BOARD MEETING OF JULY 12, 2007

Beth Anderson, Chair
C. Kent Conine, Vice-Chair

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

MISSION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING
July 12, 2007

ROLL CALL

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

_______________________, Presiding Officer

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

July 12, 2007
8:30 am
Capitol Extension Hearing Room E1.010
1500 N. Congress

A G E N D A

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

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

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

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

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

General Administration Items:
a) Minutes of the Board Meeting of June 14, 2007

ACTION ITEMS

Item 2: Presentation and Discussion of Financial Administration Items:

a) Draft FY08 Operating Budget

b) Draft FY08 Housing Finance Budget

Item 3: Presentation, Discussion and Possible Approval of Real Estate Analysis Items:

Presentation Discussion and Possible Action for the 2007 Competitive Housing Tax Credits Appeals of Credit Underwriting Reports

Appeals Timely Filed [Underwriting Reports available on Department Website]

Item 4: Presentation, Discussion and Possible Approval of Multifamily Division Items – Specifically Housing Tax Credit Items:

a) Presentation Discussion and Possible Action for Housing Tax Credits Appeals

Appeals Timely Filed

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

07415 Costa Vizcaya, Houston, Harris County, Texas
Houston HFC is the Issuer
Recommended Credit Amount of $1,087,975

Item 5: Presentation, Discussion and Possible Approval of Multifamily Division Items – Specifically Multifamily Private Activity Bond Program Items:

a) Presentation, Discussion and Possible Issuance of Multifamily Mortgage Revenue Bonds and Housing Tax Credits with TDHCA as the Issuer:

07619 Costa Rialto, Houston, Harris County Texas for a bond Amount Not to Exceed $12,385,000 and the Issuance of a Determination Notice Recommended Credit Amount of $942,498. Resolution No. 07-022

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

a) Presentation, discussion and approval of 2007 Single Family HOME Investments Partnerships Program Award recommendations:

2006-0091 City of Olton
2006-0118 City of Roaring Springs
2006-0157 City of Morton
2006-0035 City of Muleshoe
2006-0179 City of Slaton
2006-0104 Azteca Economic Dev. Corp.
2006-0174 City of Plainview
2006-0147 City of Littlefield
2006-0053 City of Floydada
2006-0124 City of Gainesville
2006-0115 City of Palmer
2006-0171 City of Jefferson
2006-0189 City of Point
2006-0162 City of Alton
2006-0137 City of Hallsville
2006-0158 City of New Summerfield
2006-0032 City of Domino
2006-0169 City of Gladewater
2006-0181 City of Mineola
2006-0025 City of Hughes Springs
2006-0173 City of Kilgore
2006-0023 City of Lone Star
2006-0029 City of Maud
2006-0183 Lamar County
2006-0088 City of Athens
2006-0138 City of Emory
2006-0057 City of Naples
2006-0063 Cass County
2006-0120 City of Rusk
2006-0187 City of Avery
2006-0022 City of Clarksville
2006-0027 City of DeKalb
2006-0065 City of Omaha
2006-0031 Morris County
2006-0038 Red River County
2006-0067 City of San Augustine
2006-0113 City of Palacios
2006-0178 Economic Action Committee Gulf Coast
2006-0072 City of Hempstead
2006-0168 City of Gatesville
2006-0080 City of Hubbard
2006-0149 City of Mart
2006-0060 City of Rosebud
2006-0073 Falls County
2006-0081 City of Marlin

2006-0037 City of Hillsboro
2006-0136 City of Gregory
2006-0144 City of Bishop
2006-0122 City of Freer
2006-0127 City of Sinton
2006-0160 City of Odem
2006-0059 City of Queen City

Item 7: Presentation, Discussion and Approval of Office of Colonia Initiatives Items:

a) Approve, Deny or Approve with amendments the TDHCA Texas Bootstrap Loan Program Reservation System

Item 8: Presentation, Discussion and Possible Approval of Bond Finance Items:

a) Presentation, Discussion and Possible Approval of Resolution No. 07-020 authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, 2005 Series A (Program 62A)

b) Presentation, Discussion, and Possible Approval of the Resolution No. 07-018 authorizing the extension of TDHCA's Single Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes Program to December 31, 2010 and the authorization to issue notes for the purpose of recycling repayments of mortgage loans

c) Presentation, Discussion and Possible Approval of Resolution No. 07-024 authorizing application to request a reservation from the collapse of the 2007 Texas Bond Review Board state issuance authority for the Single Family Mortgage Revenue Bond Program in the amount of $80,000,000

d) Presentation, Discussion and Possible Approval of Resolution No. 07-019 authorizing application to the Texas Bond Review Board for reservation of single family private activity bond authority and presentation, discussion and possible preliminary approval of Single Family Mortgage Revenue Bonds, 2007 Series B and Approval of Underwriting Team for Program 70

EXECUTIVE SESSION **Elizabeth Anderson**

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

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

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

1. With Respect to pending litigation styled *Dever v. TDHCA* Filed in Federal Court

2. With Respect to pending litigation styled *Ballard v. TDHCA* Filed in Federal Court

3. With Respect to pending litigation styled *Brandal v.TDHCA* Filed in State Court in Potter County

4. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

OPEN SESSION **Elizabeth Anderson**

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS
Executive Director's Report

1. TDHCA Outreach Activities, June 2007
2. Executive level overview of highlights surrounding the closing of TDHCA's Single Family Mortgage Revenue Bond program 69
3. 2007 Competitive Housing Tax Credit Challenges

ADJOURN **Elizabeth Anderson**

To access this agenda & details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Nidia Hiroms, 512-475-3934; TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information.
Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.
Non-English speaking individuals who require interpreters for this meeting should contact Nidia Hiroms, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.
Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

EXECUTIVE OFFICE – BOARD

BOARD ACTION REQUEST
July 12, 2007

Action Item

Minutes of the Board Meeting of June 14, 2007.

Required Action

Review minutes of the June 14, 2007 Board Meeting and make any necessary corrections.

Background

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

Recommendation

Staff recommends approval of minutes with any requested corrections.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

June 14, 2007; 9:30 am
Capitol Auditorium

SUMMARY OF MINUTES

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of June 14, 2007 was called to order by Chair, Elizabeth Anderson at 9:35 a.m. It was held at the Capitol Auditorium, Austin, Texas. Roll call certified a quorum was present.

Members Present:

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

LENDER OF THE YEAR AND LOAN OFFICE OF THE YEAR AWARDS

In recognition of their efforts, the TDHCA Governing Board recognizes the top lending institution and the top-producing loan officer under the Texas First Time Homebuyers Program.

LENDER OF THE YEAR:

Countrywide Home Loans: **Mike Awadis, Senior Vice President** for government agency sales; and **Tonya Beckley, Assistant Vice President** for mortgage revenue bonds.

LOAN OFFICER OF THE YEAR

Ms. Connie Tharp with Wells Fargo Bank

PUBLIC COMMENT

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

The Honorable Representative Mike Hamilton, provided testimony in support of the Orange Palm Garden Apartments.

The Honorable Mayor Brown Claybar, City of Orange, provided testimony in support of Plum Garden Apartment Homes, Project 07257.

The Honorable Mayor Virginia Dupuy, City of Waco, provided testimony in support of the Historic Lofts of Waco High TDHCA project number 07192

John Barineau, managing general partner of Reed Park Townhomes, Houston, provided testimony in opposition to Cypress Creek Apartments.

Tammy Bonner, management company for Reed Parque Townhomes, provided testimony in opposition to Cypress Creek Apartments.

Scott Renick, representing the Dalhart Economic Development Corporation, provided testimony.

The Honorable Mayor Kevin Caddell, City of Dalhart, provided testimony in support of Stone Leaf at Dalhart 07-131.

Dennis Wells, resident of Liberty Hill, provided testimony in opposition to Gabriel's Crossing, Application Number 07-220.

Cynthia Bast of Locke, Liddell & Sapp, representing Capmark Financial Group, provided testimony.

Bernadine Spears, representing Key West Senior Village Phase II, provided testimony.
The Honorable Michael Sanchez, city councilman, City of Odessa, provided testimony in support of Key West Senior Village, Phase II.
Gary Winslow Pritchett, provided testimony in support of the Frazier-Berean Group and Carpenters Point Project, #07-101.
Charles Edward Wylie, provided testimony in support of the Frazier-Berean Group for the Carpenters Point Project.
George King, president and CEO of the Frazier-Berean Group in Dallas, provided testimony.
Steve Shirley, provided testimony in support of the Frazier-Berean Group and Carpenters Point Project, #07-101.
The Honorable Mayor Tom Oliver, City of Greenville, provided testimony in support of the Washington Hotel Lofts, and the Austin School Apartment Projects.
Walter Martinez, representing the Kingsville LULAC Manor Trust and National Housing Management Corporation, provided testimony.
Laura Waller de la Rosa, Liberty Hill, provided testimony in opposition to San Gabriel Crossing, Application Number 07-220.
Michael Hunter, Hunter & Hunter Consultants, provided testimony.

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

CONSENT AGENDA

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

AGENDA ITEM 1:

Approval of the following items presented in the Board materials:

General Administration Items:

a) Minutes of the Board Meeting of May 10, 2007

Legal Items

b) Presentation, Discussion and Possible Action of Request for Proposals (RFP) for Bond Counsel
c) Presentation, Discussion and Possible Action of Request for Proposals (RFP) for Bond Disclosure/Securities Counsel.

Multifamily Finance Production Items:

d) Presentation, Discussion and Possible Action for Housing Tax Credit Amendments:
07093 Cypresswood Crossing Orange
e) Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits Associated with Mortgage Revenue Bond Transactions with Other Issuers:
07414 Costa Clemente, Angleton, Brazoria County, Texas; Southeast Texas HFC is the Issuer; Recommended Credit Amount of $765,671
f) Presentation, Discussion and Possible Action for Memorandum of Understanding (MOU) between the Texas Bond Review Board and TDHCA for the Issuance of 501(c)(3) bonds
g) Presentation, Discussion and Possible Issuance of Multifamily Mortgage Revenue Bonds and Housing Tax Credits with TDHCA as the Issuer:
07620 Windshire Apartments, Houston, Texas for a bond Amount Not to Exceed $15,000,000 and the Issuance of a Determination Notice Recommended Credit Amount of $1,195,903. Resolution No. 07-016
h) Presentation, Discussion, and Possible Action for the Inducement Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of

Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2007, Resolution No. 07-015:
07625 Costa del Rey Houston

Texas Homeownership Program Division Items:

i) Presentation, Discussion and Possible Approval of Amendment to Master Servicer Contract

j) Presentation, Discussion and Possible Approval of Participating Lender List for Single Family Mortgage Revenue Bond (MRB) Program 69

HOME Division Items:

k) Presentation, Discussion and Possible Approval of HOME Division Owner Occupied Housing Assistance for disaster relief recommendation:
2006-0221 Starr County

Community Affairs Division:

l) Presentation, Review and Approval of the draft Program Year (PY) 2008 Low Income Home Energy Assistance Program (LIHEAP) State Plan for posting to the TDHCA website and Public Comment

m) Presentation, Review and Approval of draft Community Services Block Grant (CSBG) State Plan for 2008-2009 for posting to the TDHCA website and Public Comment

Portfolio Management and Compliance Division

n) Presentation, Discussion and Possible Approval of Request for Amendments to HOME Investment Partnerships Program Contracts:
1000217 Cameron County

Motion made by Mr. Conine to approve Consent Agenda; seconded by Mr. Bogany; passed unanimously.

Board adjourned for a brief period.

PUBLIC PRESENTATION OF THE RESULTS OF THE HOME PROGRAM ADVISORY TASK FORCE

Brooke Boston, Deputy Executive Director of Programs, recognized and thanked the Task Force for the hard work and time that went into the report and recommendations.

The Honorable Judge Jerry Agan, Presidio County, provided report on issues concerning Loan Versus Grant and Match.

Cynthia Bast of Locke, Liddell & Sapp, provided report concerning Multifamily issues.

Tres Davis, Vice President of Grant Works, provided report concerning Improving Commitment and Expenditure Rate on the HUD, Determination of Appropriate Contract Terms and Interim Contract Performance Benchmarks.

Matt Hull, Texas Association of CDCs, provided report concerning Distribution of HOME Funds Across Eligible Areas, Modification of the Assistance Amount for the Homebuyer Activities and HOME versus Bootstrap.

Michael Hunter, Hunter & Hunter Consultants, provided report for Don Currie, concerning CHDOs.

EXECUTIVE SESSION

At 12:40 p.m. Ms. Anderson convened the Executive Session. The Executive Session concluded at 1:30 p.m.

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

b) The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee
   1. Discussion relating to the salary for Acting Director of Internal Audit
   2. Deliberations on hiring of Internal Auditor

c) Consultation with Attorney Pursuant to §551.071(a), Texas Government Code:
   1. With Respect to pending litigation styled *Dever v. TDHCA* Filed in Federal Court
   2. With Respect to pending litigation styled *Ballard v. TDHCA* Filed in Federal Court

3. With respect to possibility of requesting of an Attorney General Opinion regarding the use of legislative intent for rule development
4. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

OPEN SESSION

Ms. Anderson reconvened Open Session at 1:36 p.m. and announced that no action had been taken during Executive Session and certified that the posted agenda was followed.

In response to Executive Session b) 1. a motion was made by Ms. Ray to increase the annual salary of the acting internal auditor by $12,496, to be effective until an internal auditor is hired, but not to exceed 6 months and to return to its current amount upon removal of the interim director title; seconded by Mr. Bogany; passed unanimously.

ACTION ITEMS

AGENDA ITEM 2:

Presentation, Discussion and Possible Approval of Multifamily Division Items – Specifically Housing Tax Credit Items:

a) **Presentation, Discussion and Possible Action for Housing Tax Credit Amendments**

04036 Villa del Sol Brownsville

Cynthia Bast, Locke, Liddell & Sapp, provided testimony.

Motion made by Mayor Salinas to approve appeal; seconded by Mr. Conine with an amendment to the motion to waive the requirement for dishwashers and to compensate for the dishwashers by adding an amenity of an equal value; Mayor Salinas accepted the amendment; Ms. Anderson voted no; motion passes.

060148 Pineywoods Orange Development Orange

Doug Dowler, executive director, Pineywoods Home Team, provided testimony.

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

060149 Women's Shelter of East Texas Lufkin

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

b) **Presentation, Discussion and Possible Action for 2007 Competitive Housing Tax Credit Appeals**

07190 Stephen Austin School Apartments Greenville

Hollis Fitch, Developer, provided testimony.

Cynthia Bast, Locke, Liddell & Sapp, provided testimony.

Motion made by Mr. Conine to accept the staff recommendation to deny request; seconded by Mr. Bogany; passed unanimously.

07191 Washington Hotel Lofts Greenville

Jackie Martin, Martin Riley Associates, provided testimony.

Cynthia Bast, Locke, Liddell & Sapp, provided testimony.

Motion made by Mr. Flores to deny appeal; seconded by Mr. Bogany; Mayor Salinas voting against motion; motion passed.

07192 Historic Lofts of Waco High Waco

Withdrawn from consideration by applicant.

07210 New Hope Housing at Bray's Crossing Houston

Joy Horak-Brown, executive director of the New Hope Housing family of companies, provided testimony.

Doug Selman, board member, New Hope Housing, provided testimony.

Barry Palmer, Coats Rose, provided testimony.

Motion made by Mr. Flores to approve appeal; seconded by Mr. Conine; Mr. Bogany voted no; Chair voted no; motion passed.

07291 Cypress Creek at Reed Road Houston
Stuart Shaw, Bonner Carrington Development, provided testimony.
Barry Palmer, Coats Rose, provided testimony.
Motion made by Mr. Conine to grant appeal; seconded by Mr. Flores; Mr. Bogany voted no; Chair voted no; motion passed.
07302 Casa Alton Alton
Withdrawn from consideration.

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

a) **Presentation, discussion and possible action for the 2007 HOME Rental Housing Development appeals:**
07263 Constitution Court Copperas Cove
Emmanuel Glockzin, developer for Constitution Court, Copperas Cove, TX, provided testimony.
Motion made by Mr. Conine to accept the staff recommendation to deny the appeal; seconded by Mr. Flores; passed unanimously.
07340 Copper Creek Homes Hudson
Doug Dowler, executive director, Pineywoods Home Team, provided testimony.
Motion made by Mr. Conine to accept the staff recommendation to deny the appeal; seconded by Mr. Flores; passed unanimously.
07343 Parkwood Apartments Nixon
Dennis Hoover, provided testimony.
Motion made by Mr. Conine to grant appeal; seconded by Mr. Flores; passed unanimously.

AGENDA ITEM 4:
Presentation, Discussion and Possible Approval of Disaster Recovery Division Items – Specifically FEMA Alternative Housing Pilot Program Application Program:

a) Presentation, Discussion and Possible Approval of FEMA Alternative Housing Pilot Program Application Program (AHPP) Strategy
Motion made by Ms. Ray to approve staff recommendation of 40 units in Harris County; seconded by Mayor Salinas; passed unanimously.

AGENDA ITEM 5:
Presentation, Discussion and Possible Approval of Portfolio Management & Compliance Division Items:

a) **Presentation, Discussion and Possible Approval of Requests for Amendments to HOME Investment Partnerships Program Contracts**
542061 City of La Feria
Motion made by Mr. Conine to approve amendment request; seconded by Mr. Flores; passed unanimously.
1000020 City of Cotulla
Withdrawn from consideration.
1000253 City of Lewisville
Motion by Mr. Conine to approve the amendment, with the contract end date extended three months to September 30, 2007; seconded by Ms. Ray; passed unanimously.
1000501 City of Splendora
Rick Valdez, consultant for the City of Splendora, provided testimony.
Motion made by Mr. Conine to approve staff recommendation to deny request; seconded by Mr. Flores; passed unanimously.

AGENDA ITEM 6: (*At the Board's discretion, this item was taken up after Item 2b*)
Presentation, Discussion and Possible Approval of Real Estate Analysis Division Items:

a) **Presentation Discussion and Possible Action for the 2007 Competitive Housing Tax Credits Appeals of Credit Underwriting Reports**

07235 Woodchase Senior Community El Paso

Ike Monty, provided testimony.
Cynthia Bast, Locke, Liddell & Sapp, provided testimony.
Keith Puhlman, Investment Builders, Inc., provided testimony.
Motion made by Mr. Conine to grant waiver; seconded by Mayor Salinas; Mr. Bogany voted no; Chair did not vote; motion passed.

REPORT ITEMS

1. Executive Director's Report
2. TDHCA Outreach Activities, May 2007
3. Monthly Report on HOME Amendments Granted
4. Legislative Update
5. 2007 Competitive Housing Tax Credit Challenges
6. Summary of Developer Actions for Residences on Old Denton Bond Transaction

No action taken.

ADJOURN

Since there was no other business to come before the Board, the meeting was adjourned at 4:21 p.m.

____
Mr. Kevin Hamby
Board Secretary

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

Financial Administration Division
Board Action Request
July 12, 2007

Discussion Item

The Department staff will present the FY 2008 Draft Operating Budget.

No Required Action

The Board consider for discussion purposes the attached FY 2008 Draft Operating Budget for fiscal year beginning September 1, 2007 through August 31, 2008. A final draft will be presented for approval at the July 30th Board Meeting.

Background

In June 2006, the Governor's Office and the Legislative Budget Board requested State Agencies and Institutions of Higher Education to submit a baseline budget (with a 10% reduction in General Revenue) identifying key goals, objectives and strategies for fiscal years 2008-09 and a prioritized list of exceptional items. These exceptional items would receive consideration once a statewide budget inclusive of essential services could be secured.

During the 80th Legislative Session the Texas Department of Community Affairs (TDHCA) provided information and testimony to support its request. In June 2007, the Governor adopted House Bill 1 (HB 1) or the "Bill Pattern" as it is commonly known. The Bill provides appropriation authority for funds as designated by the Legislature.

The results of these efforts yielded an approved version of its baseline budget with restoration of most of the 10% reduction. It also secured several items over and above the baseline. Those items include: $2.5 million per year of the biennium for Single and Multi Family Housing Trust Fund initiatives; $109,000 per year for Continuum of Care; and $120,000 per year for housing market studies. TDHCA's approved budget also includes critical operational revenues and expenses distributed among goals, objectives and strategies. This operational component provides for the agency's administrative overhead.

It is this administrative component that is complimented by the 2008 Internal Operating Budget presented today. The internal operating budget is an extension of the Legislative Appropriations Request (LAR) that aligns with the Department's organizational structure. This alignment ensures that TDHCA's organizational structure complies with the bill pattern. The Internal Operating Budget does not include any pass-through grant funds.

In accordance with Texas Government Code, Chapter 2306, TDHCA is charged with submitting an Internal Operating Budget to several state entities before September 1 of each fiscal year. The budget includes operational expenses distributed among the Department's divisions.

The highlights for the 2008 budget are as follows:

1. The budget includes the creation of the Disaster Recovery Division (DRD). This Division will include new CDBG administration funds of $1,346,158 and approximately 12 full-time equivalents (FTEs). This Division will be responsible for the administration/distribution of CDBG Disaster Recovery funds and FEMA funds associated with temporary housing.

2. The agency will continue its work in the reconstitution of the HOME Division. These efforts will include the transfer of several functional components from the Portfolio Management Division to the HOME Division. This realignment will provide further clarity regarding the separation of divisional duties/responsibilities and will affect an estimated 12-14 FTEs. This FTE estimation evolved through coordination between our Agency Administration and Housing Programs Division. The reconstitution will further our efforts in making TDHCA's HOME Program one of the best in the nation.

3. The budget will include a 2% cost of living increase to salaries across the board for all employees except the Executive Director's exempt position. (This increase was approved by the Legislature.) The Executive Director's salary has moved to Salary Group 5 from Salary Group 4 with a possible range of $96,468 - $149,052.

4. The Legislature adopted a 25% increase to the out-of-state travel budget. This budget will be adjusted from $100,315 to 125,393.

5. The Real Estate Analysis Division and the Division of Policy and Public Affairs will share $120,000 of state funding to conduct housing market studies.

6. The proposed budget provides $1.7 million for professional services. These services will target Audits, Legal Services, Inspection Outsourcing, Statewide Homebuyer Education, HVAC/Mobile Home Insulation Training and training that will support efforts associated with Organizational Excellence. (See Professional Fees Chart on Page 2 of the Comparison Report.)

7. The Department will continue its commitment to the retention of a skilled workforce by investing in competitive salaries/wages and professional development for staff.

