighbors in Need of Services (NINOS)	April 1 st , 2003	April 10 th , 2003 *
20030376	Bastrop Housing Authority	April 2 nd , 2003	April 8 th , 2003
20030377	Community Action Social Services and Education, (CASSE)	April 1 st , 2003	April 11 th , 2003

* The Department requires the submission of two complete copies of the HOME application in order to consider the application for funding. The designated application copies were sent in separate packages. The noted date represents the date that the **first copy** was received by the Department; the second copy arrived on a later date.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MEMORANDUM

TO: Edwina Carrington
Executive Director

FROM: Eric Pike, Director
Single Family Finance Production

DATE: June 2, 2003

SUBJECT: 2002-2003 HOME Program Appeals

Listed below are the names of applications that were submitted by consultant Mary Henderson after the HOME Program application deadline of April 2, 2003.

ALT Affordable Housing Services, Inc. Community Action Social Services & Education Inc. (CASSE) Housing Authority of the City of Bastrop	Neighbors in Need of Services (NINOS) Seguin Housing Development Corporation Starr County
---	---

Although the applications were postmarked from Round Rock, Texas by the application deadline, they were not received by the Department within three (3) calendar days as specified in the application guidelines. Since the third calendar day fell on Saturday April 5th the applications were undeliverable because the agency was closed; therefore, any mailed applications postmarked with an April 2nd postdate were accepted by Department staff on Monday April 7th. After careful consideration by staff, TDHCA's Legal Division, and by you, a decision was made to disqualify the applications in accordance with the program application guidelines. Staff sent letters dated May 1, 2003 to each entity as well as the consultant notifying them of their disqualification.

In accordance with the TDHCA Board appeals process, the following four (4) organizations are requesting that your decision be reconsidered and that they be allowed to compete under the 2002-2003 HOME Program funding cycle.

ALT Affordable Housing Services, Inc. CASSE	Housing Authority of the City of Bastrop Neighbors in Need of Services, Inc. (NINOS)
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Please review the attached correspondence from each of the applicants appealing your earlier decision and present for review and discussion at the TDHCA June 12, 2003 Board meeting.

Late Applicants Appealing Staff Recommendation to Terminate

Application Number	Name of Organization	Date Post Marked	Date Received
20030375	Alt. Affordable Housing	April 2 nd , 2003	April 8 th , 2003 *
20030378	Neighbors in Need of Services (NINOS)	April 1 st , 2003	April 10 th , 2003 *
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* The Department requires the submission of two complete copies of the HOME application in order to consider the application for funding. The designated application copies were sent in separate packages. The noted date represents the date that the **first copy** was received by the Department; the second copy arrived on a later date.

ALT Affordable Housing Services, Inc.

May 7, 2003

SENT VIA FEDERAL EXPRESS

Mr. Skip Beard
Manager of Product Development and Award
Single Family Finance Production Division
Texas Department of Housing and Community Affairs
507 Sabine, Suite 400
Box 13941
Austin, TX 78711-3941

Re: 2003 HOME Program Application #2003-0375

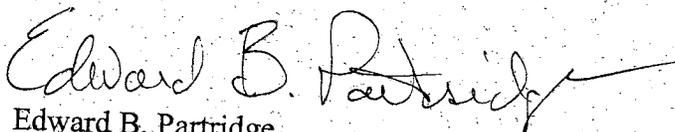
Dear Mr. Beard,

I am following up to a letter dated May 1, 2003 and delivered May 5, 2003 from Edwina P. Carrington regarding the disqualification of our application for HOME funds to help 1st Time Home Buyers and resubmitting the application. Ms. Carrington indicated that our application was not **received** within three (3) calendar days of the application postmark deadline date and was therefore disqualified. Please note that it took Ms. Carrington's letter took 5 days to reach my office.

Our application was mailed and post marked by April 2, 2003 via "Priority Mail" from the U.S. Post Office. We should not be penalized for the U.S. Post Office failure to deliver the application package within the 3-day delivery window when we have paid for such service. Further, in the 2001 HOME Program application cycle a similar mail delivery problem occurred and TDHCA accepted an application from the City of Pharr. (See enclosed letter dated July 27, 2001) Based on TDHCA's past experience with such common postmark delivery issues we believe that it is only fair that this application be accepted and scored according to its merits.

Thank you, for your help in this matter. If you have any questions, please call me at 210-490-2322.

Sincerely,



Edward B. Partridge
Vice President

8546 Broadway, #250
San Antonio, TX. 78217



COMMUNITY ACTION SOCIAL SERVICES & EDUCATION INC.

2341 El Indio Highway, Ste. 200
Eagle Pass, Texas 78852
Phone: 830-752-1911
Fax: 830-752-1910

Ms. Edwina P. Carrington, Executive Director
Texas Department of Housing and Community Affairs
507 Sabine, Ste. 400
P.O. Box 13941
Austin, Texas 78711-3941

Dear Ms. Carrington:

I am in receipt of your letter of May 1, 2003 stating that "... CASSE's 2003 HOME Application was not received by the Department by the application deadline..." and that "...it has been disqualified." Threshold requirements like these seem arbitrary and often time defeats program goals, not to mention delivery of much needed assistance.

Our communities badly need the services provided under your HOME program. Our agency is painfully aware of the need to develop our local resources including expanding our tax-base, which will in turn support our local economy. Our application was duly stamped as prescribed by program policies. The three calendar day requirement was not met, in part due to the fact that your office was not open for business on the third day.

We have worked hard to develop our capacity to deliver the services under the HOME program even though our request for Capacity Building monies from TDHCA HOME TRUST FUND was not even acknowledged a year ago.

I respectfully request you accept our application allowing us to compete for these funds. Our community needs to continue to develop economic and housing resources. Our agency needs to continue to strengthen and expand services to eligible residents of our community. We need your support and assistance to help us deliver these services.

I hope you are able to grant us this request.

Sincerely,

Sabino C. Garza, Executive Director

Cc: Board of Directors
Mary Henderson
Timoteo Garza, State Representative

Executive Board Members

Mr. Rogelio Flores
PRESIDENT

Mr. Oscar Barrientos
VICE PRESIDENT

Mrs. Margarita S. Rosales
SECRETARY

Mrs. Alma R. Martinez
TREASURER

Mr. Juan Montañez
PARLIAMENTARIAN

RECEIVED
MAY 30 2003
EXECUTIVE

Together reaching out towards a better quality of life!