For information specific to particular lines items of the budget and their associated funding streams, please refer to the accompanying Comparison Report. In closing, it is important to note that this process will mark the beginning of the implementation of TDHCA's goals and initiatives for 2008-09. It will also be a key step in the kickoff of the newly constituted Strategic Planning Committee. The committee will begin monitoring the results of the budget and associated performance measures. These outcomes will provide valuable information for future LAR recommendations in FY 2010 and 2011.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FY 2008 Draft Operating Budget
Comparison Report
July 12, 2007

The 2008 Draft Operating Budget, which the Board is considering for discussion, is the first year of the appropriations bill passed by the 80th Session of the Legislature. This budget is within the appropriation limits and methods of finance as approved in the bill.

In total, this 2008 draft operating budget is $22,581,740 or a $1,332,164 (6.3%) increase over the prior year budget.

Below are the highlights of the 2008 draft budget. Please refer to the "Comparison by Expense Object" schedule located on Page 3.

1. **Salaries/Wages and Payroll Related Costs**. These two line items represent 78% of the total operating budget. These line items have increased 8% as a result of the newly created Disaster Recovery Division (DRD). The new division is made up of 12 FTE's and $923,136 in salaries and payroll related costs. Other factors related to the increase include the 2% cost of living increase (passed by the 80th Legislature) and annualized salary actions (i.e., merits, reclasses, promotions) in FY 2007.

2. **Travel In-State and Out-of-State**. The Department's In-State travel budget increased 9.4% due to travel associated with the DRD ($47,000). The Out-of-State travel legislative cap increased by 25% resulting in a budget amount of $125,393 due to recent legislation.

3. **Professional Fees**. Professional Services have been reduced by $238,405. The reduction is attributed to the completion of Capital Projects such as the PeopleSoft system upgrade, Community Services/Energy Assistance Contract System, and a reduction in Inspection Outsourcing & HVAC mobile home insulation training. This, together with an increase of $100,000 for CDBG Disaster Recovery Audit costs and the recently legislatively approved market studies of $120,000 is outlined in the professional fees table on the next page.

Professional Fees Chart

Division	Type of Service	2008 Budgeted	2007 Budgeted
FA,PMC,SF	Statewide Cost Allocation	35,000	35,000
Various	Audit Costs - Financial and Single Audit	446,000	346,000
Legal	Legal Costs	150,000	150,000
PMC	Inspection Outsourcing (MDSI/On-Sight Inspections)	605,745	617,150
HOME	HOME Remediation	75,000	75,000
PMC/HOME	Training/Tech Writing/Tech Assistance	82,800	92,000
PPA	Statewide Homebuyer Education Program	72,000	72,000
EA	HVAC/Mobile Home Insulation Training	45,000	60,000
REA/DPPA	Market Studies	120,000	79,000
Texas Homeownership	MITAS Internet Reservation Application		20,000
FA	PeopleSoft Consulting Services		200,000
CA	Community Serv./Energy Assist. Contract System		100,000
Various	Training	90,300	124,000
Special Projects	Miscellaneous	15,900	6,000
PPA	Foreclosure Studies		-
Community Affairs: Section 8	HAPPY Software	-	-
	Total	**$1,737,745**	**$1,976,150**

4. **Materials and Supplies**. This category, which decreased by 1%, consists of; postal services, office supplies, non-capitalized furniture, equipment and computer software.

5. **Repairs and Maintenance**. The budget continues to include funding for maintenance of agency software systems such as MITAS, PeopleSoft and APPX, etc. The 31% net variance is due to increases of $100K for future PeopleSoft releases/bundles; $75K for DRD modifications to the Contract Management System; and decreases of approximately $55K for CRN (EZ Audit) applications and $9K for agency-wide network hardware and software.

6. **Printing and Reproduction.** There is an increase of $8,985 or 10.9% in this category ($7K for DRD and approximately $2K for the reorganized HOME Division).

7. **Rentals and Leases**. The 2008 rentals are for copiers, conference space rentals, and outside office space for the Office of Colonia Initiatives (OCI). This category has declined due to recently negotiated copier rental agreements and a full year without a building lease.

8. **Membership Fees.** Key associations are the National Council of State Housing Agencies (NCSHA), the National Associations of Home Builders (NAHB), the National Association for State Community Services Programs (NASCP).

9. **Insurance/Employee Bonds.** The Department carries Public Official Liabilities Insurance coverage in the amount of $10,000,000; automobile liability insurance in the amount of $500,000; errors and omissions insurance of $300,000 related to loan servicing and a $350,000 Public Employee Fidelity Bond.

10. **Advertising.** This category includes $50,000 for Texas Homeownership marketing initiatives. It also includes funding for publications and employment announcements and adds $25,000 to HR for future critical position recruitment.

11. **Freight/Delivery**. Increase of 10% as a result of the Disaster Relief Division.

12. **Furniture and Equipment.** The 2008 budget includes: $140K for normal growth (PC purchases); $29K for traditional acquisition(s) of furniture/equipment; and $15K for DRD's equipment and furnishings.

13. **Capital Outlay**. Due to the completion of our Capital Outlay projects, this category was reduced 90.5% to $19,066. This amount reflects a Normal Growth amount as approved by the 80th Legislature.

14. **Communication and Utilities**. Increase of 9.9% primarily as a result of the Disaster Relief Division. The agency also expanded its communications with Blackberry technology. This technology increased timely communications for the OCI, Disaster Recovery and PMC staffs during travel.

15. **State Office of Risk Management (SORM)**. Decrease in costs due to strong safety record and low claims. A proactive Safety and Health Program has led to an unblemished record with no claims.

Methods of Finance

The 2008 Budget will be financed from the following sources:
(Please refer to the “Method of Finance” chart on Page 2)

General Revenue – State appropriated funds including additional fund for affordable housing market studies

Earned Federal Funds – Federal funds appropriated for indirect costs associated with administering federal funds

Federal Funds – Federally appropriated funds

CDBG Disaster Recovery – Federally appropriated funds specifically designated for disaster recovery

Bond Admin Fees – Appropriated receipts associated with our bond programs such as application fees, issuance fees, administration fees, and compliance fees

Low Income Housing Tax Credit Fees – Appropriated receipts associated with our housing tax credit program such as application fees, commitment fees, and compliance fees.

Affordable Housing Disposition Fees – Appropriated receipts (compliance fees) associated with the Affordable Housing Disposition Program

Interagency Contracts – Contract with ORCA (Office of Rural Community Affairs) for self help center’s operation and administration

Appropriated Receipts-MH – Manufactured housing titling fees

Method of Finance:	FY 07	FY 08	Variance	% Change
General Revenue	$ 1,000,398	$ 1,255,321	$ 254,923	25.5%
Bond Review Board Fees	-	120,000	120,000	0.0%
Earned Federal Funds	909,146	880,370	(28,776)	-3.2%
Federal Funds	7,983,260	6,822,687	(1,160,573)	-14.5%
CDBG Disaster Recovery	-	1,346,158	1,346,158	
Bond Admin Fees	5,350,191	5,587,757	237,566	4.4%
LIHTC Fees	4,772,912	5,446,281	673,369	14.1%
Affordable Housing Disposition Fees	659,210	577,978	(81,232)	-12.3%
Interagency Contract (ORCA)	83,953	78,236	(5,717)	-6.8%
Appropriated Receipts - MH	490,506	466,952	(23,554)	-4.8%
Total, Method of Finance	$ 21,249,576	$ 22,581,740	$ 1,332,164	6.3%

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

FY-2008 DRAFT OPERATING BUDGET

(September 1, 2007 through August 31, 2008)

July 12, 2007

Prepared by the Financial Administration Division

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FY-2008 OPERATING BUDGET

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TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

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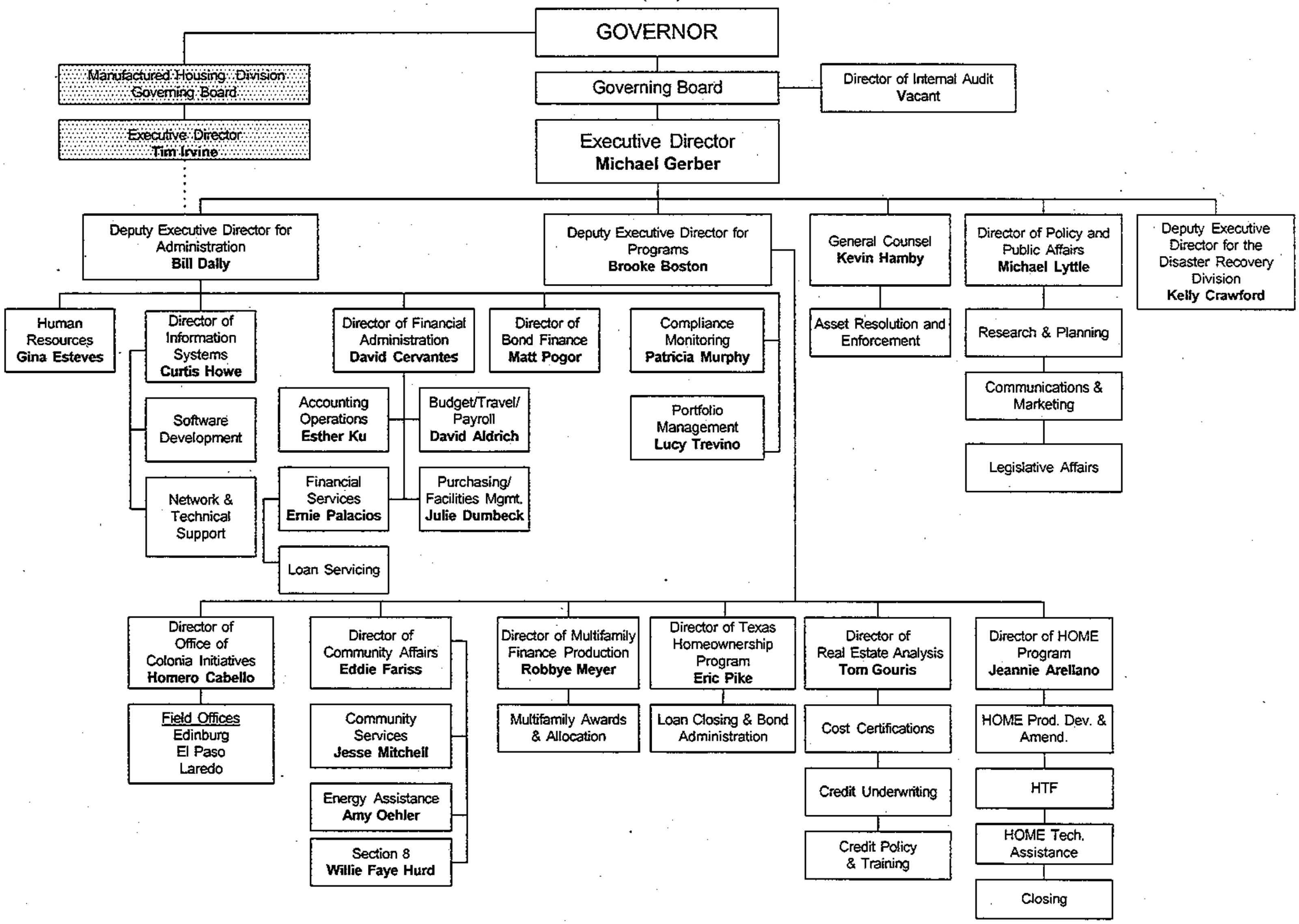


Texas Department of Housing and Community Affairs
Comparision by Division
Appropriation Years 2007 and 2008

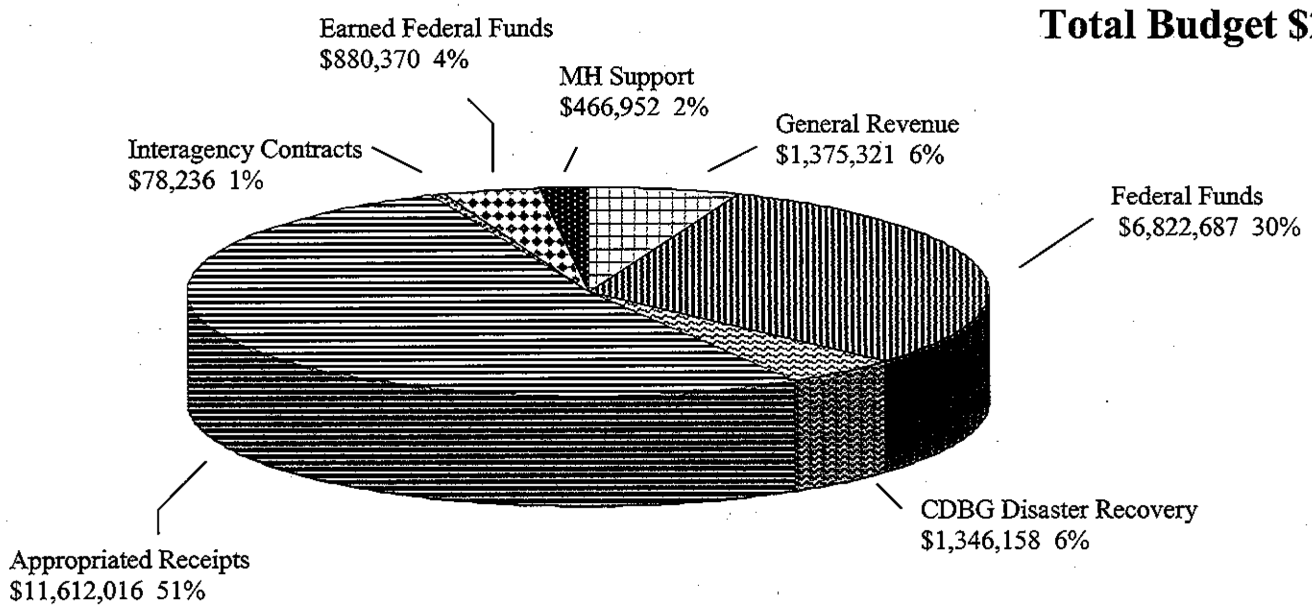
	FY07 Original Budget	FY08 Budget (b)	Variance (b-a)	Percentage Change	FY07 Original FTEs	FY08 FTEs	FTE Variance
Housing Programs Division:							
Office of Colonia Initiatives	$ 590,608	$ 571,954	$ (18,655)	-3.2%	8.0	7.0	(1.0)
Community Affairs Administration	234,440	241,729	7,290	3.1%	3.0	3.0	0.0
Community Services Programs	1,024,886	1,061,081	36,195	3.5%	15.0	15.0	0.0
Energy Assistance	1,241,090	1,150,003	(91,087)	-7.3%	16.0	16.0	0.0
Section 8	396,541	418,620	22,079	5.6%	7.0	7.0	0.0
Multifamily Finance Production	984,895	860,033	(124,862)	-12.7%	14.0	12.0	(2.0)
Texas Homeownership Program	1,217,025	539,314	(677,711)	-55.7%	13.0	5.0	(8.0)
HOME Program		2,042,506	2,042,506			27.0	27.0
Real Estate Analysis	832,070	746,679	(85,391)	-10.3%	11.0	10.0	(1.0)
Subtotal, Housing Programs Division	6,521,556	7,631,920	1,110,364	17.0%	87.0	102.0	15.0
Disaster Recovery Division		1,121,015	1,121,015			12.0	12.0
Executive Administration:							
Executive Office	547,717	496,104	(51,613)	-9.4%	5.0	4.0	(1.0)
Board	75,157	76,308	1,151	1.5%			
Legal Services	649,839	866,075	216,236	33.3%	6.0	8.0	2.0
Internal Audit	263,964	285,834	21,870	8.3%	4.0	4.0	0.0
Policy and Public Affairs	999,237	873,095	(126,142)	-12.6%	13.0	11.0	(2.0)
Subtotal, Executive Administration	2,535,914	2,597,416	61,501	2.4%	28.0	27.0	(1.0)
Agency Administration:							
Director's Office of Financial Administration	483,240	492,199	8,959	1.9%	6.0	6.0	0.0
Accounting Operations	768,296	845,206	76,910	10.0%	12.0	12.0	0.0
Financial Services	1,110,146	1,126,026	15,880	1.4%	15.0	15.0	0.0
Purchasing and Facilities Management	531,493	476,313	(55,180)	-10.4%	9.0	8.0	(1.0)
Human Resources	349,305	323,622	(25,683)	-7.4%	5.0	4.0	(1.0)
Information Systems	1,362,836	1,313,122	(49,714)	-3.6%	19.0	18.0	(1.0)
Bond Finance	378,480	387,095	8,615	2.3%	4.0	4.0	0.0
Portfolio Management and Compliance	3,658,899	2,817,084	(841,816)	-23.0%	44.0	33.0	(11.0)
Subtotal, Agency Administration	8,642,695	7,780,666	(862,029)	-10.0%	114.0	100.0	(14.0)
Capital Budget (Note: $40,625 in MH 2008 budget)	500,000	159,375	(340,625)	-68.1%			
Payroll Related Costs	3,049,410	3,291,349	241,939	7.9%			
Total, Department	$ 21,249,576	$ 22,581,740	$ 1,332,164	6.3%	229.0	241.0	12.0

Method of Finance:				
General Revenue	$ 1,000,398	$ 1,375,321	$ 374,923	37.5%
Earned Federal Funds	909,146	880,370	(28,776)	-3.2%
Federal Funds	7,983,260	6,822,687	(1,160,573)	-14.5%
CDBG Disaster Recovery		1,346,158	1,346,158	
Bond Admin Fees	5,350,191	5,587,757	237,566	4.4%
Housing Tax Credit	4,772,912	5,446,281	673,369	14.1%
Affordable Housing Disposition Fees	659,210	577,978	(81,232)	-12.3%
Interagency Contract (ORCA)	83,953	78,236	(5,717)	-6.8%
Appropriated Receipts - MH	490,506	466,952	(23,554)	-4.8%
Total, Method of Finance	$ 21,249,576	$ 22,581,740	$ 1,332,164	6.3%

Note: Appropriated Receipts include Bond Administration Fees, Housing Tax Credit Fees, and Affordable Housing Disposition Program Fees.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FY 2008 Method of Finance

Total Budget $22,581,740



Type	2007	2008
General Revenue	1,000,398	1,375,321
Federal Funds	7,983,260	6,822,687
CDBG Disaster Recovery	-	1,346,158
Appropriated Receipts	10,782,313	11,612,016
Interagency Contracts	83,953	78,236
Earned Federal Funds	909,146	880,370
MH Support (MOU)	490,506	466,952
Total MOF	**$21,249,576**	**$22,581,740**

Texas Department of Housing and Community Affairs
Comparison by Expense Object
Appropriation Years 2007 and 2008

	FY07 Budget (a)	FY08 Budget (b)	Variance (b-a)	Percentage Change
Salaries and Wages	$ 13,258,303	$ 14,310,214	$ 1,051,911	7.9%
Payroll Related Costs	3,049,410	3,291,349	241,939	7.9%
Travel In-State	500,587	547,587	47,000	9.4%
Travel Out-of-State	100,315	125,392	25,077	25.0%
Professional Fees	1,976,150	1,737,745	(238,405)	-12.1%
Material and Supplies	410,747	407,736	(3,011)	-0.7%
Repairs/Maintenance	368,527	483,353	114,826	31.2%
Printing and Reproduction	82,692	91,677	8,985	10.9%
Rentals and Leases	193,993	158,001	(35,992)	-18.6%
Membership Fees	78,925	82,431	3,506	4.4%
Staff Development	270,370	304,044	33,674	12.5%
Insurance/Employee Bonds	82,000	92,000	10,000	12.2%
Employee Tuition	13,200	17,300	4,100	31.1%
Advertising	70,500	102,500	32,000	45.4%
Freight/Delivery	30,050	33,050	3,000	10.0%
Temporary Help	200,156	285,355	85,199	42.6%
Furniture and Equipment	66,051	184,359	118,308	179.1%
Communication and Utilities	244,478	268,740	24,262	9.9%
Capital Outlay	200,000	19,066	(180,934)	-90.5%
State Office of Risk Management	53,122	39,841	(13,281)	-25.0%
Total Department	$ 21,249,576	$ 22,581,740	$ 1,332,164	6.3%
FTE's	229.00	241.00	12.00	
Method of Finance:				
General Revenue	$ 1,000,398	$ 1,375,321	$ 374,923	37.5%
Earned Federal Funds	909,146	880,370	(28,776)	-3.2%
Federal Funds	7,983,260	6,822,687	(1,160,573)	-14.5%
CDBG Disaster Recovery		1,346,158	1,346,158	
Bond Admin Fees	5,350,191	5,587,757	237,566	4.4%
Housing Tax Credit	4,772,912	5,446,281	673,369	14.1%
Affordable Housing Disposition Fees	659,210	577,978	(81,232)	-12.3%
Interagency Contracts	83,953	78,236	(5,717)	-6.8%
Appropriated Receipts - MH	490,506	466,952	(23,554)	-4.8%
Total, Method of Finance	$ 21,249,576	$ 22,581,740	$ 1,332,164	6.3%

Note: Appropriated Receipts include Bond Administration Fees, Housing Tax Credit Fees, and Affordable Housing Disposition Program Fees.

Texas Department of Housing and Community Affairs
FTEs by Division
Internal Operating Budget
Appropriation Year 2008

	Budget
Executive Administration:	
Executive Office	4.00
Legal Services	8.00
Internal Audit	4.00
Policy and Public Affairs	11.00
Total, Executive Administration	27.00
Agency Administration:	
Human Resources	4.00
Information Services	18.00
Director's Office of Financial Administration	6.00
Accounting Operations	12.00
Financial Services	15.00
Purchasing and Facilities Management	8.00
Portfolio Management and Compliance	33.00
Bond Finance	4.00
Total, Agency Administration	100.00
Disaster Recovery Division	12.00
Housing Programs Division:	
HOME Program	27.00
Office of Colonia Initiatives	7.00
Division Administration-Community Affairs	3.00
Community Services	15.00
Energy Assistance	16.00
Section 8	7.00
Multi Family Finance Production	12.00
Texas Homeownership Program	5.00
Real Estate Analysis	10.00
Total, Housing Programs Division	102.00
Subtotal, Housing and Community Affairs	241.00
Manufactured Housing	64.00
MDSI Contracted FTEs	5.00
Total, Department FTEs	310.00

Note: HB 1, 80th Legislature, Article IX, Section 6.10 (f) and (g) Alllows the Department to exceed the 298 FTE cap for disaster related emergencies as directed by the Governor.

Texas Department of Housing and Community Affairs
Out of State Travel
Fiscal Year 2008

	Budget Draft 2008
Executive Administration:	
Executive Office	15,078
Board	9,751
Legal Services	4,410
Internal Audit	1,500
Policy and Public Affairs	5,145
Total, Executive Administration	35,884
Disaster Recovery Division	8,000
Agency Administration:	
Human Resources	2,000
Information Services	2,520
Director's Office - Financial Administration	2,625
Accounting Operations	1,365
Financial Services	2,452
Purchasing	0
Facilities and Space Management	0
Portfolio Management and Compliance	11,000
Bond Finance	7,660
Total, Agency Administration	29,621
Housing Programs Division:	
HOME Program	11,341
Office of Colonia Initiatives	3,675
Community Affairs - Administration	6,300
Community Services	3,255
Energy Assistance	3,990
Section 8	2,310
Multi Family Housing Production	9,000
Texas Homeownership Program	6,017
Real Estate Analysis	6,000
Total, Housing Programs Division	51,887
Department Total	125,392

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CAPITAL BUDGET
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	FEDERAL FUNDS	LIHTC	AHDP	BOND ADMIN FEES
Salaries					
Payroll Related Costs					
Travel In-State					
Travel Out-of-State					
Professional Fees	0				
Materials/Supplies	0				
Repairs/Maintenance	0				
Printing and Reproduction	0				
Rental/Lease	0				
Membership Dues	0				
Staff Development	0				
Insurance/Employee Bonds	0				
Employee Tuition	0				
Advertising	0				
Freight/Delivery	0				
Temporary Help	0				
Furniture/Equipment	140,309	48,796	25,795	0	65,718
Communications/Utilities	0				
Capital Outlay	19,066	7,202	2,966	0	8,898
State Office of Risk Management					
Total	159,375	55,998	28,761	0	74,616

Notes:
1. Capital Outlay and Furniture/Equip are Normal Growth/Integrate Systems.
2. Does not tie to the Capital Budget Rider due to $40,625 budgeted in Manufactured Housing for Normal Growth Manufactured Housing also has a $175,000 software system upgrade budgeted in capital outlay for 2008.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CAPITAL BUDGET by PROJECT
FISCAL YEAR 2008

Project Name	Federal Funds	Appropriated Receipts	Total
Normal Growth/Integrate Sysyems			0
Furniture/Equipment (PCs, Printrs, etc)	48,796	91,513	140,309
Capital Outlay (Servers, Network enhancements)	7,202	11,864	19,066
PeopleSoft 8.8 Implementation			0
Community Services/Energy Assistance Contract			0
Section 8 Sysytem			0
Total, Fiscal Year 2008	55,998	103,377	159,375

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
EXECUTIVE ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN FEES	MANUFACT. HOUSING APP REC	LIHTC	AHDP	HOME	CHRP GENERAL REVENUE
Salaries	1,939,287	36,554	772,908	52,417	942,385	0	135,023	
					0			
Travel In-State	73,075	0	36,038	0	31,938	0	5,100	
Travel Out-of-State	35,884	0	17,192	0	18,692	0	0	
Professional Fees	210,500	0	150,250	0	250	0	0	60,000
Materials/Supplies	56,505	0	25,579	0	26,692	0	4,234	
Repairs/Maintenance	27,445	0	11,971	0	13,241	0	2,233	
Printing and Reproduction	20,078	0	9,765	0	5,228	0	5,086	
Rental/Lease	7,602	0	3,386	0	3,687	0	529	
Membership Dues	9,000	0	3,500	0	5,350	0	150	
Staff Development	68,405	0	31,203	0	35,403	0	1,800	
Insurance/Employee Bonds	8,964	0	3,818	0	4,299	0	847	
Employee Tuition	2,700	0	0	0	2,700	0	0	
Advertising	1,200	0	450	0	750	0	0	
Freight/Delivery	7,300	0	3,550	0	3,600	0	150	
Temporary Help	84,773	0	41,892	0	39,971	0	2,910	
Furniture/Equipment	5,200	0	2,600	0	2,600	0	0	
Communications/Utilities	38,027	0	17,243	0	18,527	0	2,258	
Capital Outlay	0	0	0	0	0	0	0	
State Office of Risk Management	1,471	0	0	0	1,471	0	0	
Total	2,597,416	36,554	1,131,344	52,417	1,156,782	0	160,319	60,000

Note:
Executive Administration Includes:
- Executive Office
- Board
- Legal Services
- Internal Audit
- Policy and Public Affairs

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
EXECUTIVE OFFICE
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN FEES	MANUFACT. HOUSING APP REC	LIHTC
Salaries	404,749	0	101,200	10,506	293,043
Travel In-State	20,000		10,000		10,000
Travel Out-of-State	15,078		7,539		7,539
Professional Fees	0		0		0
Materials/Supplies	6,850		3,425		3,425
Repairs/Maintenance	4,103		2,052		2,052
Printing and Reproduction	951		476		476
Rental/Lease	830		415		415
Membership Dues	2,500		1,250		1,250
Staff Development	20,305		10,153		10,153
Insurance/Employee Bonds	1,328		664		664
Employee Tuition	0		0		0
Advertising	0		0		0
Freight/Delivery	3,000		1,500		1,500
Temporary Help	2,989		1,495		1,495
Furniture/Equipment	1,500		750		750
Communications/Utilities	11,921		5,961		5,961
Capital Outlay	0		0		0
State Office of Risk Management	0				
Total	496,104	0	146,878	10,506	338,720

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	EARNEI FEDERA FUNDS	BOND ADMIN FEES		LIHTC
Salaries					
Payroll Related Costs					
Travel In-State	19,000		9,500		9,500
Travel Out-of-State	9,751		4,876		4,876
Professional Fees	500		250		250
Materials/Supplies	2,021		1,011		1,011
Repairs/Maintenance	1,000		500		500
Printing and Reproduction	536		268		268
Rental/Lease	2,000		1,000		1,000
Membership Dues	1,000		500		500
Staff Development	21,000		10,500		10,500
Insurance/Employee Bonds	0		0		0
Employee Tuition	0		0		0
Advertising	500		250		250
Freight/Delivery	3,000		1,500		1,500
Temporary Help	15,000		7,500		7,500
Furniture/Equipment	1,000		500		500
Communications/Utilities	0		0		0
Capital Outlay	0				
State Office of Risk Management					
Total	76,308	0	38,154	0	38,154

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
LEGAL SERVICES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	EARNEI FEDERA FUNDS	BOND ADMIN FEES	AHDP	LIHTC	MANUFACT. HOUSING APP REC
Salaries	594,458	0	289,828	0	304,630	0
Travel In-State	4,075		2,038		2,038	
Travel Out-of-State	4,410		2,205		2,205	
Professional Fees	150,000		150,000			
Materials/Supplies	25,321		12,661		12,661	
Repairs/Maintenance	7,206		3,603		3,603	
Printing and Reproduction	830		415		415	
Rental/Lease	1,660		830		830	
Membership Dues	2,000		1,000		1,000	
Staff Development	8,100		4,050		4,050	
Insurance/Employee Bonds	2,656		1,328		1,328	
Employee Tuition	0		0		0	
Advertising	400		200		200	
Freight/Delivery	600		300		300	
Temporary Help	55,477		27,739		27,739	
Furniture/Equipment	1,800		900		900	
Communications/Utilities	7,082		3,541		3,541	
Capital Outlay	0		0		0	
State Office of Risk Management	0					
Total	866,075	0	500,636	0	365,439	0

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	AHDP	MANUFACT. HOUSING APP REC	LIHTC
Salaries	256,047	36,554	0	24,370	195,123
Travel In-State	1,000				1,000
Travel Out-of-State	1,500				1,500
Professional Fees	0				0
Materials/Supplies	5,347				5,347
Repairs/Maintenance	3,503				3,503
Printing and Reproduction	549				549
Rental/Lease	830				830
Membership Dues	2,000				2,000
Staff Development	6,000				6,000
Insurance/Employee Bonds	1,328				1,328
Employee Tuition	2,700				2,700
Advertising	300				300
Freight/Delivery	200				200
Temporary Help	989				989
Furniture/Equipment	0				0
Communications/Utilities	3,541				3,541
Capital Outlay	0				0
State Office of Risk Management	0				0
Total	285,834	36,554	0	24,370	224,910

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
POLICY AND PUBLIC AFFAIRS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	EARNEI FEDERA FUNDS	BOND ADMIN FEES	MANUFACT. HOUSING APP REC	LIHTC	HOME	CHRP GENERAL REVENUE
Salaries	684,033	0	381,880	17,541	149,589	135,023	
	0		0		0	0	
Travel In-State	29,000		14,500		9,400	5,100	
Travel Out-of-State	5,145		2,573		2,573	0	
Professional Fees	60,000		0		0	0	60,000
Materials/Supplies	16,966		8,483		4,249	4,234	
Repairs/Maintenance	11,633		5,817		3,583	2,233	
Printing and Reproduction	17,212		8,606		3,520	5,086	
Rental/Lease	2,282		1,141		612	529	
Membership Dues	1,500		750		600	150	
Staff Development	13,000		6,500		4,700	1,800	
Insurance/Employee Bonds	3,652		1,826		979	847	
Employee Tuition	0		0		0	0	
Advertising	0		0		0	0	
Freight/Delivery	500		250		100	150	
Temporary Help	10,318		5,159		2,249	2,910	
Furniture/Equipment	900		450		450	0	
Communications/Utilities	15,483		7,742		5,484	2,258	
Capital Outlay	0		0		0	0	
State Office of Risk Management	1,471		0		1,471	0	
Total	873,095	0	445,676	17,541	189,559	160,319	60,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING PROGRAMS DIVISION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	OCI GENERAL REVENUE	HTF MULTI FAMILY GENERAL REVENUE	HTF SINGLE FAMILY GENERAL REVENUE	CHRPC GENERAL REVENUE	ORCA IAC	FEDERAL FUNDS	LIHTC	MULTI FAMILY BOND ADMIN FEES	SINGLE FAMILY BOND ADMIN FEES
Salaries	5,743,019	73,475	197,341	247,418		63,607	3,584,079	883,718	222,004	471,378
										0
Travel In-State	276,812	40,000	16,700	12,950		0	167,462	14,325	4,675	20,700
Travel Out-of-State	51,887	3,675	4,635	2,835		0	21,526	8,100	5,100	6,017
Professional Fees	583,200	1,500	1,080	73,200	60,000	0	392,800	43,780	540	10,300
Materials/Supplies	211,034	2,302	13,027	10,674		0	145,402	17,903	9,616	12,110
Repairs/Maintenance	160,825	1,533	11,832	10,956		0	110,865	10,133	7,531	7,976
Printing and Reproduction	40,056	316	4,568	4,330		0	19,641	2,026	971	8,204
Rental/Lease	101,587	5,363	7,340	9,752		0	48,430	7,196	2,392	21,116
Membership Dues	21,999	250	936	836		0	17,277	1,200	500	1,000
Staff Development	88,171	1,500	8,383	6,644		0	35,187	14,818	12,040	9,600
Insurance/Employee Bonds	33,860	581	3,037	2,706		0	18,092	3,784	2,722	2,938
Employee Tuition	6,570	150	675	395		0	2,550	1,580	620	600
Advertising	59,700	500	781	806		0	4,413	1,493	608	51,100
Freight/Delivery	15,000	250	1,562	1,237		0	6,374	1,913	438	3,228
Temporary Help	100,705	2,808	10,261	7,414		0	35,967	22,497	13,446	8,313
Furniture/Equipment	9,790	750	384	954		0	4,558	315	505	2,325
Communications/Utilities	110,075	2,949	9,731	9,046		0	53,569	13,571	8,324	12,884
Capital Outlay	0	0	0	0		0	0	0	0	0
State Office of Risk Management	17,630	217	419	894		0	10,307	1,720	834	3,239
Total	7,631,920	138,118	292,692	403,047	60,000	63,607	4,678,496	1,050,071	292,864	653,026

Note:
Housing Programs Division Includes:
- Office of Colonia Initiatives
- Community Affairs
- Multi Family Finance Production
- Texas Homeownership Program
- Real Estate Analysis
- HOME Program

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
OFFICE OF COLONIA INITIATIVES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	HOME	IAC ORCA	GENERAL REVENUE	HTF SINGLE FAMILY GENERAL REVENUE	BOND ADMIN FEES
Salaries	444,205	0	63,607	73,475	73,475	233,649
Travel In-State	40,000			40,000		
Travel Out-of-State	3,675			3,675		
Professional Fees	6,000			1,500	1,200	3,300
Materials/Supplies	9,208			2,302	1,842	5,064
Repairs/Maintenance	6,130			1,533	1,226	3,372
Printing and Reproduction	1,262			316	252	694
Rental/Lease	21,452			5,363	4,290	11,799
Membership Dues	1,000			250	200	550
Staff Development	6,000			1,500	1,200	3,300
Insurance/Employee Bonds	2,324			581	465	1,278
Employee Tuition	600			150	120	330
Advertising	2,000			500	400	1,100
Freight/Delivery	1,000			250	200	550
Temporary Help	11,230			2,808	2,246	6,177
Furniture/Equipment	3,000			750	600	1,650
Communications/Utilities	11,797			2,949	2,359	6,488
Capital Outlay	0					
State Office of Risk Management	1,070			217		853
Total	571,954	0	63,607	138,118	90,075	280,154

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
COMMUNITY AFFAIRS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED		GENERAL REVENUE ENTERP	FEDERAL FUNDS	SYSTEM BENEFIT FUND	GENERAL REVENUE SUPPORT	BOND ADMIN FEES
Salaries	2,155,831	0	0	2,155,831	0	0	0
Travel In-State	141,562	0	0	141,562	0	0	0
Travel Out-of-State	15,855	0	0	15,855	0	0	0
Professional Fees	148,000	0	0	148,000	0	0	0
Materials/Supplies	127,737	0	0	127,737	0	0	0
Repairs/Maintenance	91,405	0	0	91,405	0	0	0
Printing and Reproduction	11,485	0	0	11,485	0	0	0
Rental/Lease	37,506	0	0	37,506	0	0	0
Membership Dues	16,005	0	0	16,005	0	0	0
Staff Development	24,300	0	0	24,300	0	0	0
Insurance/Employee Bonds	13,610	0	0	13,610	0	0	0
Employee Tuition	2,000	0	0	2,000	0	0	0
Advertising	3,600	0	0	3,600	0	0	0
Freight/Delivery	4,300	0	0	4,300	0	0	0
Temporary Help	25,631	0	0	25,631	0	0	0
Furniture/Equipment	3,850	0	0	3,850	0	0	0
Communications/Utilities	40,196	0	0	40,196	0	0	0
Capital Outlay	0	0	0	0	0	0	0
State Office of Risk Management	8,561	0	0	8,561	0	0	0
Total	2,871,434	0	0	2,871,434	0	0	0

Note:
Community Affairs Includes:
Administration - Community Affairs
Community Services Program
Energy Assistance Program
Section 8

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
ADMINISTRATION-COMMUNITY AFFAIRS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	CSBG	DOE GRANTEE	LIHEAP	SUPPORT GENERAL REVENUE	BOND ADMIN FEES
Salaries	205,219	83,632	0	121,588	0	0
Travel In-State	5,000	2,500		2,500		
Travel Out-of-State	6,300	3,150		3,150		
Professional Fees	4,000	2,000		2,000		
Materials/Supplies	3,621	1,811		1,811		
Repairs/Maintenance	3,127	1,564		1,564		
Printing and Reproduction	847	424		424		
Rental/Lease	1,622	811		811		
Membership Dues	1,500	750		750		
Staff Development	3,000	1,500		1,500		
Insurance/Employee Bonds	996	498		498		
Employee Tuition	0	0		0		
Advertising	0	0		0		
Freight/Delivery	500	250		250		
Temporary Help	2,241	1,121		1,121		
Furniture/Equipment	1,100	550		550		
Communications/Utilities	2,656	1,328		1,328		
Capital Outlay	0	0		0		
State Office of Risk Management	0	0		0		
Total	241,729	101,887	0	139,843	0	0

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
COMMUNITY SERVICES PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	COMM SRVC BLK GRNT	EMERGENCY SHELTER
Salaries	804,399	601,657	202,742
Travel In-State	50,000	32,500	17,500
Travel Out-of-State	3,255	2,116	1,139
Professional Fees	74,000	74,000	
Materials/Supplies	19,873	19,873	
Repairs/Maintenance	26,136	26,136	
Printing and Reproduction	4,770	4,770	
Rental/Lease	24,112	24,112	
Membership Dues	7,050	7,050	
Staff Development	11,000	11,000	
Insurance/Employee Bonds	4,979	4,979	
Employee Tuition	2,000	2,000	
Advertising	0	0	
Freight/Delivery	1,000	1,000	
Temporary Help	8,706	8,706	
Furniture/Equipment	2,150	2,150	
Communications/Utilities	14,779	14,779	
Capital Outlay	0	0	
State Office of Risk Management	2,872	2,872	
Total	1,061,081	839,700	221,382

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
ENERGY ASSISTANCE PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	DOE T&TA	DOE GRANTEE	LIHEAP	SYSTEM BENEFIT FUND
Salaries	812,988	90,874	118,055	604,058	
Travel In-State	73,562	14,712	22,069	36,781	
Travel Out-of-State	3,990	798	1,197	1,995	
Professional Fees	56,000	16,800	16,800	22,400	
Materials/Supplies	93,520			93,520	
Repairs/Maintenance	47,012			47,012	
Printing and Reproduction	3,267			3,267	
Rental/Lease	10,320			10,320	
Membership Dues	6,455			6,455	
Staff Development	4,500			4,500	
Insurance/Employee Bonds	5,311			5,311	
Employee Tuition	0			0	
Advertising	3,000			3,000	
Freight/Delivery	2,500			2,500	
Temporary Help	6,954			6,954	
Furniture/Equipment	600			600	
Communications/Utilities	16,564			16,564	
Capital Outlay	0			0	
State Office of Risk Management	3,460			3,460	
Total	1,150,003	123,185	158,121	868,698	0

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
SECTION 8 - RENTAL ASSISTANCE PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	SECTION 8
Salaries	333,224	333,224
Travel In-State	13,000	13,000
Travel Out-of-State	2,310	2,310
Professional Fees	14,000	14,000
Materials/Supplies	10,723	10,723
Repairs/Maintenance	15,130	15,130
Printing and Reproduction	2,601	2,601
Rental/Lease	1,452	1,452
Membership Dues	1,000	1,000
Staff Development	5,800	5,800
Insurance/Employee Bonds	2,324	2,324
Employee Tuition	0	0
Advertising	600	600
Freight/Delivery	300	300
Temporary Help	7,730	7,730
Furniture/Equipment	0	0
Communications/Utilities	6,197	6,197
Capital Outlay	0	0
State Office of Risk Management	2,229	2,229
Total	418,620	418,620

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY FINANCE PRODUCTION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	LIHTC FEES	MULTI FAMILY BOND ADMIN FEES	HOME	HTF MULTI FAMILY GENERAL REVENUE
Salaries	713,070	512,841	136,922		63,306
Travel In-State	18,750	13,125	1,875		3,750
Travel Out-of-State	9,000	6,300	900		1,800
Professional Fees	5,400	3,780	540		1,080
Materials/Supplies	20,973	14,681	2,097		4,195
Repairs/Maintenance	10,509	7,356	1,051		2,102
Printing and Reproduction	2,450	1,715	245		490
Rental/Lease	9,390	6,573	939		1,878
Membership Dues	1,500	1,050	150		300
Staff Development	14,697	10,288	1,470		2,939
Insurance/Employee Bonds	3,983	2,788	398		797
Employee Tuition	2,000	1,400	200		400
Advertising	1,875	1,313	188		375
Freight/Delivery	2,625	1,838	263		525
Temporary Help	25,466	17,826	2,547		5,093
Furniture/Equipment	150	105	15		30
Communications/Utilities	15,223	10,656	1,522		3,045
Capital Outlay					
State Office of Risk Management	2,972	1,720	834		419
Total	860,033	615,355	152,155	0	92,523

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
TEXAS HOMEOWNERSHIP PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	HOME	SINGLE FAMILY BOND ADMIN FEES	SINGLE FAMILY HTF
Salaries	332,170		237,729	94,442
Travel In-State	20,700		20,700	
Travel Out-of-State	6,017		6,017	
Professional Fees	79,000		7,000	72,000
Materials/Supplies	7,046		7,046	
Repairs/Maintenance	4,604		4,604	
Printing and Reproduction	7,510		7,510	
Rental/Lease	9,317		9,317	
Membership Dues	450		450	
Staff Development	6,300		6,300	
Insurance/Employee Bonds	1,660		1,660	
Employee Tuition	270		270	
Advertising	50,000		50,000	
Freight/Delivery	2,678		2,678	
Temporary Help	2,136		2,136	
Furniture/Equipment	675		675	
Communications/Utilities	6,396		6,396	
Capital Outlay				
State Office of Risk Management	2,386		2,386	
Total	539,314	0	372,872	166,442

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REAL ESTATE ANALYSIS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	LIHTC	HOME	CHRPC GENERAL REVENUE	HTF MULTI FAMILY GENERAL REVENUE	MULTI FAMILY BOND ADMIN FEES
Salaries	567,213	370,876	56,721		54,533	85,082
Travel In-State	4,000	1,200				2,800
Travel Out-of-State	6,000	1,800				4,200
Professional Fees	100,000	40,000		60,000		
Materials/Supplies	10,741	3,222				7,519
Repairs/Maintenance	9,257	2,777				6,480
Printing and Reproduction	1,037	311				726
Rental/Lease	2,075	623				1,453
Membership Dues	500	150				350
Staff Development	15,100	4,530				10,570
Insurance/Employee Bonds	3,320	996				2,324
Employee Tuition	600	180				420
Advertising	600	180				420
Freight/Delivery	250	75				175
Temporary Help	15,570	4,671				10,899
Furniture/Equipment	700	210				490
Communications/Utilities	9,717	2,915				6,802
Capital Outlay	0					
State Office of Risk Management	0					
Total	746,679	434,716	56,721	60,000	54,533	140,708

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOME PROGRAM
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	HOME SINGLE FAMILY	HOME MULTI FAMILY	HOUSING TRUST FUND SINGLE FAMILY	HOUSING TRUST FUND MULTI FAMILY
Salaries	1,530,529	915,343	456,184	79,501	79,501
	0				
Travel In-State	51,800	12,950	12,950	12,950	12,950
Travel Out-of-State	11,341	2,835	2,835	2,835	2,835
Professional Fees	244,800	244,800			
Materials/Supplies	35,330	8,832	8,832	8,832	8,832
Repairs/Maintenance	38,920	9,730	9,730	9,730	9,730
Printing and Reproduction	16,312	4,078	4,078	4,078	4,078
Rental/Lease	21,847	5,462	5,462	5,462	5,462
Membership Dues	2,544	636	636	636	636
Staff Development	21,774	5,444	5,444	5,444	5,444
Insurance/Employee Bonds	8,963	2,241	2,241	2,241	2,241
Employee Tuition	1,100	275	275	275	275
Advertising	1,625	406	406	406	406
Freight/Delivery	4,148	1,037	1,037	1,037	1,037
Temporary Help	20,672	5,168	5,168	5,168	5,168
Furniture/Equipment	1,415	354	354	354	354
Communications/Utilities	26,746	6,687	6,687	6,687	6,687
Capital Outlay	0				
State Office of Risk Management	2,640	1,746		894	
Total	2,042,506	1,228,023	522,318	146,530	145,635