HOUSING AUTHORITY OF THE CITY OF BASTROP

P. O. Box 707, 502 Farm Street, Bastrop, Texas 78602

512-321-3398 FAX: 512-303-0568

May 20, 2003

Texas Department of Housing and Community Affairs
Attn: Ms. Edwina Carrington, Executive Director
507 Sabine Street
Austin, TX 78701

RECEIVED

MAY 21 2003

EXECUTIVE

RE: Disqualified Homebuyer Assistance Application

Dear Ms. Carrington:

Please reference your letter to Ms. Mary Henderson, dated May 12, 2003 regarding our application for Homebuyer Assistance being disqualified. This letter indicates that the program rule has two components and that our application did not meet the second component which states: "the mailed application must be received at the Department within three (3) calendar days of the respective deadline".

I am returning the Homebuyer Assistance Application so that it may be scored and possibly, considered for funding by TDHCA, based on the following:

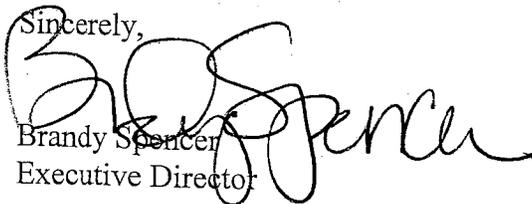
1. The Application was appropriately mailed and postmarked before midnight on April 2, 2003. Your office was closed on the 3rd and 4th days following the application deadline and therefore, no delivery could have been made on those days. Due to the size and weight of the application package, it was obviously returned back to the U.S. Post Office undeliverable. We had no control over the re-routing that occurred because TDHCA's offices were closed for business.
2. Your letter dated May 1, 2003 and sent via UPS 2nd day Air was not received by our office until May 5, 2003. This evidences that TDHCA can not adhere to their own requirement for delivery time.
3. The Application Deadline and Submission Methods stated in the 2003 HOME Application kit and your letter dated May 1, 2003 indicating our application had been disqualified both state that "applications must be received within three (3) calendar days of the respective deadline." The Application Deadline and Submission Methods further states that "ALL applications received after the deadline date will be disqualified." However, in your letter to Ms. Henderson dated May 12, 2003, you acknowledge that TDHCA arbitrarily agreed to accept mailed applications received by the close of business on Monday, April 7, 2003, which was five (5) calendar days after the respective deadline.

4. We believe that a legally binding precedent was set by TDHCA in 2001 when the policy for accepting applications was rescinded and disqualified applications were later processed. This is documented by letters sent to the City of Pharr and the City of Rio Hondo which disqualified the applications and later re-instated them into the admissions process. These letters state: "In accordance with TDHCA policy, all of the disqualified applications were allowed a second review by TDHCA management in an effort to be fair and consistent with all applicants disqualified. Upon the conclusion of this second review, it has been determined that your applications will be accepted." The letters further state that: "Since TDHCA records indicate that the application was postmarked by June 11, 2001, it will be accepted." Although this occurred in 2001, the Application Deadline and Submission Methods remains the same and there has been no change to prevent this from future occurrence.

Further, in 2001, the application deadline fell on a Monday and mailed applications which should have been received by Thursday, were accepted at a later date. In 2003, the application deadline fell on a Wednesday and mailed applications should have been received by Saturday. The Application Deadline and Submissions Methods did not address how mailed applications attempted for Saturday delivery would be handled nor did TDHCA make provision to be open for business to receive mailed applications on Saturday. As indicated previously, we had no control on when the U.S. Post Office attempted re-delivery of the application.

Our intent is to provide home-ownership opportunities to the very-low and low-income households in our community while increasing tax base. Based on the above, we are respectfully resubmitting our Homebuyer Assistance Application for a second review by TDHCA management. We request that our application be processed in the same manner as those applications that were disqualified and later re-instated into the admissions process in 2001 and those applications that were accepted into the admissions process on April 7, 2003.

Sincerely,


Brandy Spencer
Executive Director

cc: State Representative Robert Cook



NEIGHBORS in NEED of SERVICES, INC. (NINOS)
HEAD START PROGRAM

May 27, 2003

BOARD OF DIRECTORS

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Vice-President
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Executive Director
Manuela Rendon

Ms. Edwina Carrington,
Executive Director
TDHCA
507 Sabine Street
Austin, Texas 78701

RECEIVED
MAY 28 2003
EXECUTIVE

RE: REJECTED 2003 HOMEBUYER APPLICATION FOR NINOS, INC.

Dear Ms. Carrington:

I am returning the NINOS, Inc. Application for Homebuyer Assistance so that it may be reconsidered for funding and scored by the TDHCA Single Family Production Unit.

I am requesting your re-consideration based on the fact that in 2001 the City of Pharr and Rio Hondo were initially rejected and later reinstated for funding based on the fact that they had met the postmarked deadlines. (See attached letters).

If you have any questions please call me at (956) 399-9944.

Sincerely,


Manuela Rendon
Executive Director

cc: State Representative Jim Solis
State Representative Roberto Gutierrez
State Representative Rene Oliviera
State Senator Eddie Lucio

ATTACHMENTS

BOARD ACTION REQUEST

June 12, 2003

Action Items

Request approval of fourteen Housing Trust Fund Capacity Building awards.

Required Action

Approve Capacity Building award recommendations.

Background and Recommendations

On March 21, 2003, the Department published a Notice of Funding Available (NOFA) in the amount of \$567,729 for the Housing Trust Fund Capacity Building Program. The ultimate goal and purpose of the Capacity Building NOFA is to provide funding to nonprofit housing providers which will allow them to hire experienced staff and/or hire technical assistance providers for specific training needs that will increase their capacity to create affordable housing.

The capacity building awards will be made as one time grants. The staff hired with the funds will be required to attend at least two workshops sponsored by TDHCA on multifamily and single family affordable housing development. The Department will monitor the organization at least two times during the year. Prior to the expiration of the contract, a final report will be submitted which verifies that the individual has satisfied the measures described in the application. If it is determined that the goals stated in the application were not satisfied, the organization will not be eligible for funds in the following year.

Seventeen applications were submitted in response to the NOFA by the April 23, 2003 deadline. The information in the following pages describes the content of each of these applications. The Multifamily Finance Production staff reviewed the applications utilizing the scoring criteria outlined in the 2003 Capacity Building Application Submission Procedures Manual.

Staff is recommending funding in the amount of \$567,729 to the fourteen highest scoring proposals. In accordance with the NOFA, the highest scoring application in each of the thirteen Uniform State Service regions is being recommended. There were no applications submitted for regions 1, 8, 11 and 12; therefore, the balance of the available funding is being recommended for the next highest scoring applications, regardless of region.

Adjustments were made to the requested grant amount of three applicants. Lufkin Community Development Team, Inc. included in their budget \$5,500 for the preparation of a market study. Since this is not an eligible expense, the requested amount of \$27,500 was reduced to a recommended amount of \$22,000. Since the last two applications to be recommended have identical scores, the shortfall in funding in the amount of \$1,677.42 was divided and subtracted from the requested amount of these two applicants. Therefore, the grant amount requested by Economic Justice Foundation was reduced from \$43,671.46 to a recommended amount of \$42,832.75 and the grant amount requested by Accessible Communities, Inc. was reduced from \$43,355 to a recommended amount of \$42,516.29.

2003 HTF CAPACITY BUILDING AWARD RECOMMENDATIONS

Number	Applicant	City	Region	Area of Assistance	Amount Recommended	Score
03917	Habitat for Humanity of Wichita Falls, Inc.	Wichita Falls	2	Director of Marketing and Development	\$38,948.00	40
03910	Denton Affordable Housing Corporation	Denton	3	Housing Educator/Public Relation Coordinator	\$43,670.00	25
03911	Ability Resources, Inc.	Fort Worth	3	Technical Assistance Consultant	\$37,600.00	25
03915	Paris Living Community Development Corp.	Paris	4	Community Resource and Develop. Coordinator	\$43,670.00	25
03905	Lufkin Community Development Team, Inc.	Lufkin	5	Technical Assistance Consultant	\$22,000.00	80
03908	Building Dreams Development	Houston	6	Fundraising Coordinator	\$43,500.00	60
03901	St. John Colony Neighborhood Association	Austin	7	Housing Counselor	\$43,671.00	65
03912	Economic Justice Foundation	Austin	7	Affordable Housing Project Manager	\$42,832.75	25
03914	United Cerebral Palsy of Texas	Austin	7	Integrated Housing Development Associate	\$43,500.00	40
03913	The Center on Independent Living (COIL) CDC	San Antonio	9	Technical Assistance Consultant	\$38,000.00	45
03906	The Latino Education Project, Inc.	Corpus Christi	10	Housing Developer	\$43,600.00	40
03916	Accessible Communities, Inc.	Corpus Christi	10	Housing Specialist	\$42,516.29	25
03902	TVP Non-Profit Corporation	El Paso	13	Property Manager	\$40,549.50	65
03903	Marvellous Light Corporation	El Paso	13	Property Management Assistant	\$43,671.46	65
Total Amount Recommended					\$567,729.00	
Amount Available					\$567,729	

NOT RECOMMENDED

				Amount Requested		
03904	Opportunity Center for the Homeless	El Paso	13	Housing Planner	\$43,671.46	5
03907	Habitat for Humanity of El Paso, Inc.	El Paso	13	Development Director	\$43,671.46	0
03909	Alianza Para El Desarrollo Comunitario, Inc.	San Elizario	13	Construction Coordinator	\$43,671.46	5

2003 HOUSING TRUST FUND CAPACITY BUILDING APPLICATION SUMMARY

Applicant: **Habitat for Humanity of Wichita Falls, Inc.**

Contact: Dan Gray
1206 Lamar
Wichita Falls, Texas 76301
(940) 716-9300
Region: 2
Area of Assistance: Director of Marketing and Research
Score: 40
Requested Amount: \$38,948
Recommended Amount: \$38,948

Summary of Application:

Habitat for Humanity of Wichita Falls is applying for funds to pay for staff salary and associated costs for a Director of Marketing and Research. This position will be responsible for developing an annual fundraiser, expanding the House Sponsorship Program and creating press releases and public service announcements. As a result of this new position, Habitat will be able to raise additional funds that will be used towards the creation of more houses in Wichita Falls.

Applicant: **Denton Affordable Housing Corporation**

Contact: Jane Burda Provo
604 North Bell Avenue
Denton, TX 76209
(940) 484-7048
Region: 3
Area of Assistance: Housing Educator/Public Relation Coordinator and Technical Assistance
Consultant
Score: 25
Requested Amount: \$43,670
Recommended Amount: \$43,670

Summary of Application:

Denton Affordable Housing Corporation is applying for funds to pay for staff salary and associated costs for a Housing Educator/Public Relation Coordinator and a Technical Assistance Consultant. The Housing Educator will be responsible for developing, coordinating and delivering educational and training opportunities for program participants and contractors, and keeping the public informed of the goals, activities and accomplishments of the Housing Corporation.

DAHC will also partner with the Center of Public Service at the University of North Texas to develop and present a series of training workshops on energy efficiency and alternative building methods to the staff of housing authorities, community development agencies, nonprofit developers, community-based organizations and private contractors working with those organizations. The workshops will consist of two series on alternative building methods and maximizing energy efficiency in residential building, with an emphasis on ways to promote these methods and features in affordable housing settings. Candidate presenters are Barbara Harwood of Enviro-Custom Homes and Barbara Ross of Denton's Community Development department.

2003 HOUSING TRUST FUND CAPACITY BUILDING APPLICATION SUMMARY

Applicant: **Ability Resources, Inc.**

Contact: Jesse Seawell
6040 Camp Bowie Blvd., #31
Fort Worth, Texas 76116
(817) 377-1046

Region: 3

Area of Assistance: Technical Assistance Consultant

Score: 25

Requested Amount: \$37,600

Recommended Amount: \$37,600

Summary of Application:

Ability Resources, Inc. is applying for funds to pay for a Technical Assistance Consultant. The consultant will assist the staff with the development of a new 22 unit affordable housing development to be built in 2003. Specific job duties include preparation of project overviews, site plans, development plans, applications for funding, budgets and proforma financial statements.

Applicant: **Paris Living Community Development Corporation**

Contact: Linda Ridder
2800 N. Lamar
Paris, Texas 75460
(903) 739-9947

Region: 4

Area of Assistance: Community Resource and Development Coordinator and Technical Assistance Consultants

Score: 25

Requested Amount: \$43,670

Recommended Amount: \$43,670

Summary of Application:

Paris Living Community Development Corporation is applying for funds to pay for staff salary and associated costs for a Community Resource and Development Coordinator as well as a Technical Assistance Consultant. The Community Resource and Development Coordinator will engage in outreach activities designed to encourage participation in neighborhood redevelopment, including identification of needs and resources, and to encourage qualified renters and homebuyers to apply for available rental units or attempt to purchase qualified housing units.

The grant will also fund the services of two technical assistance consultants. The first will serve as a construction manager for the first five homes to be built by Paris Living CDC and for the multi-family property currently in planning stages. The second consultant will help the board and staff reach capacity to undertake larger developments such as the adaptive re-use of the now vacant and abandoned Gibraltar Hotel in downtown Paris.