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
DISASTER RECOVERY DIVISION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	CDBG DISASTER RECOVERY
Salaries	750,517	750,517
Travel In-State	47,000	47,000
Travel Out-of-State	8,000	8,000
Professional Fees	110,000	110,000
Materials/Supplies	17,452	17,452
Repairs/Maintenance	86,009	86,009
Printing and Reproduction	8,245	8,245
Rental/Lease	9,990	9,990
Membership Dues	1,500	1,500
Staff Development	15,000	15,000
Insurance/Employee Bonds	3,983	3,983
Employee Tuition	600	600
Advertising	5,000	5,000
Freight/Delivery	3,000	3,000
Temporary Help	22,966	22,966
Furniture/Equipment	15,000	15,000
Communications/Utilities	16,753	16,753
Capital Outlay	0	0
State Office of Risk Management	0	0
Total	1,121,015	1,121,015

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
AGENCY ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE	EARNED FEDERAL FUNDS	BOND ADMIN FEES	MANUFACT. HOUSING APP REC	LIHTC	SINGLE FAMILY HOME	AHDP	PMC FEDERAL FUNDS	PMC MULTI FAMILY BOND ADMIN FEES	CDBG DISASTER RECOVERY
Salaries	5,877,389	168,759	592,845	2,066,573	327,219	1,787,221	99,564	140,027	652,478	0	42,703
Travel In-State	150,700	6,200	4,500	26,750	0	88,500	0	0	24,750	0	0
Travel Out-of-State	29,621	1,260	1,024	13,708	0	8,130	0	0	5,500	0	0
Professional Fees	834,045	0	2,250	149,550	0	231,500	0	405,745	45,000	0	0
Materials/Supplies	122,745	16,338	9,347	41,228	0	41,323	0	0	14,509	0	0
Repairs/Maintenance	209,074	13,813	46,507	107,184	0	30,884	0	0	10,687	0	0
Printing and Reproduction	23,298	1,710	2,139	5,904	0	9,180	0	0	4,365	0	0
Rental/Lease	38,822	4,015	1,868	9,615	0	16,189	0	0	7,135	0	0
Membership Dues	49,932	740	525	40,861	0	5,980	0	0	1,826	0	0
Staff Development	132,468	15,936	15,750	41,314	0	52,868	0	0	6,600	0	0
Insurance/Employee Bonds	45,195	3,784	2,987	23,984	0	10,503	0	0	3,937	0	0
Employee Tuition	7,430	1,200	675	2,825	0	2,400	0	0	330	0	0
Advertising	36,600	930	900	8,395	0	25,875	0	0	500	0	0
Freight/Delivery	7,750	560	375	4,165	0	1,650	0	0	1,000	0	0
Temporary Help	76,911	13,117	6,725	23,069	0	24,469	0	0	9,531	0	0
Furniture/Equipment	14,060	720	600	6,530	0	5,550	0	0	660	0	0
Communications/Utilities	103,885	13,502	7,967	39,572	0	31,704	0	0	11,140	0	0
Capital Outlay	0	0	0	0	0	0	0	0	0	0	0
State Office of Risk Management	20,741	872	2,071	12,121	0	5,677	0	0	0	0	0
Total	7,780,666	263,456	699,054	2,623,349	327,219	2,379,602	99,564	545,772	799,947	0	42,703

Note:
Agency Administration Includes:
- Human Resources
- Information Systems
- Financial Administration
- Portfolio Management and Compliance
- Bond Finance

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HUMAN RESOURCES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	GENERAL EVENU	AHDP	LIHTC	MANUFACT. HOUSING APP REC
Salaries	241,518	0	57,952	143,229	40,337
Travel In-State	500			500	
Travel Out-of-State	2,000			2,000	
Professional Fees	7,500			7,500	
Materials/Supplies	5,839			5,839	
Repairs/Maintenance	3,803			3,803	
Printing and Reproduction	576			576	
Rental/Lease	830			830	
Membership Dues	880			880	
Staff Development	25,368			25,368	
Insurance/Employee Bonds	1,328			1,328	
Employee Tuition	0			0	
Advertising	25,000			25,000	
Freight/Delivery	350			350	
Temporary Help	3,989			3,989	
Furniture/Equipment	600			600	
Communications/Utilities	3,541			3,541	
Capital Outlay	0			0	
State Office of Risk Management	0				
Total	323,622	0	57,952	225,333	40,337

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INFORMATION SYSTEMS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	GENERAL REVENUE	BOND ADMIN FEES	MANUFACT. HOUSING APP REC	LIHTC
Salaries	1,152,607	66,205	454,927	110,342	521,132
Travel In-State	10,000	5,000	2,500		2,500
Travel Out-of-State	2,520	1,260	630		630
Professional Fees	0	0	0		0
Materials/Supplies	27,790	13,895	6,948		6,948
Repairs/Maintenance	23,063	11,532	5,766		5,766
Printing and Reproduction	2,671	1,336	668		668
Rental/Lease	7,034	3,517	1,759		1,759
Membership Dues	1,000	500	250		250
Staff Development	30,000	15,000	7,500		7,500
Insurance/Employee Bonds	5,975	2,988	1,494		1,494
Employee Tuition	0	0	0		0
Advertising	1,500	750	375		375
Freight/Delivery	1,000	500	250		250
Temporary Help	21,447	10,724	5,362		5,362
Furniture/Equipment	600	300	150		150
Communications/Utilities	22,754	11,377	5,689		5,689
Capital Outlay	0		0		0
State Office of Risk Management	3,161	483	2,678		
Total	1,313,122	145,366	496,943	110,342	560,471

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FINANCIAL ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN FEES	LIHTC	SINGLE FAMILY HOME	MANUFACT. HOUSING APP REC	GENERAL REVENUE
Salaries	2,371,499	592,845	1,315,372	84,625	99,564	176,540	102,554
			0	0		0	
Travel In-State	23,950	4,500	17,750	500	0	0	1,200
Travel Out-of-State	6,442	1,024	5,418	0	0	0	0
Professional Fees	147,800	2,250	145,550	0	0	0	0
Materials/Supplies	42,466	9,347	28,515	2,162	0	0	2,443
Repairs/Maintenance	149,205	46,507	97,915	2,502	0	0	2,282
Printing and Reproduction	7,676	2,139	4,420	743	0	0	374
Rental/Lease	10,107	1,868	7,027	715	0	0	498
Membership Dues	5,510	525	4,575	170	0	0	240
Staff Development	45,500	15,750	26,814	2,000	0	0	936
Insurance/Employee Bonds	25,610	2,987	21,162	664	0	0	797
Employee Tuition	4,100	675	2,225	0	0	0	1,200
Advertising	2,100	900	1,020	0	0	0	180
Freight/Delivery	2,400	375	1,915	50	0	0	60
Temporary Help	32,731	6,725	16,719	6,895	0	0	2,393
Furniture/Equipment	10,000	600	5,380	3,600	0	0	420
Communications/Utilities	40,745	7,967	28,093	2,561	0	0	2,125
Capital Outlay	0	0	0	0	0	0	0
State Office of Risk Management	11,903	2,071	9,443	0	0	0	389
Total	2,939,744	699,054	1,739,311	107,185	99,564	176,540	118,090

Note:
Financial Administration Includes:
- Director's Office
- Accounting Operations
- Financial Services
- Purchasing and Facilities Management

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
DIRECTOR'S OFFICE of FINANCIAL ADMINISTRATION
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN. FEES	LIHTC	AHDP	MANUFACT. HOUSING APP REC	GENERAL REVENUE
Salaries	425,041	44,137	273,614	0	0	47,104	60,187
Travel In-State	7,000		7,000				
Travel Out-of-State	2,625		2,625				
Professional Fees	17,000		17,000				
Materials/Supplies	6,738		6,738				
Repairs/Maintenance	5,254		5,254				
Printing and Reproduction	1,158		1,158				
Rental/Lease	2,245		2,245				
Membership Dues	1,000		1,000				
Staff Development	3,000		3,000				
Insurance/Employee Bonds	1,992		1,992				
Employee Tuition	600		600				
Advertising	600		600				
Freight/Delivery	700		700				
Temporary Help	2,281		2,281				
Furniture/Equipment	500		500				
Communications/Utilities	5,811		5,811				
Capital Outlay	0		0				
State Office of Risk Management	8,654		8,473				181
Total	492,199	44,137	340,591	0	0	47,104	60,368

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
ACCOUNTING OPERATIONS
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	EARNED FEDERAL FUNDS	BOND ADMIN FEES	LIHTC	AHDP	MANUFACT. HOUSING APP REC	GENERAL REVENUE
Salaries	704,284	548,708	78,648	0	0	76,927	0
Travel In-State	6,000	4,500	1,500				
Travel Out-of-State	1,365	1,024	341				
Professional Fees	3,000	2,250	750				
Materials/Supplies	12,463	9,347	3,116				
Repairs/Maintenance	62,009	46,507	15,502				
Printing and Reproduction	2,852	2,139	713				
Rental/Lease	2,490	1,868	623				
Membership Dues	700	525	175				
Staff Development	21,000	15,750	5,250				
Insurance/Employee Bonds	3,983	2,987	996				
Employee Tuition	900	675	225				
Advertising	1,200	900	300				
Freight/Delivery	500	375	125				
Temporary Help	8,966	6,725	2,242				
Furniture/Equipment	800	600	200				
Communications/Utilities	10,623	7,967	2,656				
Capital Outlay	0	0	0				
State Office of Risk Management	2,071	2,071					
Total	845,206	654,917	113,361	0	0	76,927	0

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FINANCIAL SERVICES
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	BOND ADMIN FEES	EARNED FEDERAL FUNDS	SINGLE FAMILY HOME
Salaries	837,405	737,841	0	99,564
Travel In-State	7,950	7,950		
Travel Out-of-State	2,452	2,452		
Professional Fees	127,800	127,800		
Materials/Supplies	14,871	14,871		
Repairs/Maintenance	73,136	73,136		
Printing and Reproduction	1,556	1,556		
Rental/Lease	3,112	3,112		
Membership Dues	3,070	3,070		
Staff Development	15,940	15,940		
Insurance/Employee Bonds	16,979	16,979		
Employee Tuition	600	600		
Advertising	0	0		
Freight/Delivery	1,000	1,000		
Temporary Help	3,706	3,706		
Furniture/Equipment	800	800		
Communications/Utilities	15,649	15,649		
Capital Outlay	0	0		
State Office of Risk Management	0	0		
Total	1,126,026	1,026,462	0	99,564

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
PURCHASING and FACILITIES MANAGEMENT
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	GENERA EVENU	BOND ADMIN FEES	LIHTC	MANUFACT. HOUSING APP REC
Salaries	404,769	42,367	225,268	84,625	52,508
Travel In-State	3,000	1,200	1,300	500	
Travel Out-of-State	0	0	0	0	
Professional Fees	0	0	0	0	
Materials/Supplies	8,394	2,443	3,790	2,162	
Repairs/Maintenance	8,806	2,282	4,023	2,502	
Printing and Reproduction	2,110	374	993	743	
Rental/Lease	2,260	498	1,047	715	
Membership Dues	740	240	330	170	
Staff Development	5,560	936	2,624	2,000	
Insurance/Employee Bonds	2,656	797	1,195	664	
Employee Tuition	2,000	1,200	800	0	
Advertising	300	180	120	0	
Freight/Delivery	200	60	90	50	
Temporary Help	17,778	2,393	8,490	6,895	
Furniture/Equipment	7,900	420	3,880	3,600	
Communications/Utilities	8,662	2,125	3,977	2,561	
Capital Outlay	0	0	0	0	
State Office of Risk Management	1,178	208	970	0	
Total	476,313	57,722	258,897	107,185	52,508

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
PORTFOLIO MANAGEMENT and COMPLIANCE
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	CDBG DISASTER RECOVERY	HOME	MULTI FAMILY BOND ADMIN FEES	AHDP	TAX CREDIT
Salaries	1,815,491	42,703	652,478	0	82,075	1,038,235
Travel In-State	109,750		24,750			85,000
Travel Out-of-State	11,000		5,500			5,500
Professional Fees	674,745		45,000		405,745	224,000
Materials/Supplies	40,884		14,509			26,375
Repairs/Maintenance	29,500		10,687			18,813
Printing and Reproduction	11,558		4,365			7,193
Rental/Lease	20,021		7,135			12,886
Membership Dues	6,506		1,826			4,680
Staff Development	24,600		6,600			18,000
Insurance/Employee Bonds	10,954		3,937			7,017
Employee Tuition	2,730		330			2,400
Advertising	1,000		500			500
Freight/Delivery	2,000		1,000			1,000
Temporary Help	17,755		9,531			8,224
Furniture/Equipment	1,860		660			1,200
Communications/Utilities	31,054		11,140			19,914
Capital Outlay	0		0			0
State Office of Risk Management	5,677					5,677
Total	2,817,084	42,703	799,947	0	487,820	1,486,614

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOND FINANCE
ANNUAL OPERATING BUDGET
SEPTEMBER 01, 2007 thru AUGUST 31, 2008

BUDGET CATEGORIES	BUDGETED	SINGLE FAMILY BOND ADMIN FEES
Salaries	296,275	296,275
Travel In-State	6,500	6,500
Travel Out-of-State	7,660	7,660
Professional Fees	4,000	4,000
Materials/Supplies	5,766	5,766
Repairs/Maintenance	3,503	3,503
Printing and Reproduction	817	817
Rental/Lease	830	830
Membership Dues	36,036	36,036
Staff Development	7,000	7,000
Insurance/Employee Bonds	1,328	1,328
Employee Tuition	600	600
Advertising	7,000	7,000
Freight/Delivery	2,000	2,000
Temporary Help	989	989
Furniture/Equipment	1,000	1,000
Communications/Utilities	5,791	5,791
Capital Outlay	0	0
State Office of Risk Management	0	
Total	387,095	387,095

Financial Administration Division
Board Action Request
July 12, 2007

Discussion Item

The Department staff will present the FY 2008 Draft Housing Finance Operating Budget.

No Required Action

The Board consider for discussion purposes the attached FY 2008 Draft Housing Finance Operating Budget for fiscal year beginning September 1, 2007 through August 31, 2008. A final draft will be presented for approval at the July 30th Board Meeting.

Background

In accordance with Section 2306.113 of the Texas Government Code, the Department shall create a separate annual budget for the Housing Finance Division to certify the housing program fee revenue that supports the Department. The Housing Finance Operating Budget for FY 2008 is within the appropriations approved by the 80th Legislature. This budget is a subset of the whole operating budget and shows the Housing Finance revenues that support the budget.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

DRAFT
ANNUAL HOUSING FINANCE OPERATING BUDGET

FISCAL YEAR 2008

Prepared by the Financial Administration Division

Texas Department of Housing and Community Affairs
Housing Finance Budget
Appropriated Receipts
Fiscal Year 2008

Budget Category	Executive Administration	Agency Administration	Housing Programs Division	Capital Budget	Payroll Related Costs	Total Appropriated Receipts
Salaries	1,715,293	3,993,821	1,577,100			7,286,213
Payroll Related Costs					1,675,829	1,675,829
Travel In-State	67,975	115,250	39,700			222,925
Travel Out-of-State	35,884	21,838	19,216			76,938
Professional Fees	150,500	786,795	54,620			991,915
Materials/Supplies	52,271	82,551	39,629			174,452
Repairs/Maintenance	25,212	138,067	25,640			188,919
Printing and Reproduction	14,992	15,084	11,201			41,277
Rental/Lease	7,073	25,804	30,703			63,580
Membership Dues	8,850	46,841	2,700			58,391
Staff Development	66,605	94,182	36,458			197,245
Insurance/Employee Bonds	8,117	34,487	9,445			52,049
Employee Tuition	2,700	5,225	2,800			10,725
Advertising	1,200	34,270	53,200			88,670
Freight/Delivery	7,150	5,815	5,578			18,543
Temporary Help	81,863	47,539	44,255			173,657
Furniture/Equipment	5,200	12,080	3,145	91,513		111,938
Communications/Utilities	35,770	71,276	34,780			141,825
Capital Outlay	0	0	0	11,864		11,864
State Office of Risk Management	1,471	17,798	5,792	0		25,061
Total, Approprated Receipts	2,288,126	5,548,723	1,995,961	103,377	1,675,829	11,612,015

Method of Finance:	
Bond Administration Fees	5,587,757
Housing Tax Credit Fees	5,446,281
Affordable Housing Disposition Program Fees	577,978
Total, Method of Finance	11,612,015

Note: Appropriated Receipts include Bond Administration Fees, Housing Tax Credit Fees, and Affordable Housing Disposition Program Fees.

Board Item 3a

Presentation, Discussion and Possible Action for the 2007 Competitive Housing Tax Credits Appeals of Credit Underwriting Reports

07272 Plantation Valley Estates, Krum

Real Estate Analysis Division

BOARD ACTION ITEM

July 12, 2007

Item

Presentation, discussion and possible action on a timely filed appeal regarding the underwriting recommendation of a development under the 2007 Competitive Housing Tax Credit program, #07272 Plantation Valley Estates, Krum, Denton County, Texas.

Required Action

Approve, deny or approve with amendments a determination on the appeal.

Background

Omega CDS, LLC., the General Partner of Plantation Valley Estates, LLC., the Applicant, submitted an application for funding under the 2007 Competitive Housing Tax Credit program to develop 76 multifamily rental units targeting the elderly. The Applicant requested $650,842 in annual tax credits to support a total development budget of $9,023,118. The Applicant submitted a market study which, based upon the Underwriter's independent analysis, should have reflected an inclusive capture rate of at least 77.91% based on new supply from only the subject and turnover from other senior properties in the market area. The application is not recommended for funding since this inclusive capture rate exceeds the Department's maximum of 75% for elderly and rural developments per the 2007 Real Estate Analysis Rules and Guidelines §1.32(i)(1). This issue was identified in the underwriting report and therefore, is considered an appeal of the application's satisfaction of underwriting criteria. Staff also noted that the Market Analyst derived a majority of the market area demand from the City of Denton but excluded any consideration of unstabilized units in the City of Denton by crafting the boundaries of the market area in an unjustified manner creating an irregular shape for the PMA and failing to meet the requirements of §1.33(d)(8) of the 2007 Real Estate Analysis Rules and Guidelines.

The original market area included all of the City of Krum and a majority of the City of Denton within loop 288. The Underwriter believed this was an irregular market area because it splits the Denton community and too narrowly defines the market to exclude one intergenerational development under construction and one proposed senior development which has since withdrawn. The proposed development, Spencer Manor Senior Development, was a tax exempt bond transaction that would have had priority over the subject and was still active as of the March 18 effective date and March 30 original market study report date. Spencer Manor Senior Development withdrew their initial application to and reservation from the Bond Review Board, then reapplied and received a new reservation on February 27, then subsequently withdrew that application on April 9. Thus the Market Analyst would have been required to consider this proposed development in their report, though it is now not considered part of the Underwriter's inclusive capture rate calculation. The other excluded development, Providence Place II, has 100 units targeting seniors and is under construction. Providence Place II is well within the City of Denton and less than a half mile outside of the original narrowly drawn market area. Including the entire City of Denton and the supply from Providence Place II would have clearly resulted in an inclusive capture rate in excess of 75%. In the case of a rural development, using the political boundaries would have been a far more natural boundary for the primary market area than the highway boundary that was chosen by the Market Analyst. In this community there is no real distinction made between the inside or outside of the loop that encircles the central part of the City of Denton.

Staff requested additional information on June 12, 2007 with regard to a market study that could have more appropriately considered a potentially larger market area and could have potentially shown sufficient demand to support the proposed transaction. Novogradac & Company LLP, the Market Analyst, initially agreed to provide the requested additional information. After several delays, however, the Market Analyst indicated in a letter dated June 21, 2007 that they were not comfortable enlarging the market area and asked that the Department accept the conclusion of the original market study.

The Applicant contested the Underwriter's use of a 24% turnover rate which is based upon the actual turnover rate of other TDHCA funded senior development's in this market. The Applicant indicated that the Market Analyst believes that a higher turnover of 30% should be used because seniors living in family units currently will have a higher propensity to relocate to a new seniors only development than seniors already living in a seniors only development. The Market Analyst has provided no data to support this claim other than reflecting that residents in family developments generally turnover at a higher rate than residents at a senior development. The Underwriter's original inclusive capture rate conclusion of 77.91% includes the use of the historical based 24% turnover rate. Had the Underwriter used the Market Analyst's higher turnover estimate the Underwriter's initial inclusive capture rate would have been within the Department's maximum limit.

In the Applicant's appeal, the Applicant attached a copy of the Market Analyst's additional evaluation of a larger market area as originally requested by the Underwriter. This new evaluation is flawed in several critical ways which results in the inclusive capture rate calculation for the alternative market area to exceed the 75% maximum.

The inclusive capture rate conclusion by the Market Analyst should be at least 78.9% based upon the information and assumptions provided in the additional evaluation itself. The Market Analyst calculates a demand from growth based strictly on senior renter households not income eligible senior households. The growth demand should have been adjusted by multiplying by the income eligible percentage of 15.2% as the Market Analyst had done in calculating the turnover demand. Instead the base senior households of 21,142 was multiplied by the 1 year growth estimate of 7.3% and was then multiplied by the renter percentage of 18.8% to arrive at 290 growth demand households. Had eligible income been considered in the same way that it was for turnover, only 44 units of demand from this source would have been included (290 senior renters times 15.2% income eligible household percentage). Thus the total demand should have been 223 from both sources (179 from turnover and 44 from growth) and the inclusive capture rate conclusion from this additional evaluation should have been 78.9% (176 units of unstabilized supply divided by 223 units of demand). It should be noted that the Market Analyst did not provide any of the underlying original HISTA or ERSI data in the new evaluation and the original report contained such data only for the original primary market area.

The corrected inclusive capture rate of 78.9% for the larger market area discussed above includes the Market Analysts higher turnover rate estimate. Without documentation to support the Market Analyst's higher turnover rate estimate of 30%, the historically derived turnover of 24% results in an inclusive capture rate of 92%.