Applicant: **Lufkin Community Development Team, Inc.**

2003 HOUSING TRUST FUND CAPACITY BUILDING APPLICATION SUMMARY

Contact: Gloria Toran
1012 Kurth Drive
Lufkin, Texas 75904
(936) 634-8899

Region: 5

Area of Assistance: Technical Assistance Coordinator

Score: 80

Requested Amount: \$27,500

Recommended Amount: \$22,000

Summary of Application:

Lufkin Community Development Team, Inc. (LCDT) is applying for funds to hire a technical assistance consultant. Tina Moore, owner and chief consultant of the I Am Pleased Development Center, will provide comprehensive capacity building services to LCDT, to include planning, resource development, internal operations and governance, program delivery, and networking. These services will assist LCDT in developing a realistic and appropriate revitalization strategy for the North Lufkin neighborhood and a strategic plan addressing affordable housing needs.

In the budget submitted for the technical assistance consultant, LCDT included \$5,500 for the preparation of a market study. Since the grant is for salary and related staffing costs, staff has determined that the cost for a market study is ineligible. Therefore, the requested amount has been reduced by \$5,500, resulting in a recommended amount of \$22,000.

Applicant: Building Dreams Development

Contact: Denise Bradford
P.O. Box 8450
Houston, Texas 77288
(713) 524-9732

Region: 6

Area of Assistance: Fundraising Coordinator and Technical Assistance Consultant

Score: 60

Requested Amount: \$43,500

Recommended Amount: \$43,500

Summary of Application:

Building Dreams Development is applying for funds to pay for staff salary and associated costs for a Fundraising Coordinator and a Technical Assistance Consultant. The fundraising coordinator will identify new donor bases, organize initiatives to solicit funding and conduct prospect research and proposal writing. The technical assistance consultant will coordinate the planning, analysis, implementation and monitoring of redevelopment activities.

Applicant: St. John Colony Neighborhood Association

Contact: Gilson Westbrook
2200 East Martin Luther King Blvd.

2003 HOUSING TRUST FUND CAPACITY BUILDING APPLICATION SUMMARY

Austin, Texas 78702
(512) 479-9548

Region: 7
Area of Assistance: Housing Counselor and Technical Assistance Consultant
Score: 65
Requested Amount: \$43,671
Recommended Amount: \$43,671

Summary of Application:

St. John Colony Neighborhood Association is applying for funds to pay for staff salary and associated costs for a Housing Counselor and a Technical Assistance Consultant. The Housing Counselor will be responsible for implementing the St. John Colony Neighborhood Association Housing Program Design. The technical consultant will provide training that will enable staff members to take over property and construction management duties. Assistance will also be provided in the areas of architectural barrier removal and energy efficiency.

Applicant: Economic Justice Foundation

Contact: Thomas Wakely
2212 Martin Luther King Jr. Blvd.
Austin, Texas 78702
(512) 220-5518
Region: 7
Area of Assistance: Affordable Housing Project Manager
Score: 25
Requested Amount: \$43,671.46
Recommended Amount: \$42,832.75

Summary of Application:

Economic Justice Foundation is applying for funds to continue to pay for staff salary and associated costs for an Affordable Housing Project Manager. This organization was awarded a 2002 capacity building grant and wishes to continue the services of the Affordable Housing Project Manager. This position is responsible for the coordination of the development of St. Brendan's Place, a 20 unit multi-family complex serving low-income elderly households. Duties also include developing a comprehensive five year business plan to develop owner-occupied duplexes.

Since the last two applications to be recommended based on score in their region have identical scores, the shortfall in funding of \$1,677.42 was divided and subtracted from the requested amount of these two applicants. Therefore, the grant amount requested by Economic Justice Foundation was reduced from \$43,671.46 to a recommended amount of \$42,832.75.

2003 HOUSING TRUST FUND CAPACITY BUILDING APPLICATION SUMMARY

Applicant: **United Cerebral Palsy of Texas**

Contact: Jean Langendorf
5555 N. Lamar Blvd., Suite L139
Austin, Texas 78751
(512) 472-8696

Region: 7

Area of Assistance: Integrated Housing Development Associate

Score: 40

Requested Amount: \$43,500

Recommended Amount: \$43,500

Summary of Application:

United Cerebral Palsy of Texas is applying for funds to pay for staff salary and associated costs for an Integrated Housing Development Associate and a Technical Assistance Consultant. The Integrated Housing Development Associate will perform research on HUD Section 811 program requirements, including types of housing, project size limits, project requirements, and the success of the existing scattered site HUD Section 811 projects currently established and/or under development in other parts of the country. The technical assistance consultant will provide consulting services to complete and submit an application to HUD for Section 811 housing.

Applicant: **The Center on Independent Living (COIL) CDC**

Contact: Madlyn Bowen
4905 Center Park Blvd.
San Antonio, Texas 78218
(210) 599-7711

Region: 9

Area of Assistance: Technical Assistance Consultant

Score: 45

Requested Amount: \$38,000

Recommended Amount: \$38,000

Summary of Application:

The Center on Independent Living CDC is applying for funds to pay for technical assistance. The technical assistance consultant will be responsible for managing and overseeing the activities and operations of the housing development division. This will include financial management work with emphasis in accounting, budgeting, financial compliance and fiscal control of Federal grants received, and/or other related Federal, State and local funds.

2003 HOUSING TRUST FUND CAPACITY BUILDING APPLICATION SUMMARY

Applicant: **The Latino Education Project, Inc.**

Contact: Fances Pawlik
1045 Airline Rd., Suite #2
Corpus Christi, Texas 78412
(361) 980-0361

Region: 10
Area of Assistance: Housing Developer and Technical Assistance Consultant
Score: 40
Requested Amount: \$43,600
Recommended Amount: \$43,600

Summary of Application:

The Latino Education Project, Inc. (LEP) is applying for funds to pay for staff salary and associated costs for a Housing Developer and a Technical Assistance Consultant. The Housing Counselor will develop and launch a housing development initiative which will focus on building new and/or rehabilitating established housing and performing housing counseling to ensure that the target population can obtain needed housing at an affordable cost. LEP will also hire Dr. Marta Sotomayor as a consultant who will provide technical assistance in developing applications to HUD, obtaining site control, working with architects, engineers and contractors in the development of plans, construction, securing additional funding from private sources, working with project management firms and day-to-day maintenance of housing facilities.

Applicant: **Accessible Communities, Inc.**

Contact: Judy Telge
1537 Seventh Street
Corpus Christi, Texas 78404
(361) 883-8461

Region: 10
Area of Assistance: Housing Specialist and Technical Assistance Consultant
Score: 25
Requested Amount: \$43,355
Recommended Amount: \$42,516.29

Summary of Application:

Accessible Communities, Inc. is applying for funds to pay for staff salary and associated costs for a Housing Specialist and a Technical Assistance Consultant. The Housing Specialist will respond to inquiries for affordable and accessible rental housing options, provide consultation for architectural barrier removal, and conduct accessibility surveys. Two technical assistance consultants will be hired to achieve accessibility in affordable rental housing. The first consultant will be licensed with the Texas Department of Licensing and Regulation as a Registered Accessibility Specialist to conduct reviews and surveys to meet Texas Accessibility Standards. The second consultant will be from a recognized consumer-controlled entity with expertise in home modifications.

Since the last two applications to be recommended based on score in their region have identical scores, the shortfall in funding of \$1,677.42 was divided and subtracted from the requested amount of these two applicants. Therefore, the grant amount requested by Accessible Communities, Inc. was reduced from \$43,355 to a recommended amount of \$42,516.29.

2003 HOUSING TRUST FUND CAPACITY BUILDING APPLICATION SUMMARY

Applicant: **TVP Non-Profit Corporation**

Contact: Valerie Funk
151 S. Prado
El Paso, Texas 79907
(915) 858-0607
Region: 13
Area of Assistance: Property Manager
Score: 65
Requested Amount: \$40,549.50
Recommended Amount: \$40,549.50

Summary of Application:

TVP Non-profit Corporation is applying for funds to pay for staff salary and associated costs for a Property Manager. TVP will hire a property manager for Burgundy Palms, a new 100-unit tax credit development. The property manager will also help TVP pursue additional affordable housing development by becoming educated in HUD programs, including CDBG, HOME, Emergency Shelter Grants, and Housing Opportunities for Persons with AIDS.

Applicant: **Marvellous Light Corporation**

Contact: James Millender
4517 Fairbanks Dr.
El Paso, Texas 79924
(915) 568-3026
Region: 13
Area of Assistance: Property Management Assistant and Technical Assistance Consultant
Score: 65
Requested Amount: \$43,671.46
Recommended Amount: \$43,671.46

Summary of Application:

Marvellous Light Corporation is applying for funds to pay for staff salary and associated costs for a Property Management Assistant and a Technical Assistance Consultant. The Property Management Assistant will assist in performing lease-up and annual recertification and coordinate supportive service activities. The technical assistance consultant will provide assistance in architectural barrier removal, affordable housing planning and energy efficiency and alternative building methods.

Applicant: **Opportunity Center for the Homeless**

2003 HOUSING TRUST FUND CAPACITY BUILDING APPLICATION SUMMARY

Contact: Raymond Tullius, Jr.
PO Box 63
El Paso, Texas 79941-0063
(915) 577-0357

Region: 13
Area of Assistance: Housing Planner
Score: 5
Requested Amount: \$43,671.46
Recommended Amount: NOT RECOMMENDED

Summary of Application:

Opportunity Center for the Homeless is applying for funds to pay for staff salary and associated costs for a Housing Planner. The Housing Planner will work on the development of the recently funded SRO facility for the homeless. The Housing Planner will also develop a viable plan for the establishment of additional low-income housing.

This applicant is not being recommended for an award because the score was not competitive in Region 13.

Applicant: Habitat of Humanity of El Paso, Inc.

Contact: Pauline Jones
9210 Dyer
El Paso, Texas 79924
(915) 755-6633

Region: 13
Area of Assistance: Development Director
Score: 0
Requested Amount: \$43,671.46
Recommended Amount: NOT RECOMMENDED

Summary of Application:

Habitat of Humanity of El Paso, Inc. is applying for funds to pay for staff salary and associated costs for a Development Director. This position will be responsible for the solicitation of donations and sponsorships for the construction budget.

This applicant is not being recommended for an award because the score was not competitive in Region 13.

Applicant: Alianza Para El Desarrollo Comunitario, Inc.

Contact: Daniel Solis

2003 HOUSING TRUST FUND CAPACITY BUILDING APPLICATION SUMMARY

825 Bob Neill
San Elizario, Texas 79849
(915) 851-8334

Region: 13
Area of Assistance: Construction Coordinator
Score: 5
Requested Amount: \$43,671.46
Recommended Amount: NOT RECOMMENDED

Summary of Application:

Alianza Para El Desarrollo Comunitario, Inc. is applying for fund to pay for staff salary and related costs for a Construction Coordinator. This position will be responsible for facilitating all construction projects to include planning, implementation and evaluation of affordable housing development.

This applicant is not being recommended for an award because the score was not competitive in Region 13.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MEMORANDUM

June 3, 2003

TO: Chairman Jones and Board Members

FROM: Chris G. Wittmayer, General Counsel

SUBJECT: Request for Extensions by Century Pacific to Close Construction Loans and Commence Substantial Construction

1. Request for Extensions. Century Pacific has requested an extension to close the construction loans and to commence substantial construction on the four properties that are the subject of litigation. These extensions are possible terms in the settlement agreement the parties are considering to resolve the litigation. The litigation and the proposed transfer of the properties to Michaels Development Company have delayed the development process. An extension to close the construction loans is requested until October 31, 2003, and to commence substantial construction to December 31, 2003.
2. Recommendation. Because of the litigation, the Board will be briefed in executive session.

REPORT ITEMS

Executive Directors Report

- 1) Items Related to 78th Legislative Session – Legislative Memo

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**M E M O R A N D U M**

TO: Edwina P. Carrington
Ruth Cedillo
Directors and Managers

FROM: Anne O. Paddock
Deputy General Counsel

DATE: May 27, 2003

SUBJECT: Legislative Activity Memorandum No. 24

The following is a summary of legislative activity in the 78th Legislature for the period of May 21, 2003 through May 26, 2003, unless otherwise noted. Only bills which amend TDHCA's enabling statute, otherwise directly affect the agency, or are of major interest will be covered in this and future memoranda. Bills which would affect all state agencies in general will only be summarized if they become law or as time allows. Copies of bills will be available through the Governmental Affairs Division or you may refer to the following Internet site: <http://www.capitol.state.tx.us> *The number in parenthesis following the caption description of a bill refers to the number of the Legislative Activity Memorandum in which the bill was last summarized.*

SENATE BILLS

SB 19 by Ratliff, which relates to the functions of the State Auditor, was favorably reported out of the House State Affairs Committee on May 22, 2003 as a committee substitute. (No. 19)

Among other things, the committee substitute still amends Section 2306.074 of the Government Code to require TDHCA's books and accounts to be audited each fiscal year by a CPA or, if requested by TDHCA and the legislative audit committee approves including the audit in the SAO's audit plan, by the State Auditor.

The committee substitute also retains the amendment to Section 651.007 of the Government Code to require the exit interview questionnaire required of departing state

employees to include a statement that the employee has the option of having the questionnaire furnished to the head of the agency, the Governor's Office, or the State Auditor and to prohibit a state agency from having access to the questionnaire unless it is provided by the employee.