The Market Analyst also made no adjustment for household size. Since all of the proposed units are two bedroom units, one person households included in demand should have been limited. This is because some proportion will not want to rent a two bedroom unit but more importantly those one person households included in the upper end of the income band between $13,950 and $17,950 for the 30% income band and between $27,960 and $35,940 in the 60% income band would not be eligible to live in the property because they would be over income. Thus one person households will only qualify for 11% of the income band and demand should have been adjusted accordingly. This concern was mentioned on the first page of the underwriting report under the "cons" section, but the Underwriter did not adjust for it in the demand and capture rate calculation since the inclusive capture rate was already calculated by the Underwriter as exceeding the Department's maximum.

Recommendation

Staff recommends the Board deny the appeal.

07272 Plantation Valley Estates

Applicant's Appeal

July 3, 2007

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
PO Box 13941
Austin, TX 78711

RE: Appeal of Underwriting Report for HTC App 07272 Plantation Valley Estates

Dear Mr. Gerber:

Please accept this letter as a formal appeal to the Underwriting Report for Housing Tax Credit application 07272, Plantation Valley Estates in Krum.

The Underwriting Report issued by the TDHCA Real Estate Analysis Division on June 26, 2007, does not recommend this application for funding due to two concerns: (1) the Underwriter's independent determination of the inclusive capture rate exceeds 75 percent and (2) the Market Analyst derived a majority of the market area demand from the City of Denton but excluded unstabilized units in the area due to "crafting the boundaries of the market area in an unjustified manner creating an irregular shape for the PMA."

It was recommended that:

> *Any approval of an award for this development should be conditioned upon receipt, review, and acceptance of a revised market study with a Primary Market Area and Inclusive Capture Rate that meets TDHCA guidelines and includes the subject and the 100 units targeting seniors at Providence Place II.*

We respectfully appeal this determination and offer new information regarding the market in response to the Underwriting condition outlined above.

Please see Attachment 1, a revised Primary Market Area outlining demand for units concerning Plantation Valley Estates. The revised market area has been redrawn to include Providence Place II as well as the I-35 corridor, per Mr. Gouris' suggestion.

The revised market area has a population of 231,179, which is within TDHCA guidelines. The senior population is 36,504. Based on this market area, Novogradac has calculated an inclusive capture rate of 37.7 percent, which is significantly lower than the 75 percent limit. In addition, the revised Primary Market Area now includes the unstabilized units within the City of Denton and also includes another significant senior development funded in 2005. We believe that the revised market area with major road and natural geographic boundaries will be acceptable.

As a point of reference related to the acceptability of the revised market area boundaries, I have also included maps of the market areas for Providence Place II (Attachment 2) and

Evergreen at Lewisville, a 2004 4% transaction that added 218 senior units to the area and is already 99 percent occupied (Attachment 3).

While we believe that the revised Primary Market Area that we have submitted will fulfill the conditions outlined by the Real Estate Analysis Division, we would also like to address issues raised within the Underwriting Report. Specifically, we would like to address the following:

- That the independent Capture Rate determined by Underwriting exceeded 75%
- That the Market Study had unjustified boundaries
- That the Market Analyst excluded 2 properties in their analysis

Capture Rate:
The market study found an inclusive capture rate of 71.9 percent, which is within guidelines. The Underwriting Report calculated an inclusive capture rate of 77.9 percent. The Report indicates that the turnover rate for the two senior properties within the Primary Market Area was 24.29 percent rather than the 30 percent estimated by Novogradac, and that the lower turnover rate should have been used in calculations.

In response to this claim, Novogradac submits the following statement:

> *Since the existing senior LIHTC properties have high occupancy with such low turnover, the seniors living at the family LIHTC properties would cause turnover to move to the Subject if constructed. Therefore, market turnover would generally likely be higher.*

Thus, Novogradac was comfortable using the 30 percent turnover rate due to the expectation that seniors will vacate units in existing HTC family properties to relocate to the senior property in question.

Primary Market Area Boundaries:
Section 1.33(d)(8) of the Underwriting rules state that the "Primary Market Area will be defined by the Market Analyst with...250,000 people for Qualified Elderly Developments....(ii)boundaries based on (I) major roads, (II) political boundaries, and (III) natural boundaries."

The primary market area as defined by Novogradac that included the part of the City of Denton was within the boundary of Loop 288, which is a major road and one of the boundary considerations as outlined in the 2007 Real Estate Analysis Rules. See Attachment 4 for original PMA boundaries.

While we understand the concern of "jerry-mandering" boundaries in general, we respectfully disagree that using the major loop around the City of Denton as a boundary constitutes "crafting the boundaries of the market area in an unjustified manner creating an irregular shape for the PMA" as stated in the Underwriting Report.

Exclusion of Properties:
It should be noted that one of the properties mentioned in the Underwriting Report, Spencer Manor Senior Community, that was not addressed in the original or revised market study was a local bond application that had been withdrawn. In addition, the second property, Providence Place II, was outside of the loop of the City of Denton, the major road that was used as the original PMA boundary. As requested by Real Estate Analysis, the revised Primary Market Area included the unstabilized units of Providence Place II.

Conclusion:
In summary, please consider our appeal of the Underwriting Report for HTC application 07272, Plantation Valley Estates in Krum, and consider funding for this development. Based on feedback from Mr. Tom Gouris, Novogradac has revised the Primary Market Area to include Providence Place II as well as include the I-35 corridor south of the site. We believe that the revised Primary Market Area is within underwriting guidelines and accurately reflects the need in a growing area.

In response to the first concern of the Underwriting Report, the inclusive capture rate of the revised market area is 37.7 percent, which is significantly lower than the 75 percent limit. In response to the second concern of the Underwriting Report, the revised Primary Market Area now includes the unstabilized units within the City of Denton and also now includes another significant senior development funded in 2005. We also believe that the revised market area with major road and natural geographic boundaries will be acceptable.

Thank you for your consideration. If you have any questions, please contact me at (512) 789-1295 or ajcarpen@gmail.com.

Regards,

Alyssa Carpenter

Attachment 1

NOVOGRADAC
& COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

Valuation Services

San Francisco	*Long Beach*	*Austin*	*Boston*
Dover, OH	*Kansas City*	*Atlanta*	*Washington D.C.*

June 29, 2007

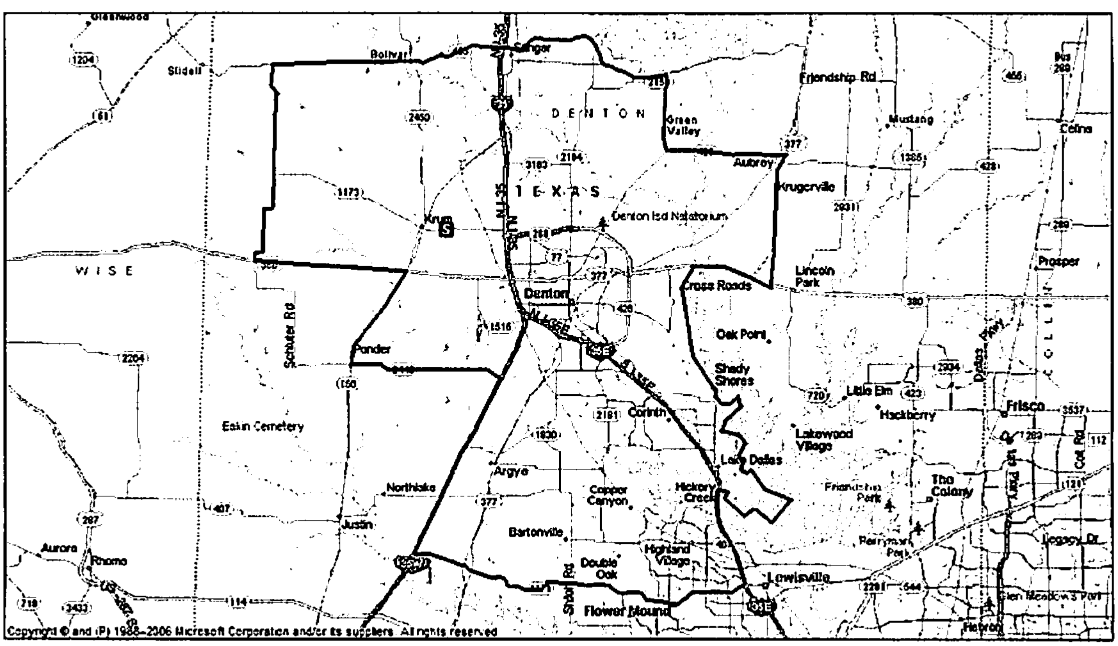
Mr. Tom Gouris
Director of Real Estate Analysis
Texas Departments of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78711

RE: Plantation Valley Estates, Krum, Texas

Dear Mr. Gouris:

Per your request, Novogradac has considered an alternative PMA and demand analysis for the above-referenced age-restricted property. In this letter, we have provided a summary of the new demographic information and a new demand analysis with inclusive capture rate for your consideration.

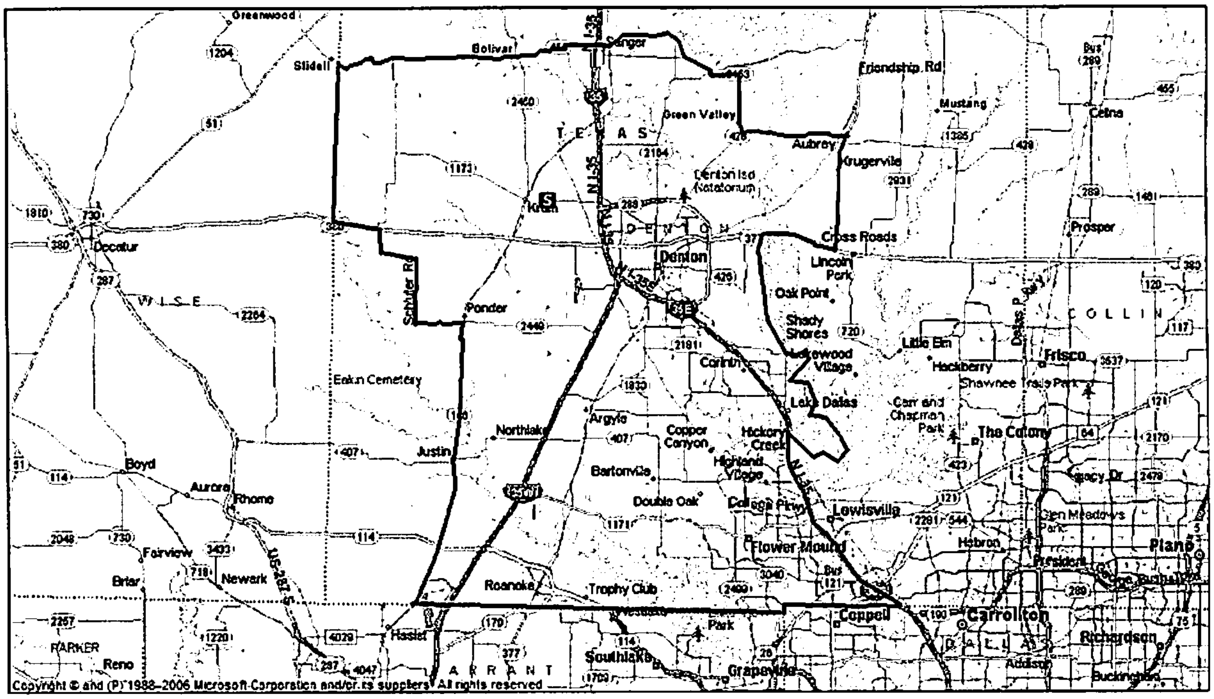
Revised Primary Market Area (PMA)
A possible revised PMA for the Subject property is bounded by South Branch Road, FM-156 and IH-35W to the west, FM-1171 to the south, IH-35E, Lake Dallas and US Highway 377 to the east, and FM-428, FM-455 and FM-2153 to the north. This PMA is depicted in the following map.



11044 Research Blvd, Building C, Suite 400 Austin, Texas 78759 · Phone: 512-340-0420 · Fax: 512-340-0421

Secondary Market Area (SMA)

Similarly, the revised SMA could include the western portions of Denton County. The boundaries of the SMA are Schluter Road, FM-156 and the Denton County line to the west, FM-428, FM-455 and FM-2153 to the north, IH-35E, Lake Dallas and US Highway 377 to the east and the Denton County Line to the south. This SMA is depicted on the map below.



Demographics Summary

The total population of the PMA was 231,179 in 2006 and is projected to be 285,868 by 2011, demonstrating an annual growth rate of approximately 4.7 percent. In comparison, the total population for the SMA was 338,020 in 2006 and is projected to be 420,888 in 2011, demonstrating an annual growth rate of approximately 4.9 percent, which is slightly higher than the PMA. The senior population of the PMA was 36,504 in 2006 and is projected to be 50,349 by 2011, which equates to an annual growth rate of 8.9 percent, which is significantly higher than the growth rate of the general population. The total number of households in the PMA was 81,310 in 2006 and is projected to be 100,337 in 2011, for an annual growth rate of approximately 4.7 percent. The number of senior households in the PMA was 20,884 in 2006 and is projected to be 28,619 by 2011, which is an annual growth rate of approximately 7.4 percent. Approximately 18.8 percent of senior households are renter according to the HISTA data, while the preponderance of seniors, approximately 81.2 percent, own their homes. Overall, the PMA is an area of strong population and household growth, which is projected to show significant growth between 2006 and 2011 with the senior population increasing at nearly twice the rate of the general population. This trend should increase demand for all types of senior housing in the PMA.

Supply Information – Age-restricted Housing

The only unstabilized age-restricted property in the revised PMA is Providence Place II, which received an allocation in 2005. The property has 100 one- and two-bedroom units set-aside at 60 percent of AMI with an age-restriction of 55 and older. According to management, the property has nearly completed construction and is scheduled to open by the end of June 2007. The property will offer microwaves, in-unit washer and dryer connections, carpet and hardwood flooring, a computer lab, fitness center, beauty shop and swimming pool. All 100 of these units will be removed from the demand analysis presented later. It should be noted that another senior property, Evergreen at Lewisville Senior Apartment Community, is located within the newly expanded PMA. This property was allocated in 2004 and offers 218 one- and two-bedroom units set-aside at 50 and 60 percent of AMI. However, according to management, the property is currently 99 percent occupied and has been at least 95 percent occupied for more than 12 months. The one vacant two-bedroom is pre-leased, and the property has 65 households on the waiting list. Management stated that approximately 70 of the residents originate from the Dallas-Fort Worth metro area while the remaining 30 percent are not from the metro area. Since this property has been stabilized for more than 12 months, no units were removed from the demand analysis. Autumn Oaks Senior Apartments is a mixed income senior property that was utilized as a comparable property in the original market study. This property offers 94 one- and two-bedroom units at 50 and 60 percent of AMI as well as market. Autumn Oaks is 100 percent occupied with seven households on the waiting list. Primrose at Sequoia Park is a LIHTC senior property that was also utilized as a comparable property in the original market study. This property offers 205 one- and two-bedroom units at 50 and 60 percent of AMI. Primrose at Sequoia Park is 98 percent occupied with 10 households on the waiting list.

Overall, the potential stabilized comparables LIHTC senior properties in the revised PMA demonstrate very strong demand as evidenced by occupancy rates above 95 percent with pent up demand in the form of waiting lists.

Revised Demand Analysis

The Subject is a proposed 76-unit age-restricted LIHTC property. Per TDHCA guidelines, our estimate of demand for the LIHTC units proposed at the Subject will be based on current households and the projected household growth. Demand will be calculated for each proposed rent level and each bedroom size. Income qualified households will not be double counted.

The results provide an indication of the total number of households that are age and income qualified and currently renters. This analysis includes several assumptions that are necessary because more detailed demographic data is not available. These assumptions include: (1) an even distribution of the number of households within each census income range; (2) an even distribution of the number of households across the household size spectrum; and (3) that the number of persons per unit will be distributed as illustrated on the bedroom demand analysis.

Demand from Existing Households

Number of Existing Households for the Current Year

The total number of senior households in the PMA (55+) in 2006 is 20,884 and the total number of households in 2011 is projected to be 28,619. This is a beginning point for analysis.

Number of Renters

Information provided to us by ESRI indicates that of the occupied senior housing units, senior renter households make up approximately 18.8 percent of the occupied housing unit households in the PMA.

Number of Income Qualified Renter Households

LIHTC rents are based upon a percentage of the AMI, adjusted for household size and utilities. HUD estimates the relevant income levels, with annual updates. Rents are calculated assuming that the maximum net rent a senior household will pay is 40 percent of its income at the appropriate AMI levels.

HUD assumes household size to be 1.5 persons per bedroom for LIHTC rent calculation purposes. We will be using gross rents to determine the minimum income. First, we estimate the Subject minimum and maximum income levels for the proposed LIHTC project. HUD determines maximum income guidelines for tax credit properties based on the area's Average Income. Minimum income levels were calculated based on the assumption that lower income senior households should pay no more than 40 percent of their income to gross rent. Often times lower income families pay a higher percentage of income to rent due to their income level. Although higher income households generally spend a smaller portion of their income on rent, the area is not dominated by high incomes.

Secondly, we illustrate the household population segregated by income band to determine those who are income qualified to reside in the Subject property. Third, we combine the allowable income range with the income distribution analysis to determine the number of potential income qualified households. In some cases the LIHTC income eligible band overlaps with more than one census income range. In those cases, the prorated share of more than one census range will be calculated. This provides an estimate of the total number of households that are income eligible. This also derives an estimate of the percentage of the households that are income eligible.

Other Sources of Demand

For the purposes of this analysis, we have conservatively assumed that there will be no other sources of income qualified demand for the Subject other than existing and new household demand originated from within the revised PMA. Thus, the percentage of income-qualified demand from the secondary market area due to "leakage" is considered to be zero. Also, we have not included the likelihood of attracting existing senior homeowners from within the PMA.

Setting the Minimum and Maximum Eligible Income Ranges

The minimum and maximum household eligible income for the Subject's units based on each scenario is as follows:

INCOME LIMITS

Unit Type	Minimum Allowable Income	Maximum Allowable Income	Minimum Allowable Income	Maximum Allowable Income
	30% AMI		*60% AMI*	
2BR/1BA	$13,470	$17,970	$26,940	$35,940
2BR/2BA	$13,470	$17,970	$26,940	$35,940

The calculations of potential renter household demand by income cohort and overall demand by bedroom type are shown in the following charts:

30% AMI

Income Cohort	2+ Bedroom		
	cohort overlap	*% in cohort*	*# in cohort*
<$15,000	1,530	10.20%	89
$15,000-$24,999	2,970	29.70%	166
$25,000-$34,999			
$35,000-$49,999			
$50,000-$74,999			
$75,000-$99,999			
$100,000+			
Total		**17.25%**	**255**

60% AMI

Income Cohort	2+ Bedroom		
	cohort overlap	*% in cohort*	*# in cohort*
<$15,000			
$15,000-$24,999			
$25,000-$34,999	8,059	80.60%	328
$35,000-$49,999	940	6.27%	21
$50,000-$74,999			
$75,000-$99,999			
$100,000+			
Total		**23.71%**	**350**

All Units

Income Cohort	2+ Bedroom		
	cohort overlap	*% in cohort*	*# in cohort*
<$15,000	1,530	10.20%	89
$15,000-$24,999	2,970	29.70%	166
$25,000-$34,999	8,059	80.60%	328
$35,000-$49,999	940	6.27%	21
$50,000-$74,999			
$75,000-$99,999			
$100,000+			
Total		**40.96%**	**604**

Movership or Turnover Rate

There are numerous sources of information regarding turnover rate, or the percent of renter households who move in a year. The most reliable source is that of the market participants in the Subject's market area. As discussed in the *Competitive Rental Market* section, we interviewed comparable properties on the turnover rate experienced on an annual basis. The LIHTC properties included in the original study reported an overall turnover rate of 29.6 percent. This estimate is lower than the market rate properties average turnover rate of 41.0 percent. Based on the above information, we utilized the annual turnover rate of area LIHTC properties, approximately 29.6 percent for the Subject, which is below the overall average in this market. Thus, an annual turnover rate of 29.6 percent was used in the following demand analysis.

Capture Rate by Bedroom Type

In order to determine demand for the proposed market mix, we also analyzed the demand capture rates expected at the Subject by bedroom type. This analysis illustrates demand for the 30 and 60 percent AMI levels.

30% AMI – LIHTC

30% AMI

Projected Renter Household Demand by Bedroom Size

	Number of Qualified Renter Households
2BR	255
Total	**255**

Capture Rate Analysis - 30% AMI

	Developer's Unit Mix	Capture Rate	Less Unstabilized LIHTC Units in the PMA	Inclusive Capture Rate
2BR	8	3.14%	0	3.14%
Total/Overall	**8**	**3.14%**	**0**	**3.14%**

60% AMI – LIHTC

60% AMI

Projected Renter Household Demand by Bedroom Size

	Number of Qualified Renter Households
2BR	350
Total	**350**

Capture Rate Analysis - 60% AMI

	Developer's Unit Mix	Capture Rate	Less Unstabilized LIHTC Units in the PMA	Inclusive Capture Rate
2BR	68	19.44%	100	48.02%
Total/Overall	**68**	**19.44%**	**100**	**48.02%**

TDHCA Inclusive Capture Rate

Provided below is a calculation for the inclusive capture rate for the 76 LIHTC units at the Subject based on current TDHCA guidelines. These calculations derive an estimate of penetration required to lease the Subject. Total demand, both currently present and moving into the market, is adjusted for income eligibility as well as renter status.

TDHCA INCLUSIVE CAPTURE RATE

Number of Senior Households in 2006	**20,884**
Number of Senior Households in Base Year	**21,142**
Number of Senior Households in 2011	**28,619**
Existing Demand	
Income-Qualified Renter Households	18.8%
Number of Income-Qualified Renter Households	604
Percentage of Renter Turnover	29.6%
Existing Income-Qualified Renter Household Turnover	**179**
New Income-Qualified Demand (12-Months after Base Year)	
Increase in Households per Annum	1,547
Income-Qualified Renter Households	18.8%
New Rental Income Qualified Households	**291**
Capture Rate Analysis	
Number of Units in Subject	77
Total Demand (Turnover and Growth) from Within PMA	470
Total Number of Other Unstabilized LIHTC Units in PMA	100
Total Number of Unstabilized LIHTC Units (including the Subject)	**177**
Simple Capture Rate	**16.4%**
Inclusive Capture Rate	**37.7%**

The only unstabilized age-restricted property in the PMA is Providence Place II, which received an allocation in 2005. The property has 100 one- and two-bedroom units set-aside at 60 percent of AMI with an age-restriction of 55 and older. According to management, the property has nearly completed construction and is scheduled to open by the end of June 2007. The property will offer microwaves, in-unit washer and dryer connections, carpet and hardwood flooring, a computer lab, fitness center, beauty shop and swimming pool. All 100 of these units were removed from the above inclusive capture rate analysis. Based on this information, the Subject's inclusive capture rate is 37.7 percent, which is below TDHCA's threshold of 75 percent for new multifamily age-restricted properties.