SB 147 by Barrientos, which relates to the adoption of risk control strategies by state agencies, was passed by the House on May 25, 2003. (No. 3)

SB 264 by Lucio, which is TDHCA's sunset bill, was passed to third reading in the House on May 24, 2003 with the committee substitute and one floor amendment adopted and was finally passed by the House on May 25, 2003. (No. 15)

The House floor amendments are as follows:

- Deletes the proposed addition of "public housing authority" from the definition of housing sponsor;
- Amends Sec. 2306.6703 to add CDBG and HOME funds to the list of funds that a development in a municipality is using that will exempt it from the prior municipal approval requirement for LIHTC applications
- Amends the LIHTC underwriting standard to require TDHCA to underwrite an application "to determine the financial feasibility of the development and an appropriate level of housing tax credits" instead of "solely to determine an appropriate level of housing tax credits"
- Amends Section 2306.6717(b) to provide that the prohibition on the board awarding tax credits to more than one development in a single community in the same calendar year unless the developments will be located more than one linear mile apart only applies if the communities are contained in counties with populations in excess of 1 million.

SB 284 by Lucio, which is TSAHC's sunset bill, was passed to third reading in the House on May 24, 2003 with the committee substitute and one floor amendment adopted and was finally passed on May 25, 2003.

The House floor amendment changes the date relating to the allocation to TDHCA and TSAHC of qualified mortgage bonds and qualified residential rental project bonds to August 15 (which is the current law), from August 1 (in the committee substitute).

SB 349 by Armbrister, which relates to intellectual property rights at DIR and state agency software audit requirements, was passed by the House on Local Calendar on May 23, 2003 and was sent to the Governor on May 26, 2003. (No. 11)

SB 1154 by Shapleigh, which relates to state publications maintained by the State Library, was favorably reported out of the House State Cultural and Recreational Resources Committee on May 22, 2003.

The bill, among other things, requires a state agency to make its printed publications accessible from the state agency's website in an electronic format and to include

identifying and descriptive information about the state publication as specified by the State Library and DIR rules.

Effective Date: September 1, 2003.

SB 1173 by Janek, which relates to [prescription drug benefits for state employees, was passed to third reading in the House on May 26, 2003 with two floor amendments adopted.

The floor amendments, among other things, prohibit ERS from requiring a participant in a health plan to purchase prescription drugs through a mail order program. If a participant chooses not to obtain a prescription drug through the mail order program, the participant is required to pay a co-pay or other cost-sharing obligation to cover the additional cost of obtaining a prescription drug through a retail pharmacy.

SB 1326 by Carona, which relates to the regulation of industrialized housing by municipalities, was passed to third reading in the House on Local Calendar on May 23, 2003 with one floor amendment adopted and was finally passed on May 23 2003. The bill was sent to the Governor on May 27, 2003. (No. 19)

The floor amendment relates to roof pitch.

SB 1370 by Duncan, which delays state employee health coverage for 90 days, was passed to third reading in the House on May 26, 2003 with seven floor amendments adopted.

The floor amendments, among other things, authorize the Comptroller to implement through a private vendor an electronic benefits enrollment and administration system for state employees.

SB 1663 by Lindsay, which relates to private activity bonds, was finally passed in the House on Local Calendar on May 23, 2003. (No. 18)

SB 1664 by Averitt, which relates to the state ceiling for private activity bonds, was passed to third reading in the House on May 26, 2003 with the committee substitute and two floor amendments adopted. (No. 19)

The floor amendments remove the requirement that the BRB grant reservations for qualified mortgage bonds by lot and also make a change related to student loan bonds.

SB 1694 by Shapiro, which relates to state agency internal auditing, was finally passed by the House on Local Calendar on May 23, 2003. (No. 19)

SB 1952 by Ellis, which relates to the reorganization of, efficiency in, and other reform measures applying to state government, was passed by the Senate on May 22, 2003 with the committee substitute and 50 floor amendments adopted and was favorably reported

out of the House Government Reform Committee on May 24, 2003 as a 322 page committee substitute. (No. 23)

Among many other things, the House committee substitute transfers TDHCA's Manufactured Housing Division to TDLR on September 1, 2003.

HOUSE BILLS

HB 649 by Keefer, which expands an interagency work group on rural issues and expands another, was favorably reported out of the Senate State Affairs Committee on May 23, 2003. (No. 19)

HB 651 by Pitts, which establishes a savings incentive program at state agencies, was favorably reported out of the Senate Finance Committee on May 26, 2003. (No. 15)

HB 736 by Denny, which relates to political advertising in state mail systems, was favorably reported out of the Senate State Affairs Committee on May 23, 2003. (No. 17)

HB 845 by Howard, relates to a purchasing preference for Texas vendors. The House concurred in the Senate amendments on May 23, 2003 and the bill was sent to the Governor on May 27, 2003. (No. 17)

HB 1197 by Krusee, which relates to the authorization for a development agreement between a developer and an owner of land in the municipality's ETJ, was passed by the Senate on May 24, 2003 and was sent to the Governor on May 27, 2003. (No. 20)

HB 1207 by Kuempel, which relates to municipal zoning, was passed by the Senate on Local Calendar on May 27, 2003. (No. 17)

HB 1247 by Ritter, which relates to creation of a fire fighter and police officer home loan program at TSAHC, was favorably reported out of the Senate Intergovernmental Relations Committee on May 22, 2003 as a committee substitute.

The committee substitute does make any changes that would affect TDHCA.

HB 2044 by McReynolds, which relates to the duties of the General Land Office and the disposition of state owned land, was favorably reported out of the Senate Natural Resources Committee on May 23, 2003 as a committee substitute. (No. 20)

The committee substitute does not affect TDHCA.

HB 2308 by Jesse Jones (Same as SB 1002 by West), which relates to the concentration of LIHTC projects, was favorably reported out of the Senate Intergovernmental Relations Committee on May 22, 2003 as a committee substitute.

The committee substitute amends the bill to mirror SB 1002 with the changes made to this section in the House floor amendments to SB 264. The bill, as substituted amends three sections of TDHCA's statute that govern the LIHTC program. First, the bill amends Section 2306.6703, "Ineligibility for Consideration" by adding subsection (3) to expand the prohibition on submitting an application to include an applicant that proposes to construct a new development that is located one linear mile or less from a development that serves the same type of household as the new development; has received an allocation of tax credits for new construction at any time during the preceding three-year period; and has not been withdrawn or terminated from the LIHTC program. The bill provides that the new subsection does not apply to a development that is using federal HOPE VI funds; locally approved funds received from a public improvement district or a tax increment financing district; is located outside of a metropolitan statistical area; or is using HOME funds provided to the state; or CDBG funds provided to the state and "participating jurisdictions (sic)" and is located outside of a MSA or that a local government where the project 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.

The bill also amends Section 2306.6711, "Allocation of Housing Tax Credits," by adding subsection (f) to authorize TDHCA's board to allocate tax credits to more than one development in a "single community," as defined by TDHCA by rule, in the same calendar year only if the developments are or will be located more than one linear mile apart.

Finally, the bill, as substituted, amends Section 2306.6725(b), "Scoring of Applications," by requiring scoring incentives for developments located in a census tract in which there are no other existing LIHTC developments.

HB 2425 by McCall, which relates to state fiscal matters, was favorably reported out of the Senate Finance Committee on May 26, 2003 as a committee substitute. (No. 22)

This 132 page bill will be fully summarized if it finally passes.

HB 2801 by Giddings, which creates an urban land bank program in cities that have populations of 1.18 million or more, was favorably reported out of the Senate Intergovernmental Relations Committee on May 22, 2003. (No. 23)

HB 3045 by Cook, which reduces the average office space allowed for a state employee to 135 square feet, was favorably reported out of the Senate Government Organization Committee on May 24, 2003. (No. 18)

HB 3208 by Heflin, which authorizes certain temporary lump-sum payments to retiring state employees, was favorably reported out of the Senate Finance Committee on May 23, 2003 and was passed by the Senate on May 27, 2003.

The bill adds Section 814.1051 to the Government Code to authorize a state employee who is eligible to retire on or after August 31, 2003 and before September 1, 2005 to also receive a one-time lump-sum payment if the employee retires when first eligible during that period of time. The bill provides that the payment is an amount equal to 25% of the employee's total regular salary for the 12-month period preceding the month in which the employee retires.

HB 3242 by Pitts, which relates to state reverse action requirements, was favorably reported out of the Senate State Affairs Committee on May 22, 2003 as a committee substitute and was passed by the Senate on May 24, 2003. The House concurred in the Senate amendments on May 26, 2003.

The bill adds Section 2155.085 to the Government Code to require each state agency to purchase by reverse auction at least 10% of its dollar value of open market purchases each fiscal year. Professional services are not included in this requirement. Each state agency is required to submit to the Governor, the Lieutenant Governor, and the Speaker a written justification if the agency did not comply with this requirement during the preceding state fiscal year.

Effective Date: September 1, 2003

HB 3318 by Luna, which is this session's consolidation bill, was favorably reported out of the Senate Finance Committee on May 26, 2003 as a committee substitute. (No. 21)

The committee substitute does not change the treatment of the System Benefit Fund.

HB 3441 by Pickett, which relates to legislative appropriations, was favorably reported out of the Senate Finance Committee on May 24, 2003 as a committee substitute. (No. 22)

The committee substitute includes the transfer of the Commission on Human Rights' duties to the Civil Rights Division of the Office of the Attorney General. Among other things, the committee substitute also retains the required office space average for each state employee of 153 square feet but removes the exemptions for certain space, such as storage space and library space, from the calculation.

HB 3443 by Pickett, which relates to statutory authority for certain state agencies, including TDHCA, to take certain actions to permit the Legislature to reduce appropriations to those agencies, was favorably reported out of the Senate Finance Committee on May 23, 2003. (No. 21)

HB 3546 by Hamric, which relates to CHDO property tax exemptions and monitoring by TDHCA, was favorably reported out of the Senate Intergovernmental Relations Committee on May 26, 2003 as a committee substitute. (No. 21)

The committee substitute does not change the requirement to submit an audit to TDHCA.

Status of TDHCA Sunset Legislation

LEGISLATIVE UPDATE -- 78TH SESSION

The Department's Sunset bill, SB 264 by Senator Lucio, was adopted Sunday by both chambers of the Legislature during the final day bills could be passed. With Senator Lucio refusing to concur with House changes to his legislation, a conference committee was named and worked through the weekend to work out differences.

Report on Issues Requested at Joint Meeting of TDHCA Board and ORCA Executive Committee

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

M E M O R A N D U M

TO: Edwina Carrington, Executive Director, TDHCA
Ruth Cedillo, Deputy Executive Director, TDHCA
Executive Committee for the Office of Rural Community Affairs
Robert J. Tessen, Executive Director, ORCA

FROM: Brooke Boston, Director of Multifamily Finance Production

SUBJECT: Supplemental Documents

DATE: May 22, 2003

In follow up to the Joint Board Meeting between ORCA and TDHCA on May 15, 2003, I am providing the following documents that respond to your questions regarding the Low Income Housing Tax Credit Program:

- ³ Scoring Comparison for 2002 LIHTC Applications. This report evaluates the scoring items requested for all 2002 LIHTC applications based on their geographic location in the rural set-aside, the USDA sub-set-aside or those in Houston and Dallas.
- ³ 2003 Applications from Applicants Located Outside of Texas. This report reflects that out of 117 active applications only 10 proposed owners are located outside of the state of Texas. This constitutes only 8.5% of applications.
- ³ 2003 Applications for Developments Located in Colonias or Economically Distressed Areas. This report reflects that out of 117 active applications, 7 are located in a colonia or county designated as an economically distressed area. This constitutes 6% of applications.

Additionally, I have attached a copy of a report that provides a comprehensive review of the allocation of credits to rural communities under the LIHTC program since the inception of the program. This includes all developments located in non-metropolitan counties and all those awarded under the rural set-aside.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