Conclusion

At the TDHCA's request, Novogradac has considered an alternative PMA for the Subject property that includes the unstabilized age-restricted property Providence Place II. While we are still more comfortable with the conservative definition of the PMA included in the original study, we believe the revised PMA is within the guidelines of the TDHCA and provides another reasonable approach to evaluating potential demand for the Subject. The anecdotal evidence combined with the inclusive capture rate analysis appears supportive of the Subject property and additional age-restricted affordable housing in the area, which is consistent with the original study.

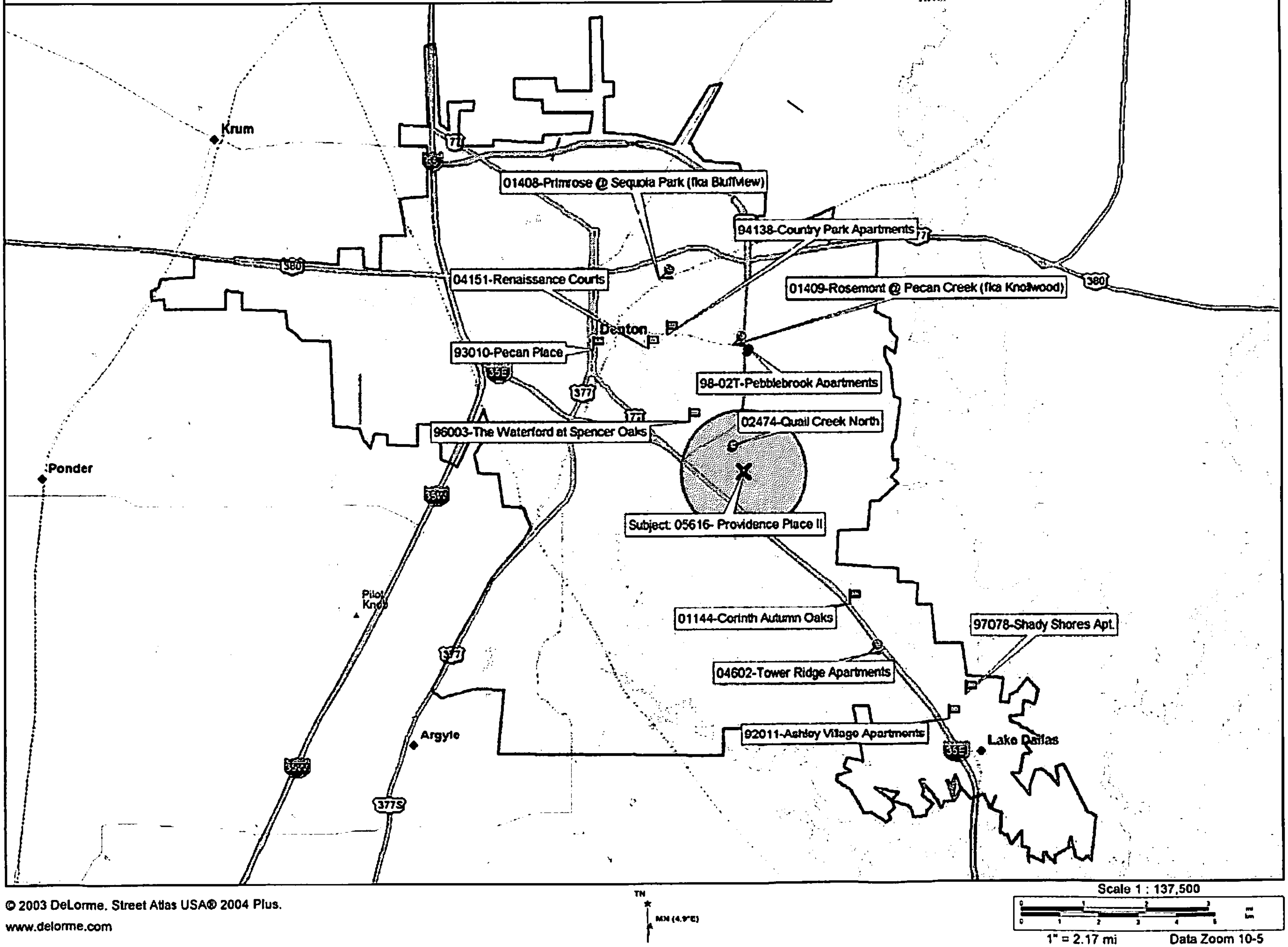
We appreciate the opportunity to present this additional information for your consideration. Please let us know if you have any questions or require additional data.

Sincerely,

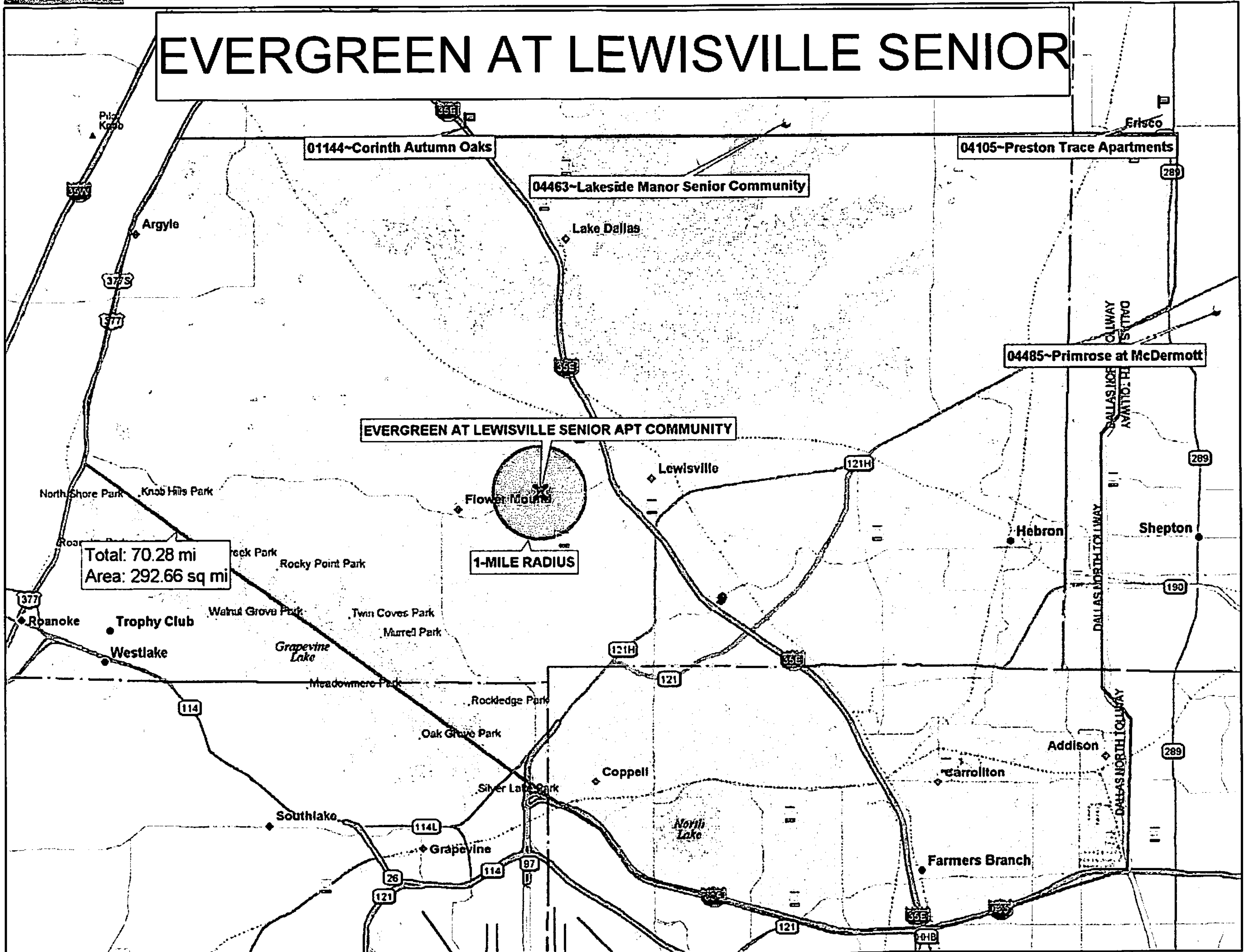
John Cole
Manager
Novogradac & Company LLP

ATTACHMENT 2

Providence Place II Apartments



ATTACHMENT 3



Scale 1 : 175,000

1" = 2.76 mi Data Zoom 10-2

ATTACHMENT 4

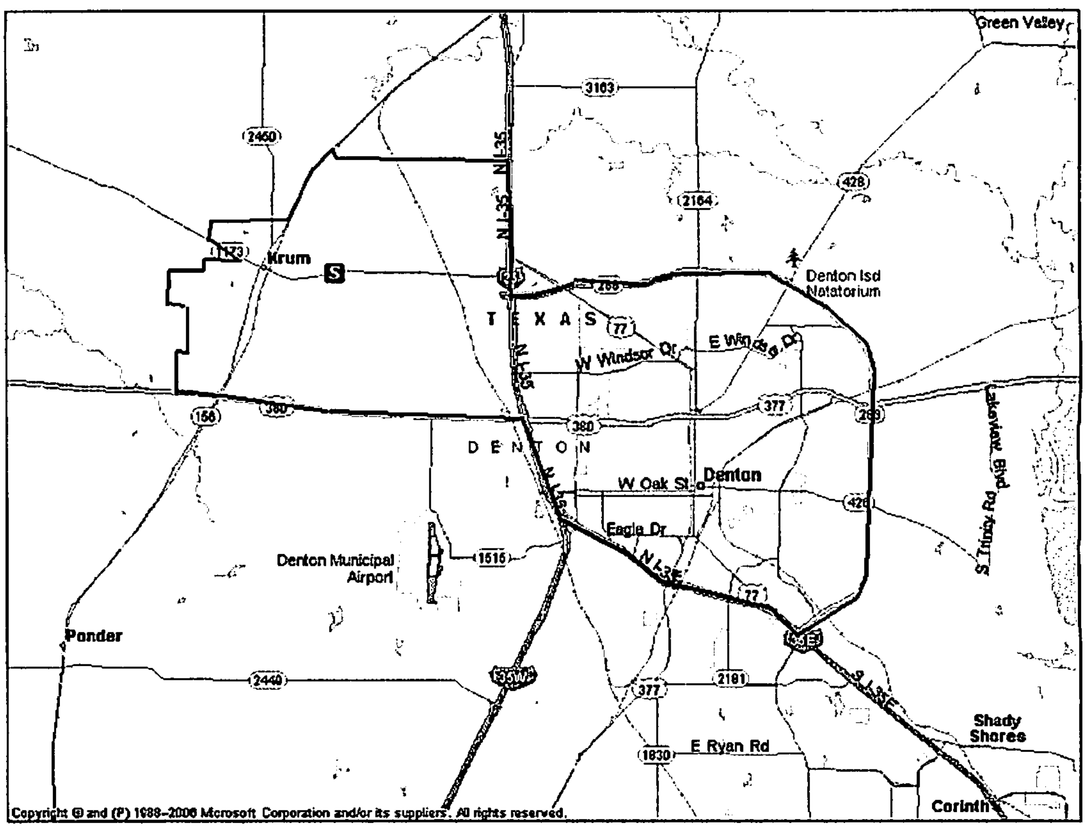
REGIONAL AND LOCAL AREA SUMMARY

The City of Krum is located northwest of Denton, Texas, in Denton County. Denton County spans some 958 square miles. Denton is the largest city in Denton County with a population of approximately 104,153 and Krum has a population of 2,125.

For the purpose of this Study, the Subject's Primary Market Area (PMA) is the area bound by Greg Road and Ganzer Road to the north, Plainview Road, Mitchell Road, and Trent Road to the west, FM 158 to the Northwest, US 380 to the south, and IH 35 and SR 288 to the east. This area was defined based on conversations with local property managers, city officials, natural physical barriers and overall similarities in market characteristics observed during the field investigation.

The secondary market area (SMA) is bound by FM 455 to the north, Highway 377, IH 35 and SR 288 to the east, Wind River Lane, FM 2181 and FM 2449 to the south, Schluter Road, Old Stoney Road, Jackson Road, South Branch Road, Donald Road, FM 1173 and FM 2882 to the west.

PMA Map



07272 Plantation Valley Estates

Executive Director's Draft Letter
Final Version Available at Board Meeting

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

June 7, 2007

Draft Executive Director Response
Final Version Available at Board Meeting

Mr. Byron Ballas
Ms. Alyssa Carpenter
Plantation Valley Estates, LLC.
500 San Marcos, Ste. 207
Austin, Texas 78702
Telephone: (512) 789-1295
Telecopier: (512) 233-2269

Re: Executive Director Appeal for Plantation Valley Estates, HTC #07272

Dear Mr. Ballas and Ms. Carpenter:

Appeal Review

I have reviewed the subject application, as well as your appeal that was received on July 3, 2007 regarding the underwriting recommendation. Pursuant to the following Department guidelines, Plantation Valley Estates was not recommended for a Housing Tax Credit award:

- The Underwriter's determination of the inclusive capture rate exceeds the Department's maximum of 75% per §1.32(i)(1) of the 2007 Real Estate Analysis Rules and Guidelines.

Staff requested additional information on June 12, 2007 with regard to a market study that could have more appropriately considered the market area and potentially show sufficient demand to support the proposed transaction. Novogradac & Company LLP, the Market Analyst, initially agreed to provide the requested additional information. After several delays, however, the Market Analyst indicated in the attached letter dated June 21, 2007 that they were not comfortable enlarging the market area and asked that the Department accept the conclusion of the original market study. In your appeal, you attached a copy of the Market Analyst's additional evaluation of a larger market area as originally requested by the Underwriter. Because the requested information was not provided when originally requested, the new information provided could not have been evaluated by the Underwriter or included in the underwriting analysis.

You have contested the Underwriter's use of a 24% turnover rate which is based upon the actual turnover rate of other senior developments in this market. You have indicated that the Market Analyst believes that a higher turnover of 30% should be used because seniors living in family units currently will have a higher propensity to relocate to a new seniors' only development than seniors already living in a senior's only development. The Market Analyst has provided no data to support this claim other than reflecting that residents in family developments generally turnover at a higher rate than residents at a senior development.

Your Market Analyst also makes two critical errors one of which was in both the original study and the additional evaluation provided with your appeal. The error in both was that the Market Analyst made no adjustment for household size. Since all of the proposed units are two bedroom units, one person households included in demand should have been limited. This is because some proportion will not want to rent a two bedroom unit but more importantly those one person households included in the upper end of the income band between $13,950 and $17,950 for the 30% income band and between $27,960 and $35,940 in the 60% income band would not be eligible to live in the property because they would be over income. Thus one person households will only qualify for 11% of the income band and demand should have been adjusted accordingly. This concern was mentioned on the first page of the underwriting report under the "cons" section, but the Underwriter did not adjust for it in the demand and capture rate calculation since the inclusive capture rate was already calculated by the Underwriter as exceeding the Department's maximum.

The second error is in the demand from growth in the Market Analyst's additional evaluation provided with the appeal. While the underlying original HISTA or ERSI data was not provided to backup any of the data statements, the growth demand was calculated based strictly on senior renter households not income eligible senior households. The growth demand should have been adjusted by multiplying by the income eligible percentage of 15.2% (not accounting for the one-person household issue discussed above) as the turnover demand was calculated. Instead the base senior households of 21,142 was multiplied by the growth estimate of 7.3% and was then multiplied by the renter percentage of 18.8% to arrive at 290 growth demand households. Had eligible income been considered in the same way that it was for turnover, only 44 units of demand from this source would have been included. Thus the total demand should have been 223 from both sources (179 from turnover and 44 from growth) and the inclusive capture rate conclusion from this additional evaluation should have been 78.9% (176 units of unstabilized supply divided by 223 units of demand). As such, based upon the limited information in the additional evaluation provided by the Market Analyst, the conclusions of the Market Analyst are in error and the capture rate under this analysis exceed the departments 75% maximum for senior and rural developments.

I have determined that the Department's rules and guidelines were applied evenly, fairly, and as originally intended during the course of the underwriting analysis and in making the recommendation.

Appeal Determination

The appeal is denied.

Pursuant to Title 10 Texas Administrative Code Section 1.7 you have requested that your appeal, if denied by me, be filed with the Board and heard at its next regularly scheduled meeting. This appeal will be considered by the Board at the July 12, 2007 Board meeting.

If you have questions or comments, please call me or Tom Gouris, Director of our Real Estate Analysis Division at (512) 475-1470.

Sincerely,

Michael Gerber
Executive Director

MGG : TJG

June 21, 2007

Mr. Tom Gouris
Director of Real Estate Analysis
Texas Departments of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78711

RE: Plantation Valley Estates, Krum, Texas #07272

Dear Mr. Gouris:

Novogradac & Company LLP performed a 2007 TDHCA market study for Plantation Valley Estates (#07272) in Krum, Texas. In this referenced report, the PMA was comprised of the City of Krum and portions of the City of Denton. This PMA was determined based on conversations with local property managers and observations made during field work. Based on anecdotal evidence from the property manager at Autumn Oaks, an age-restricted LIHTC comparable, the majority of their senior residents, approximately 95 percent, come from out of state to be near family. The property manager for Primrose at Sequoia Park, the other age-restricted LIHTC comparable, indicated that approximately 75 percent of their residents originated from the immediate Denton area, while approximately 20 percent originated from out of state and 5 percent come from other areas of Texas.

The market analysis indicated that there was adequate theoretical demand for the Subject based on an inclusive capture rate of slightly more than 70 percent. Based on the potential supplemental demand from the influx of out of state residents or current homeowners, which is not accounted for the demand analysis, coupled with the low vacancy rates and extensive waiting lists at comparable senior LIHTC properties in the area, we believe it is likely the true demand is underestimated. We were aware of Providence Place II, a recently allocated senior LIHTC property that is south and east of Denton. Based on observations made in the field and the market survey, we concluded Providence Place II would primarily draw residents from areas south of Denton, including but not limited to Corinth, Lake Dallas, Hickory Creek and Shady Shores. Its proximity to IH-35E was also a consideration which supported this viewpoint. We believe the original PMA and the demand conclusions drawn from this report were reasonable based on market evidence and the Subject would likely be a successful project if developed as proposed.

In response to a request from TDHCA to re-evaluate the demand analysis including Providence Place II in the PMA, we did consider revising the original PMA and recalculating the inclusive capture rate for the Subject. At this point, Providence Place II is unstabilized. Based on some subsequent analysis, we believe that we could redraw the PMA within the parameters provided by the TDHCA guidelines to include Providence Place II and conclude to an inclusive capture rate that would meet the threshold requirement of 75 percent. However, satisfying this threshold would require a change in the size and shape of the PMA. Based on the anecdotal evidence and the field inspection, we are not comfortable that this enlarged PMA, while within the guidelines, would be an accurate representation of where local demand for the Subject property would most likely originate. Therefore, we respectfully request that TDHCA accept the conclusions of the original market study, which we believe provides adequate support for the Subject property and meets the inclusive capture rate threshold requirements.

Regards,

John Cole
Manager
Novogradac & Company LLP

11044 Research Blvd., Bldg. C, Suite 400, Austin, TX 78759
Telephone 512-340-0420, Fax 512-340-0421
Novoco.com

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

REPORT DATE: 06/22/07 PROGRAM: 9% HTC FILE NUMBER: **07272**

DEVELOPMENT

Plantation Valley Estates

Location: Hopkins Road and East McCart Street (FM 1173) Region: 3

City: Krum County: Denton Zip: 76249 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Elderly, New Construction, Rural, USDA

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$650,842			**$0**		

CONDITIONS

NOT RECOMMENDED DUE TO THE FOLLOWING:

- The Underwriter's independent determination of the inclusive capture rate exceeds 75% and, therefore, the development is characterized as infeasible pursuant to §1.32(i)(1) of the 2007 Real Estate Analysis Rules and Guidelines.
- Moreover the Market Analyst derived a majority of the market area demand from the City of Denton but excluded any consideration of unstabilized units in the City of Denton by crafting the boundaries of the market area in an unjustified manner creating an irregular shape for the PMA and failing to meet the requirements of §1.33(d)(8) of the 2007 Real Estate Analysis Rules and Guidelines.

SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

1 A tax credit allocation not to exceed $636,063.

2 Receipt, review, and acceptance by carryover of documentation verifying the appropriate re-zoning of the site for the use as planned.

3 Receipt, review, and acceptance by cost certification of documentation verifying no buildings and/or improvements to include drives will be located in the 100-year floodplain as described in the QAP (10 TAC §49.6(a)) or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property.

4 Receipt, review, and acceptance prior to commitment of a revised market study with a Primary Market Area and Inclusive Capture Rate that meets TDHCA guidelines and includes both the subject and the 100 units targeting seniors in Providence Place II.

5 Receipt, review, and acceptance of documentation prior to cost certification that the proposed Seller's note has been paid and funded with permanent debt as part of the Lancaster Pollard facility.

6 Receipt, review, and acceptance of documentation of approval by USDA of the proposed section 538 loan and interest rate subsidy.

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

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
60% of AMI	60% of AMI	68

PROS

- The Applicant is anticipating use of low interest USDA 538 funding to make this otherwise marginally feasible rural development viable.
- The application represents the first tax credit development in Krum.

CONS

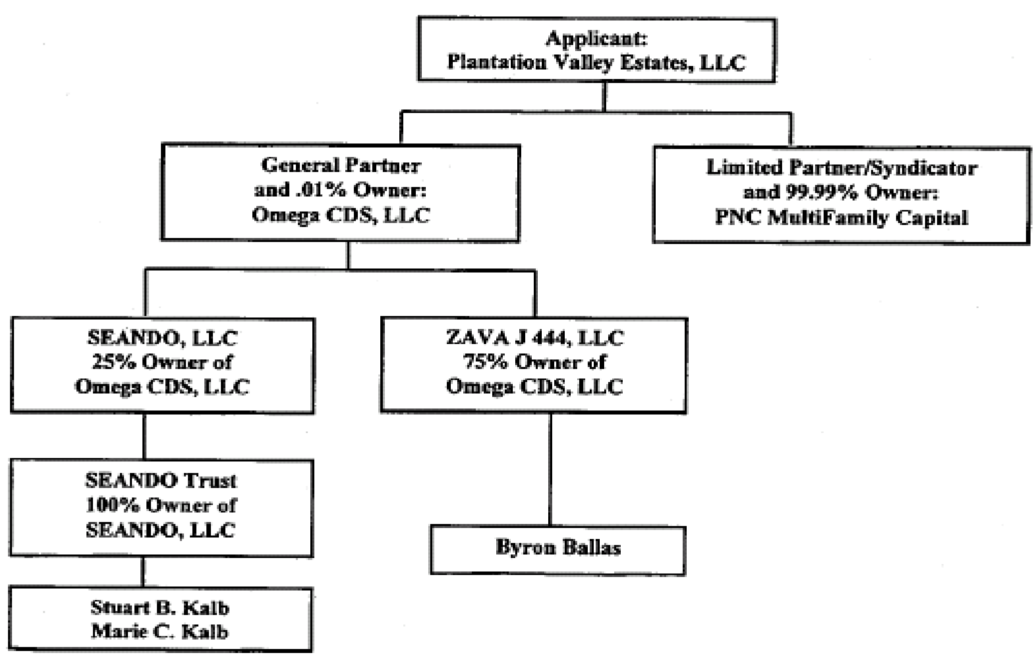
- The majority of the population in the market area described by the market analyst comes from a relatively oversaturated Denton.
- The proposed acquisition with a partial note at a higher than the market interest rate is inefficient and would effectively require additional credits to be used to support this development.
- The development proposes all 76 units to have two bedrooms and since rents are based on bedroom size, they may be unaffordable to the majority of income-qualified one-person senior households.

PREVIOUS UNDERWRITING REPORTS

None.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Alyssa Carpenter Phone: (512) 789-1295 Fax: (512) 233-2269

Email: ajcarpen@gmail.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Completed Developments
Omega CDS, LLC	$2,192,706	$1,212,706	3
Zava J, LLC	$1,012,000	$0	
Seando, LLC/Seando Trust	$1,552,000	$559,000	
Byron Ballas	CONFIDENTIAL		
Stuart and Maire Kalb	CONFIDENTIAL		
S. Anderson Consulting	Consultant		

[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments.
- The seller is regarded as a related party due to the proposed line of credit and 20-year seller financing.

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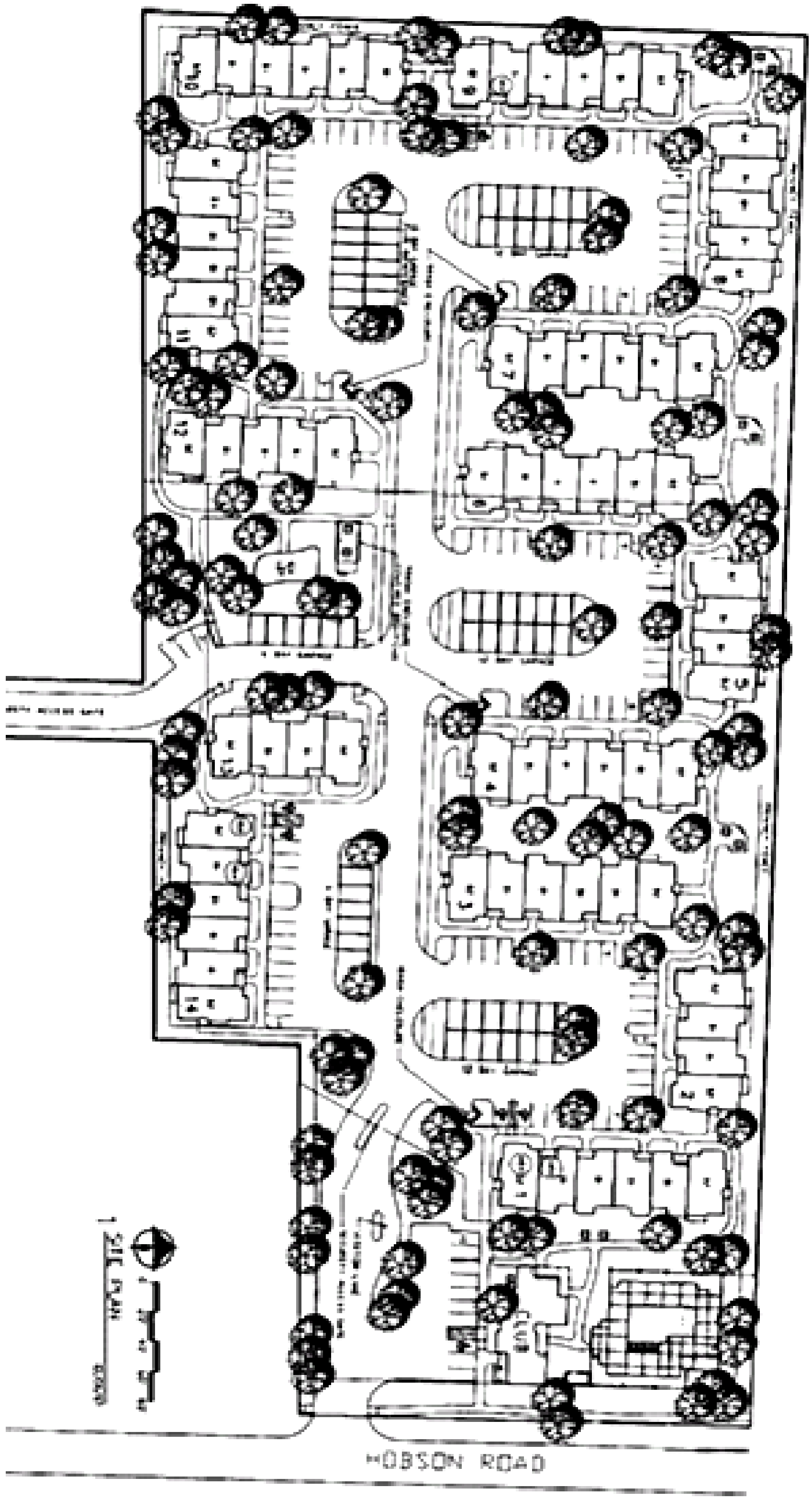
PROPOSED SITE
SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C								Total Buildings
Floors/Stories	1	1	1								
Number	9	2	3								**14**

BR/BA	SF	Units									Total Units	Total SF
2/1	870	4	3	2							48	41,760
2/2	982	2	2	2							28	27,496
Units per Building		6	5	4							**76**	**69,256**

SITE ISSUES

Total Size: 8.08 acres — Scattered site? ☐ Yes ☒ No

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

Zoning: Commercial — Needs to be re-zoned? ☒ Yes ☐ No ☐ N/A

Comments:

According to the ESA provider, a portion of the Subject Property is located within the 100-year flood zone. This is discussed in more detail in the "Highlights of Environmental Reports" section (below).

The property is presently zoned Commercial. The applicant is requesting a change in zoning to Multifamily. Receipt, review, and acceptance by carryover of documentation verifying the appropriate re-zoning of the site for the use as planned is a condition of this report.

TDHCA SITE INSPECTION

Inspector: ORCA Staff — Date: 4/26/2007

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Small pond, residential uses, and undeveloped land

South: Dollar General store, Sonic Drive-Thru, Bobcat Car Wash, Northstar Bank, McCart St. (1173), natural gas well and residential uses

East: Hopkins Rd. and a natural gas well

West: Undeveloped land and Krum School

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: PASS Associates, Inc. — Date: 3/26/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- According to the ESA provider, "A portion of subject is located within the 100 year flood plain. This portion is located on the far east side of the property and runs along Hopkins Road. Based upon available maps, this flood plain goes from Hopkins Road towards the west approximately 7 feet. The remainder of the site does not appear to be located in the 100-year flood-plain based on this information." (p.7)

Comments:

According to the 2007 QAP (10 TAC §49.6(a)), “Any Development proposing New Construction located within the 100-year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100-year floodplain. No buildings or roads that are part of a Development proposing Rehabilitation, with the exception of Developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100-year floodplain unless they already meet the requirements established in this subsection for New Construction.”

Receipt, review, and acceptance of documentation verifying no buildings and/or improvements to include drives will be located in the 100-year floodplain or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property is a condition of this report.

The ESA provider noted no other concerns and did not recommend further studies.

MARKET HIGHLIGHTS

Provider: Novogradac & Company   Date: 3/30/2007

Contact: Brad Weinberg/ John Cole/ Karen Thigpen   Phone: (512) 340-0420   Fax: (512) 340-0421

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

Primary Market Area (PMA): 34.63 square miles ~ 3.3 mile radius

"For the purpose of this Study, the Subject’s Primary Market Area (PMA) is the area bound by Greg Road and Ganzer Road to the north, Plainview Road, Mitchell Road, and Trent Road to the west, FM 158 to the Northwest, US 380 to the south, and IH 35 and SR 288 to the east. This area was defined based on conversations with local property managers, city officials, natural physical barriers and overall similarities in market characteristics observed during the field investigation." (p. 10) This encompasses all of Krum but the majority of the City of Denton as well. The exclusion of the remainder of the City of Denton does not appear to be justified particularly since it excludes 2 potential developments that would directly compete with the subject and are situated less than one half mile from the Market Analyst's Primary Market Area boundary.

This concern was discussed with the Market Analyst and the Market Analyst was asked to consider providing data on a revised market area that followed the Department's requirements and included the Unstabilized Direct Comparables within the City of Denton, particularly the property just south of the original PMA boundary. Initially the Market Analyst agreed to provide such information but after several extended deadlines caused by delays in obtaining new demographic data, the Market Analyst indicated the following without any data to support their claims in a letter dated June 21, 2007:

This section intentionally left blank.

"In response to a request from TDHCA to re-evaluate the demand analysis including Providence Place II in the PMA, we did consider revising the original PMA and recalculating the inclusive capture rate for the Subject. At this point, Providence Place II is unstabilized. Based on some subsequent analysis, we believe that we could redraw the PMA within the parameters provided by the TDHCA guidelines to include Providence Place II and conclude an inclusive capture rate that would meet the threshold requirement of 75 percent. However, satisfying this threshold would require a change in the size and shape of the PMA. Based on the anecdotal evidence and the field inspection, we are not comfortable that this enlarged PMA, while within the guidelines, would be an accurate representation of where local demand for the Subject property would most likely originate. Therefore, we respectfully request that TDHCA accept the conclusions of the original market study, which we believe provides adequate support for the Subject property and meets the inclusive capture rate threshold requirements."

The Market Analyst derived a majority of the market area demand from the City of Denton but excluded any consideration of unstabilized units in the City of Denton by crafting the boundaries of the market area in an unjustified manner creating an irregular shape for the PMA and failing to meet the requirements of §1.33(d)(8) of the 2007 Real Estate Analysis Rules and Guidelines.

Secondary Market Area (SMA):

"The secondary market area (SMA) is bound by FM 455 to the north, Highway 377, IH 35 and SR 288 to the east, Wind River Lane, FM 2181 and FM 2449 to the south, Schluter Road, Old Stoney Road, Jackson Road, South Branch Road, Donald Road, FM 1173 and FM 2882 to the west." (p. 10)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
Providence Place II	05447	100	Outside PMA	None				
Spencer Manor Senior	07411	Unk	Withdrawn					
Renaissance Courts	04151/0703	150	Family					

Within a half mile of the southern boundary of the Primary Market Area exists a 2005 intergenerational tax-exempt bond/ 4% credit transaction, Providence Place II, with 100 units targeted toward seniors and another 2007 private activity bond application 07411 Spencer Manor Senior Community which appears to have been recently withdrawn. The Secondary Market Area developed by the Market Analyst, encompasses areas South, West, East, and North all the way up to Sanger but does not encompass any more area southeast along the more logical IH 35E corridor toward Dallas, thereby avoiding Providence Place II and Spencer Manor Senior.

INCOME LIMITS						
Denton						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$13,950	$15,950	$17,950	$19,950	$21,550	$23,150
60	$27,960	$31,920	$35,940	$39,900	$43,080	$46,260

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
2 BR/30% Rent Limit	139		0	139	8	0	5.76%
2 BR/60% Rent Limit	155		0	155	68	0	43.87%

The Market Analyst's demand calculation by bedroom type estimates appear to be based on the total number of renter households in the market area, and does not adjust for seniors. As a result, the capture rates by bedroom type appear to be significantly understated and the demand estimates are inconsistent with the Market Analyst's total demand conclusions.

OVERALL DEMAND											
	Target Households		Household Size		Income Eligible		Tenure		Demand		
PMA DEMAND from TURNOVER											
Market Analyst p. 82	14%	5,414	100%	5,414	19%	1,018	29%	294	30%	87	
Underwriter	14%	6,063	100%	6,063	19%	1,140	29%	329	24%	80	
PMA DEMAND from HOUSEHOLD GROWTH											
Market Analyst p. 82			100%	342	19%	64	29%	19	100%	19	
Underwriter			100%	324	19%	61	29%	15	100%	18	

The Market Analyst utilized demand calculated from HISTA data which is generally recognized as a more precise source of detailed demographic information and thus the Underwriter also used this data source. The Market Analyst used a turnover estimate from other tax credit properties surveyed in the area because of a recognition that tax credit properties turnover less frequently than conventional properties. While this is true, the drop in turnover is even more dramatic when properties targeting seniors are exclusively considered. The Market Analyst did not make this distinction; however, the Underwriter was able to obtain turnover information from the two properties in the PMA that target seniors and contain 350 units. These properties indicated that a total of 85 units turned in 2006 for a turnover rate of 24.29% rather than the 30% estimated by the Market Analyst. It should be further noted that the Market Analyst's information listing for these two properties report even lower annual turnover rates of 6% and 10%.

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 82	76	0	0	76	106	71.90%
Underwriter	76	0	0	76	98	77.91%

The Underwriter's independent determination of the inclusive capture rate exceeds 75% and therefore the development is characterized as infeasible pursuant to §1.32(i)(1) of the 2007 Real Estate Analysis Rules and Guidelines.

Neither the Market Analyst or the Underwriter included Demand from the Secondary Market but doing so with a properly drawn market area would have likely had a negative impact due to the developments that are just outside the Market Analysts original PMA. It is worth noting that the Primary Market Area drawn for the 2005 application for the portion of Providence Place II targeting seniors was somewhat larger than the subject PMA. Though it did not include the City of Krum it did include the much more populous and logical corridor area along IH35E toward Dallas and concluded 174 units of income eligible senior demand. If both developments were considered in either of the two studies (the subject or the Providence Place II study) the inclusive capture rate would have exceeded 100%.

The Underwriter believes that if both properties were included the same Primary Market Area in a new study it is unlikely that a satisfactory Inclusive Capture Rate would result.

Primary Market Occupancy Rates:

"Occupancy rates reported at the stabilized comparable properties ranges from 88.9 to 100 percent, with an average occupancy rate of 93.9 percent. The occupancy rate for the affordable properties was 94.2 percent." (p. 85)

Absorption Projections:

"Considering the waiting lists at LIHTC properties and the strong occupancy of two-bedroom units, which will be discussed later in this report, we conservatively estimate that the Subject would have an absorption period of approximately 5-6 months for an absorption rate of 12-15 units per month." (p. 63)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
2 BR 870 SF 30%	$267	$266	$860	$266	$594
2 BR 870 SF 60%	$716	$716	$860	$716	$144
2 BR 982 SF 30%	$267	$266	$900	$266	$634
2 BR 982 SF 60%	$716	$716	$900	$716	$184

Market Impact:

"Overall, the market for two-bedroom units appears strong evidenced by the generally low vacancy rates for two-bedroom units, waiting lists and the ability of the properties to achieve maximum allowable LIHTC rents. Based on this information, the Subject's impact on the existing affordable housing stock should be minimal." (p. 76)

Comments:

The market study contained sufficient information to make a determination that funding should not be recommended for this development. The Market Analyst was encouraged to provide additional information that could potentially support sufficient demand in a revised market area that included the 100 units of new unstabilized senior housing in the City Denton, but declined to do so. Any approval of an award for this development should be conditioned upon receipt, review, and acceptance of a revised market study with a Primary Market Area and Inclusive Capture Rate that meets TDHCA guidelines and includes the subject and the 100 units targeting seniors at Providence Place II.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/1/2007

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of January 1, 2006, maintained by the Denton Housing Authority, from the 2007 program gross rent limits. Tenants will be required to pay electric utility costs. The Applicant's secondary income assumption is in line with current TDHCA underwriting guidelines, while their vacancy and collection loss at 8% appears to be overstated. In addition, the Applicant included losses due to rent concessions that were not included in the underwriting analysis as the market rent conclusions and occupancy rates indicated in the Market Study suggest a strong rental market. Despite these differences, the Applicant's effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 5/7/2007

The Applicant's total annual operating expense projection at $4,321 per unit is not within 5% of the Underwriter's estimate of $4,105, derived from the TDHCA database and third-party data sources. The Applicant's revised budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: Payroll and Payroll Tax ($15K higher), Utilities ($7K higher), and Property Tax ($7K higher). The Underwriter discussed these differences with the Applicant but was unable to reconcile them.

Conclusion:

The Applicant's net operating income is not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) above the current underwriting maximum guideline of 1.35. Therefore, the recommended financing structure reflects a increase in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and revised total annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible from this financial structure perspective.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 8.08 acres	$239,336	Tax Year:	2006
Existing Buildings:	$0	Valuation by:	Denton CAD
Total Assessed Value:	$239,336	Tax Rate:	2.36725

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Agreement — Acreage: 8

Contract Expiration: 10/31/2007 — Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $600,000 — Other: Seller note: $200,000, 20 years at 10.25%

Seller: Henry W Beckman & Haertling Investments, LP — Related to Development Team? [ ] Yes [x] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 — Date of Last Applicant Revision: 5/1/2007

Acquisition Value:

As proposed, the seller will be providing a line of credit and a 20-year note to the development. The seller's financing represents an ongoing interest in the property and therefore could be considered to be a related sale though the seller is not otherwise a part of the development team. Moreover and as will be discussed at greater length in the financing structure below, this potential related party relationship should be eliminated because the cost of this seller financing is much more expensive than it would be if it was added to the conventional debt being considered for the development.

The Department's current rule includes development team members as related parties. The Definition for Development Team Member does not specifically include lender though it does include anyone that has a continuing role in the operation of the development. The purpose of the identity of interest rules are to ensure that a fair price is being used to transfer the property when an identity of interest exists. It should also be noted that the Applicant is scoring one point for the seller's loan even though the "private" loan in this case is detrimental to the long term financial viability of the transaction. The Underwriter included all of the sales price in the acquisition but conditions this report on this loan being eliminated or repaid by cost certification.

Off-Site Cost:

The Applicant claimed off-site costs of $38,300 for off-site concrete and storm drains and devices, and provided sufficient third party certification through an architect to justify these costs.

Sitework Cost:

The Applicant claimed sitework costs over the Department's maximum guideline of $9,000 per unit and provided sufficient third party certification through a detailed certified cost estimate by an architect to justify these costs. In addition, these costs have been reviewed by the Applicant's CPA, Novogradac and Company, to preliminarily opine that all of the total $741,235 will be considered eligible. The CPA has indicated that this opinion of eligibility has taken into account the effect of the IRS Technical Advisory Memorandums on the eligibility of sitework costs.

Direct Construction Cost:

The Applicant's direct construction cost estimate is comparable to the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $7,647,970 supports annual tax credits of $653,901. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/1/2007

Source: PNC Multifamily Capital Type: **Interim Financing**

Principal: $2,715,752 Interest Rate: 7.82% ☐ Fixed Term: 24 months

Source: Lancaster Pollard (AFR) Type: **Interim to Permanent Financing**

Principal: $1,500,000 Interest Rate: 4.90% x Fixed Amort: 480 months

Principal: $1,221,600 Interest Rate: 7.40% x Fixed Amort: 480 months

Comments:

The permanent debt will be structured in two portions with financing arranged through Lancaster Pollard. An interest rate credit through the USDA 538 program also provides a guarantee to the lender. The interest rate on the first $1,500,000 will be lowered to the Long Term Applicable Federal Rate (AFR), which was estimated to be 4.9% as of the date of the lender's proposal for financing. This was the AFR for March 2007 when the application was submitted and though the rate has since fallen to 4.79%, the Underwriter has used the higher rate to underwrite the first portion of the debt. While a deeper rent subsidy could be achieved, doing so could jeopardize the eligibility of the 9% credit. USDA approval of the subsidy is a condition of this report. The remaining debt will carry an interest rate of 7.4%. Both portions of the debt will be amortized over 40 years.

Source: David Vanderlaan Type: **Line of Credit**

Principal: $200,000 Interest Rate: 10.25% ☐ Fixed Term: 0 months

Comments:

Interest rate based on Prime + 2%; seller of land is issuer of line of credit; advances to be rolled into long term note amortized over 20 years from the date of the initial advance

Source: City of Krum Type: **In-Kind Loan**

Principal: $465,000 Comments: Waiver of Special Fees related to MF Construction

Source:	PNC Multifamily Capital			Type:	**Syndication**
Proceeds:	$6,023,247	Syndication Rate:	90%	Anticipated HTC:	$ 669,317

Comments:

The syndication price is at the low end of current market prices and any increase in rate could reduce the final allocation of credits since there is little to no deferred developer fee to absorb excess syndication proceeds.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter believes the $200,000 line of credit from the Seller is considerably more expensive financing than the Lancaster/Pollard (USDA 538) loan which can, according to the Applicant, be increased to incorporate the Seller note. In addition to being 285 basis points higher than the conventional portion of the primary permanent debt, the Seller note has a 20 year payback period which is less than the underwriting standard 30 year amortization required in 10TAC 1.32 (d)(4)(B). Thus, the Underwriter has shifted this Seller note to be incorporated with the primary debt prior to conversion to permanent debt status and conditions the report on this taking place prior to cost certification. In addition, and as discussed in the operating income section above, the Underwriter's proforma reflects debt coverage ratio that is over the Department's 1.35 guideline. As such, an additional $133,004 in debt can be serviced at the indicated rates and terms and still provide a maximum debt coverage ratio of 1.35.

The Underwriter's total development cost estimate less the adjusted combined permanent Lancaster/Pollard USDA 538 loan of $2,834,128 and a total of $465K in other permanent and in-kind financing indicates the need for $5,723,990 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $636,063 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($650,842), the gap-driven amount ($636,063), and eligible basis-derived estimate ($653,901), the gap-driven amount of $636,063 would be recommended resulting in proceeds of $5,723,990 based on a syndication rate of 90%.