2002 QAP Citation	Issue	Metropolitan (Houston and Dallas)	Rural
(1)(A/E)	Development Location	Roughly 2/3 of metro deals request these points.	Only about 1/2 of the rural set-aside deals get these points. They are fairly equally distributed between USDA and non-USDA.
(1)(F)	Development Location Ratio	The metropolitan areas of Houston and Dallas only score 2 points for this item.	However, on average, the rural developments earn higher points for ratio (4-6 points). They are fairly equally distributed between USDA and non-USDA.
(2)	Housing Needs	The metropolitan areas generally tend to score in the high teens (max of 20).	The rural developments are generally lower and score in the low teens. They are fairly equally distributed between USDA and non-USDA.
(3)(A)	Consolidated Plan	Same for metro and rural.	
(3)(B) &(C)	Community Support Letters	Generally the same for metro and rural (both groups get the max points).	While non-USDA rural deals score the same on average as metro deals, the USDA deals score lower on this exhibit (0 or 1 points as opposed to 2 points)
(4)(A)	Square Footage Minimums	Same for metro and rural.	
(4)(B)	Federally Assisted Building	Generally the same for metro and rural (neither group gets the points).	However, the USDA deals do occasionally get these points. They are the only rural deals to get the points.
(4)(C)	At-Risk Development	Generally the same for metro and rural (neither group gets the points).	However, the USDA deals do occasionally get these points. They are the only rural deals to get the points.
(4)(D)	Serving Families w/ Children	Definitely more metro deals request family points than rural deals.	While about half of the rural deals request these points, only one USDA deal requested them.
(4)(E)	Cost per Square Foot	Same for metro and rural.	
(4)(F)	Unit Amenities	Generally the same for metro and rural (both groups get the max points)	While non-USDA rural deals score the same on average as metro deals, the USDA deals request fewer amenity points (average of only 6 points out of the max of 10).
(4)(G)	Density	Generally the same for metro and rural (both groups get the max points)	While non-USDA rural deals score the same on average as metro deals, the USDA deals request fewer density points (2 points as opposed to 4 points).
(4)(H)	Existing Development	Same for metro and rural.	
(4)(I)	Mixed Income	Definitely more metro deals do mixed income and go for the max points.	Only a very few rural deals go for these points and those that do go for the lower range of points (2-4 as opposed to max of 8). No USDA deals request these points.
(4)(J)	Historic Property	Same for metro and rural.	
(4)(K)	Small Development	Very few metro deals request these points.	Very few rural deals request these points; those that do are almost all USDA deals.
(4)(L)	HOPE VI, 202, 811	Same for metro and rural.	
(5)	HUB or Joint Venture	Most metro deals get these points.	Only about half of rural deals request these points and very few of those requesting the points are USDA.
(6)	Supportive Services	Most metro deals request the maximum number of points.	About half of the rural deals do request the points (not necessarily the maximum of 7); the USDA deals are those not requesting the points.
(7)(A)	Elderly Developments	Generally the same for metro and rural (about half of both types of applicants request these points).	While about half of the rural deals do request these points, only 2 of those were requested by a USDA application.
(7)(B)	Transitional Housing	Same for metro and rural.	

2002 QAP Citation	Issue	Metropolitan (Houston and Dallas)	Rural
(7)(C)	LI Units	All metro deals went for LI targeting points and most went for the high end (40-50 points).	Of the rural deals that went for LI targeting (about half), they tended to go for a lower range of points (15-35). They are fairly equally distributed between USDA and non-USDA.
(8)	Affordability Period	All metro deals requested the max points.	While most non-USDA rural deals requested these points, only about half of the USDA deals requested the points.
(9)	Right of First Refusal	All metro deals requested the max points.	While all non-USDA rural deals requested these points, only about half of the USDA deals requested the points.
(10)	Pre-Application	Most of the metro deals earned these points.	About 2/3 of the non-USDA deals requested these points. The USDA deals involving new construction were not permitted to use the Pre-application process. The other USDA deals with rehab money could have competed in pre-app but only 3 did.
(11)	Point Reductions for Extensions	There were few penalty points on metro deals.	There were more deductions on the rural deals than the metro deals and for larger point deductions. This was even more the case with USDA: almost a third of USDA deals had point deductions and all of those were deductions of 8 or 10 points.

2003 Applications from Applicants Located Outside of Texas

TDHCA #	Region	A	Development Name	Development Address	City	County	Zip	Set-Asides (1)			Purpose Activity (2)	TxRD Dev.	Credit Request (\$)	Total LI Units	Applicant Contact	Applicant City and State
								NP	AR	R E G						
03007	9	A	Bexar Creek	Appx. 411 North General McMullen	San Antonio	Bexar	78237	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	61	72	Thomas J. McMullen	Tampa FL
03025	4	A	The Hills Apartments	2016 East Marshall Avenue	Longview	Gregg	75601	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	159	160	Justin Zimmerman	Springfield MO
03028	4	A	Green Street Apartments	2440 Green Street	Longview	Gregg	75602	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	79	80	Justin Zimmerman	Springfield MO
03031	9		The Villas at Costa Verde	6000 Block of North Foster Rd.	San Antonio	Bexar	78244	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	180	200	Daniel Markson	North Miami FL
03095	6		Derby House	Garth Road and Eastchase Street	Baytown	Harris	77521	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	198	248	Todd Borck	Lake Mary FL
03108	6		Alta Reed Apartments	Corner of Reed Rd. and S.H. 288	Houston	Harris	77051	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	200	250	Bernard Felder	Chaufotte NC
03112	6		Horizon Ridge Apartments	21209 Northwest Highway 290	Houston	Harris	77429	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	160	200	Kurt Kehoe	Altamonte Springs FL
03126	6		The Linden's Apartments	North Avenue J and Skinner Street	Freeport	Brazoria	77541	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	96	120	Lawrence Mazzotta	Omaha NE
03257	10	A	Caney Run Estates	Ben Jordon @ US Highway 87	Victoria	Victoria	77901	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	New Construction	<input type="checkbox"/>	116	116	Don Pace	Merrit Island FL
9 Total Submissions												\$8,328,840	1,249	1,446		

1: Set-Aside Abbreviations: NP=Nonprofit, AR=At-Risk, R=Rural, E=Elderly, G=General
 2: Purpose Activity Coding is ACO=Acquisition, R=Multifamily Rehabilitation, and NC=New Construction

2003 Applications for Developments in Colonias or Economically Distressed Area

TDHCA #	Region	A	Development Name	Development Address	City	County	Zip	Set-Asides (1)				Purpose Activity (2)	Credit Request (\$)	Total LI Units	Applicant Contact	
								NP	AR	R	E					G
03029	11	A	La Villita Apartments	600 block Old Port Isabel Rd.	Brownsville	Cameron	78521	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	\$856,933	128	128	Mark Musemeche
03080	13		Mission Trail Apartments	9730 Galilee Drive	El Paso	El Paso	79927	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	\$375,202	49	62	Valerie Funk
03134	13	A	Lilac Garden Apartments	7845 Lilac Way	El Paso	El Paso	79915	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rehab Only	\$686,800	150	150	Doug Gurkin
03190	9	A	Westview Ranch (formerly Comal Ranch)	1700 Block of West Comal Street	Pearsall	Frio	78061	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	New Construction	\$595,000	68	72	Diana McIver
03247	11	A	Las Brinas Apartments	S. Tower Rd. and Moore Rd	Alamo	Hidalgo	78516	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	\$45,890	26	26	Dennis Hoover
03248	11	A	La Casita del Valle	FM 1430 and old Casita Rd.	La Casita	Starr	78582	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	New Construction	\$66,499	28	28	Dennis Hoover
03258	2	A	Mira Vista Apartments	Lee & Jefferson Streets	Santa Anna	Coleman	76878	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rehab Only	\$70,346	24	24	Patrick Barbolla
												\$2,696,670	473	490		

7 Total Submissions

EXECUTIVE SESSION

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

Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code – Matter Concerning a Former Department Employee and Section 572.054, Texas Government Code; Personnel Matters under Section 551.074, Texas Government Code
If permitted by law, the Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

ADJOURN

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

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