The Underwriter's financing structure indicates no need for deferred developer fees. As discussed in the market section above, this development is not recommended for an award and the financial analysis herein should be considered only if the market study requirements are waived.

Underwriter:	*Diamond Unique Thompson*	Date:	June 22, 2007
Reviewing Underwriter:	*Lisa Vecchietti*	Date:	June 22, 2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	June 22, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Plantation Valley Estates, Krum, 9% HTC #07272

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	4	2	1	870	$448	$266	$1,064	$0.31	$182.00	$80.00
TC 60%	44	2	1	870	$898	716	31,504	0.82	182.00	80.00
TC 30%	4	2	2	982	$448	266	1,064	0.27	182.00	80.00
TC 60%	24	2	2	982	$898	716	17,184	0.73	182.00	80.00
TOTAL:	76		AVERAGE:	911		$669	$50,816	$0.73	$182.00	$80.00

INCOME	Total Net Rentable Sq Ft:	69,256		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$609,792	$609,888	Denton		3
Secondary Income	Per Unit Per Month:	$5.00		4,560	4,560	$5.00	Per Unit Per Month	
Other Support Income:				0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$614,352	$614,448			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(46,076)	(49,152)	-8.00%	of Potential Gross Income	
Rental Concessions				0	(13,296)			
EFFECTIVE GROSS INCOME				$568,276	$552,000			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.24%	$392	0.43	$29,765	$25,000	$0.36	$329	4.53%
Management		3.88%	290	0.32	22,059	24,000	0.35	316	4.35%
Payroll & Payroll Tax		13.38%	1,000	1.10	76,008	91,160	1.32	1,199	16.51%
Repairs & Maintenance		6.83%	511	0.56	38,810	34,680	0.50	456	6.28%
Utilities		3.67%	274	0.30	20,847	27,500	0.40	362	4.98%
Water, Sewer, & Trash		5.18%	387	0.42	29,419	25,155	0.36	331	4.56%
Property Insurance		3.38%	252	0.28	19,182	18,240	0.26	240	3.30%
Property Tax	2.36725	9.26%	693	0.76	52,650	59,412	0.86	782	10.76%
Reserve for Replacements		3.34%	250	0.27	19,000	19,000	0.27	250	3.44%
TDHCA Compliance Fees		0.53%	40	0.04	3,040	3,040	0.04	40	0.55%
Other: Cable		0.21%	16	0.02	1,200	1,200	0.02	16	0.22%
TOTAL EXPENSES		54.90%	$4,105	$4.50	$311,979	$328,387	$4.74	$4,321	59.49%
NET OPERATING INC		45.10%	$3,372	$3.70	$256,297	$223,613	$3.23	$2,942	40.51%
DEBT SERVICE									
Lancaster Pollard (AFR)		15.06%	$1,126	$1.24	$85,607	$173,010	$2.50	$2,276	31.34%
Lancaster Pollard (7.4%)		13.76%	$1,029	$1.13	78,171	0	$0.00	$0	0.00%
Seller's Line of Credit/Note		3.61%	$270	$0.30	20,500	0	$0.00	$0	0.00%
NET CASH FLOW		12.67%	$948	$1.04	$72,019	$50,603	$0.73	$666	9.17%
AGGREGATE DEBT COVERAGE RATIO					1.39	1.29			
RECOMMENDED DEBT COVERAGE RATIO					1.35				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		7.43%	$8,520	$9.35	$647,500	$647,500	$9.35	$8,520	7.18%
Off-Sites		0.44%	504	0.55	38,300	38,300	0.55	504	0.42%
Sitework		8.51%	9,753	10.70	741,235	741,235	10.70	9,753	8.21%
Direct Construction		48.04%	55,085	60.45	4,186,451	4,205,009	60.72	55,329	46.60%
Contingency	5.00%	2.83%	3,242	3.56	246,384	246,800	3.56	3,247	2.74%
Contractor's Fees	14.00%	7.92%	9,077	9.96	689,876	691,500	9.98	9,099	7.66%
Indirect Construction		5.13%	5,878	6.45	446,697	446,697	6.45	5,878	4.95%
Ineligible Costs		2.06%	2,364	2.59	179,643	179,643	2.59	2,364	1.99%
Developer's Fees	15.00%	11.41%	13,085	14.36	994,481	997,500	14.40	13,125	11.05%
Interim Financing		3.66%	4,200	4.61	319,229	319,229	4.61	4,200	3.54%
Reserves		2.59%	2,967	3.26	225,479	509,705	7.36	6,707	5.65%
TOTAL COST		100.00%	$114,675	$125.84	$8,715,275	$9,023,118	$130.29	$118,725	100.00%
Construction Cost Recap		*67.28%*	***$77,157***	***$84.67***	***$5,863,946***	***$5,884,544***	***$84.97***	***$77,428***	*65.22%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
Lancaster Pollard (AFR)	17.21%	$19,737	$21.66	$1,500,000	$2,501,124	$1,500,000	Developer Fee Available
Lancaster Pollard (7.4%)	14.02%	$16,074	$17.64	$1,221,600	$0	$1,334,128	$997,500
Seller's Line of Credit/Note	2.29%	$2,632	$2.89	200,000	200,000	0	
HTC Syndication Proceeds	69.11%	$79,253	$86.97	6,023,247	5,856,994	5,723,990	% of Dev. Fee Deferred
City of Krum (In-Kind)	5.34%	$6,118	$6.71	465,000	465,000	465,000	0%
Deferred Developer Fee	0.00%	$0	$0.00	0	0	0	
Additional (Excess) Funds Req'd	-7.97%	($9,139)	($10.03)	(694,572)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$8,715,275	$9,023,118	$9,023,118	$1,175,058

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Plantation Valley Estates, Krum, 9% HTC #07272

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Townhome Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$65.34	$4,525,504
Adjustments				
Exterior Wall Finish	2.40%		$1.57	$108,612
Elderly	3.00%		1.96	135,765
9-Ft. Ceilings	3.30%		2.16	149,342
Roofing			0.00	0
Subfloor			(1.85)	(128,124)
Floor Cover			4.54	314,699
Balconies	$58.41	5,385	4.54	314,518
Plumbing Fixtures	$965	(144)	(2.01)	(138,960)
Rough-ins	$425	0	0.00	0
Built-In Appliances	$2,425	76	2.66	184,300
Exterior Stairs			0.00	0
Enclosed Corridors			0.00	0
Heating/Cooling			2.43	168,292
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$65.99	3,380	3.22	223,029
Other: fire sprinkler	$1.95		0.00	0
SUBTOTAL			84.57	5,856,978
Current Cost Multiplier	0.98		(1.69140)	(117,139.57)
Local Multiplier	0.90		(8.46)	(585,698)
TOTAL DIRECT CONSTRUCTION COSTS			$74.42	$5,154,141
Plans, specs, survy, bld prm	3.90%		($2.90)	($201,011)
Interim Construction Interest	3.38%		(2.51)	(173,952)
Contractor's OH & Profit	11.50%		(8.56)	(592,726)
NET DIRECT CONSTRUCTION COSTS			$60.45	$4,186,451

PAYMENT COMPUTATION

Primary	$1,500,000	Amort	480
Int Rate	4.90%	DCR	2.99

Secondary	$1,001,124	Amort	480
Int Rate	7.40%	Subtotal DCR	1.56

Additional	$200,000	Amort	
Int Rate	10.25%	Aggregate DCR	1.39

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$85,607
Secondary Debt Service	104,173
Additional Debt Service	0
NET CASH FLOW	$66,517

Primary	$1,500,000	Amort	480
Int Rate	4.90%	DCR	2.99

Secondary	$1,334,128	Amort	480
Int Rate	7.40%	Subtotal DCR	1.35

Additional		Amort	0
Int Rate		Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

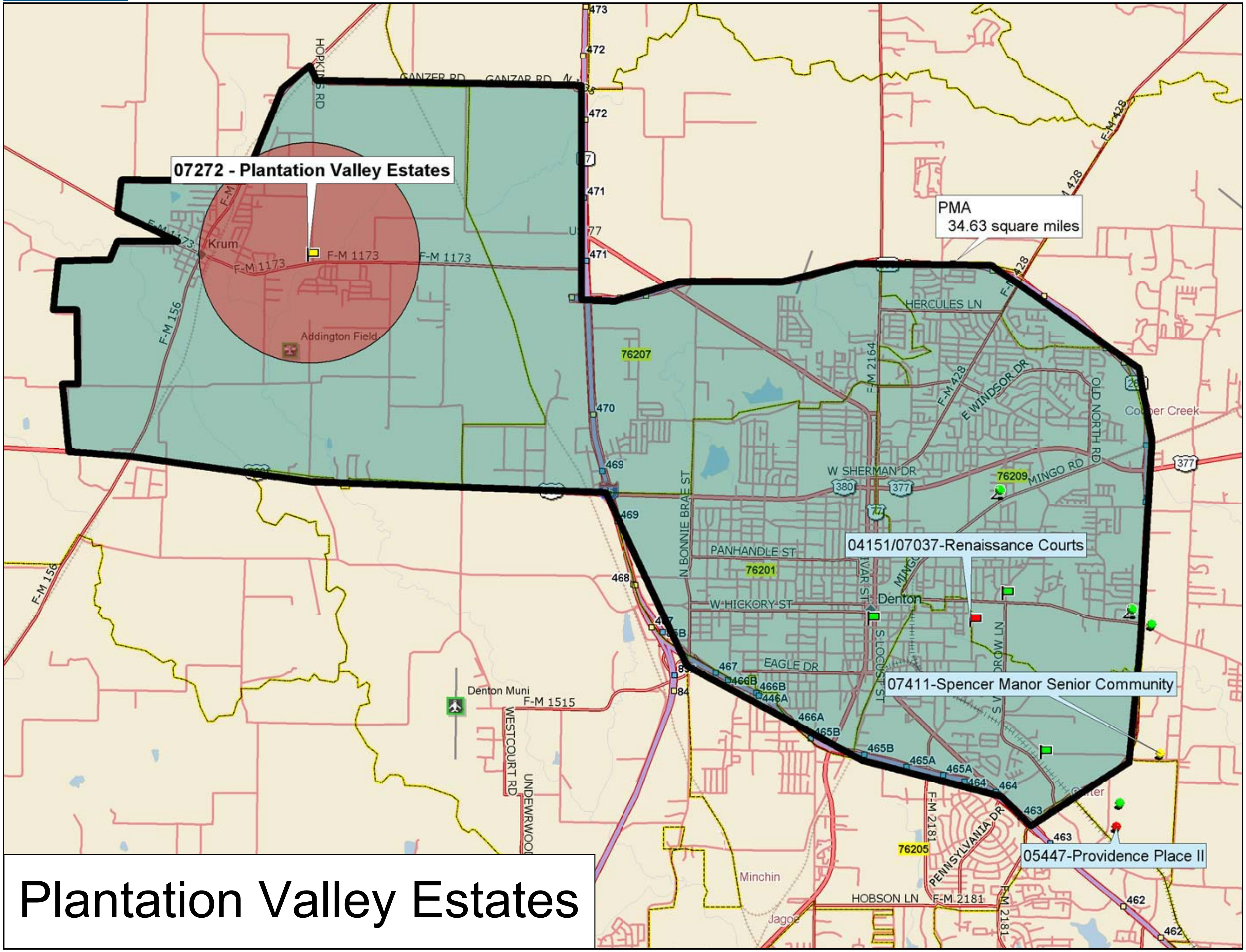
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$609,792	$628,086	$646,928	$666,336	$686,326	$795,640	$922,365	$1,069,274	$1,437,015
Secondary Income	4,560	4,697	4,838	4,983	5,132	5,950	6,897	7,996	10,746
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	614,352	632,783	651,766	671,319	691,459	801,590	929,263	1,077,270	1,447,761
Vacancy & Collection Loss	(46,076)	(47,459)	(48,882)	(50,349)	(51,859)	(60,119)	(69,695)	(80,795)	(108,582)
Rental Concessions	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$568,276	$585,324	$602,884	$620,970	$639,599	$741,471	$859,568	$996,475	$1,339,179
EXPENSES at 4.00%									
General & Administrative	$29,765	$30,955	$32,193	$33,481	$34,820	$42,364	$51,543	$62,710	$92,826
Management	22,059	22,721	23,402	24,105	24,828	28,782	33,366	38,681	51,984
Payroll & Payroll Tax	76,008	79,048	82,210	85,498	88,918	108,183	131,621	160,137	237,041
Repairs & Maintenance	38,810	40,363	41,977	43,656	45,403	55,239	67,207	81,768	121,036
Utilities	20,847	21,681	22,548	23,450	24,388	29,672	36,100	43,921	65,014
Water, Sewer & Trash	29,419	30,596	31,819	33,092	34,416	41,872	50,944	61,981	91,747
Insurance	19,182	19,949	20,747	21,577	22,440	27,301	33,216	40,413	59,821
Property Tax	52,650	54,756	56,946	59,224	61,593	74,937	91,172	110,925	164,196
Reserve for Replacements	19,000	19,760	20,550	21,372	22,227	27,043	32,902	40,030	59,254
Other	4,240	4,410	4,586	4,769	4,960	6,035	7,342	8,933	13,223
TOTAL EXPENSES	$311,979	$324,237	$336,980	$350,225	$363,993	$441,428	$535,414	$649,498	$956,143
NET OPERATING INCOME	$256,297	$261,086	$265,904	$270,745	$275,606	$300,042	$324,154	$346,977	$383,036
DEBT SERVICE									
First Lien Financing	$85,607	$85,607	$85,607	$85,607	$85,607	$85,607	$85,607	$85,607	$85,607
Second Lien	104,173	104,173	104,173	104,173	104,173	104,173	104,173	104,173	104,173
Other Financing	20,500	20,500	20,500	20,500	20,500	20,500	20,500	20,500	20,500
NET CASH FLOW	$46,017	$50,807	$55,624	$60,466	$65,327	$89,763	$113,875	$136,697	$172,757
DEBT COVERAGE RATIO	1.22	1.24	1.26	1.29	1.31	1.43	1.54	1.65	1.82

HTC ALLOCATION ANALYSIS -Plantation Valley Estates, Krum, 9% HTC #07272

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$647,500	$647,500		
Purchase of buildings				
Off-Site Improvements	$38,300	$38,300		
Sitework	$741,235	$741,235	$741,235	$741,235
Construction Hard Costs	$4,205,009	$4,186,451	$4,205,009	$4,186,451
Contractor Fees	$691,500	$689,876	$691,500	$689,876
Contingencies	$246,800	$246,384	$246,800	$246,384
Eligible Indirect Fees	$446,697	$446,697	$446,697	$446,697
Eligible Financing Fees	$319,229	$319,229	$319,229	$319,229
All Ineligible Costs	$179,643	$179,643		
Developer Fees				
Developer Fees	$997,500	$994,481	$997,500	$994,481
Development Reserves	$509,705	$225,479		
TOTAL DEVELOPMENT COSTS	$9,023,118	$8,715,275	$7,647,970	$7,624,353

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$7,647,970	$7,624,353
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$7,647,970	$7,624,353
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$7,647,970	$7,624,353
Applicable Percentage		8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS		$653,901	$651,882
Syndication Proceeds	**0.8999**	**$5,884,521**	**$5,866,350**
Total Tax Credits (Eligible Basis Method)		**$653,901**	**$651,882**
Syndication Proceeds		**$5,884,521**	**$5,866,350**
Requested Tax Credits		**$650,842**	
Syndication Proceeds		**$5,856,989**	
Gap of Syndication Proceeds Needed		**$5,723,990**	
Total Tax Credits (Gap Method)		**$636,063**	

Street Atlas USA® 2007 Plus



Plantation Valley Estates

Scale 1 : 75,000

1" = 1.18 mi Data Zoom 11-4

Board Item 3b

Presentation, Discussion and Possible Action for the 2007 Competitive Housing Tax Credits Appeals of Credit Underwriting Reports

07110 Poteet Housing Authority Farm Labor, Poteet

Real Estate Analysis Division

BOARD ACTION ITEM

July 12, 2007

Item

Presentation, discussion and possible action on a timely filed appeal regarding the underwriting recommendation of a development under the 2007 Competitive Housing Tax Credit program, #07110 Poteet Housing Authority Farm Labor, Poteet, Texas.

Required Action

Approve, deny or approve with amendments a determination on the appeal.

Background

Poteet Public Facilities Corp., the General Partner of Poteet HA Farm Labor, Ltd., the Applicant, submitted an application for funding under the 2007 Competitive Housing Tax Credit program to rehabilitate 30 USDA rural rental housing units targeting 30% and 60% households and funded with section 515 loan. The Applicant originally requested $287,596 in annual tax credits to support a total development budget of $3,515,000. When the Applicant was informed that they did not qualify for 130% boost because they were not in a qualified census tract they subsequently revised their credit request to $121,605 and reduced their total development cost to $2,324,150. Staff is recommending funding for the development at a tax credit amount of $79,605. The Applicant contemplates transferring the property from an entity that has an identity of interest with the Applicant at a transfer price of $1,255,000. The Applicant provided an "as is" appraisal, the original acquisition cost, and a calculation of holding cost in order to attempt to meet the criteria set forth in 10 TAC §49.9(h)(7)(A)(iv)(II) which requires these items when an identity of interest transfer proposes a transfer price that is more than the original acquisition. Staff determined that the appraisal was not acceptable and that the USDA would not accept or allow a transfer price which was more than twice the outstanding current loan balance and twice the original development cost which is what is proposed in this application.

Specifically, the Underwriter determined that the appraisal was not performed in accordance with the Department's guidelines in 10 TAC§1.34(d)(9) due to a failure to provide a valuation based on a sales comparison approach. Moreover, the Appraiser relied heavily on the income approach and used substantially understated expenses of $2,238 per unit rather than the significantly higher $5,011 per unit historical operating expense from the property itself. This difference in expenses has the effect of reducing net operating income from the Appraiser's extraordinary estimate of $105,591 to the actual historical $31,367 per year. The valuation based on the income approach is therefore highly inflated by a factor of 200% to 300%. Based upon these significant deficiencies, the appraisal could not be accepted by the Department and was not relied upon when deriving the Underwriter's acquisition cost.

According to 10 TAC§49.9(h)(12) applicants applying for acquisition credits must provide an appraisal meeting the requirements of 10 TAC§49.9(h)(14)(D) which indicates that the requirements of the 2007 Real Estate Analysis Rules and Guidelines must be met. The 2007 Real Estate Analysis Rules and Guidelines in 10 TAC §1.34(d)(9) states:

> Appraisal Process. It is mandatory that all three approaches, Cost Approach, Sales Comparison Approach and Income Approach, are considered in valuing the property. If an approach is not applicable to a particular property an adequate explanation must be provided. A land value estimate must be provided if the cost approach is not applicable.

The appraisal submitted was unacceptable because one of the three mandatory approaches was not provided and another was significantly deficient. A completely new appraisal would have been required in order to reconcile these issues. As the required appraisal performed in accordance with the Department's guidelines was not performed and provided to staff by the application deadline, the Applicant should have no ability to request any tax credits on the acquisition. If the application had been underwritten accordingly, the recommended tax credit allocation would have been reduced even further which would have placed the transaction at risk of infeasibility. The Appraisal was required in this instance to 1) insure that the value attributed to the identity of interest transfer was not more than the as is market value for the property and 2) to provide a justification for the attribution of the transfer price of the acquisition to buildings and a portion to land. If the transfer price is reduced to the original acquisition cost or less, the need for the appraisal for identity of interest reasons is mitigated. With regard to the second reason for the need for an appraisal, the appraisal provided a reasonable estimate for the value of the land and this provides an alternative mechanism to attribute the portion of the transfer price to land and buildings and determine an acceptable acquisition basis calculation.

Staff understands the unique characteristics and needs of USDA-RD transactions. In addition, staff contacted USDA-RD staff in order to confirm how the transaction would be handled upon their review. Based on an understanding of how USDA-RD typically treats acquisitions, as proposed, and based on the unique needs of USDA-RD developments, staff adjusted the Applicant's acquisition cost to the current loan balance and the acquisition basis to the loan amount less the value of the land. Utilizing the outstanding debt amount as a proxy for the transfer price is reasonable in this case because UDSA-RD has typically not allowed a materially higher amount in other transactions. The Applicant's appeal suggested that the application justified a higher acquisition price based upon the tax credit rules. The Department can not use an amount that is higher than the transfer price that is ultimately approved by USDA-RD, however, just because the tax credit rules allow such a higher price and using the higher price allows more tax credits to be funded. The Department must use the transfer price that will actually be used by USDA-RD. Staff has routinely used additional historical knowledge of the USDA-RD approval process and discussions with USDA-RD to evaluate acquisition transactions that include USDA-RD funding. It should also be noted that based on discussions staff had with USDA on this matter, staff also believes that USDA-RD would reject the submitted appraisal.

Without a completely new appraisal to substantiate the Applicant's request, the Applicant can not justify their requested credits. The only alternative for staff is to assume a realistic transfer price and recommend the allocation of tax credits accordingly which is how the underwriting recommendations were developed.

In the appeal the Applicant also indicates that the syndication rate for the transaction with the recommended credit amount would decline from $0.90 per credit syndicated indicated in the syndicator's commitment to $0.82 per credit dollar syndicated. This would be new information that was not available to the Underwriter at the time of the analysis and therefore could not have been contemplated by the Underwriter. Moreover, the Applicant has provided no documentation to support this significant reduction in the syndication price.

Recommendation

Staff recommends the Board deny the appeal.

07110 Poteet Housing Authority Farm Labor

Applicant's Appeal

LOCKE LIDDELL & SAPP LLP
100 Congress Avenue
Suite 300
Austin, Texas 78701-4042

FACSIMILE TRANSMISSION

Voice: (512) 305-4700
Fax: (512) 305-4800

Date: 7/3/07

PLEASE DELIVER AS SOON AS POSSIBLE TO:

	TO	COMPANY	FAX NO.	PHONE NO.
1.	Pamela Cloyde	TDHCA	475-3746	

FROM: Cynthia Bast PHONE (512) 305-4707

Total number of pages including this page: 10

Notes: Poteet Appeal

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

REAL ESTATE ANALYSIS
Housing Tax Credit Program – 2007 Application Cycle
Underwriting Report Notice

Appeal Election Form: 07110 Poteet Housing Authority Farm Labor **Date Notice Sent: 6/27/07**

I am in receipt of my 2007 Underwriting report notice and have reviewed the Appeal Policy at 10TAC Section 49.17(b). I recognize that should I choose to file an appeal, I must file a formal appeal to the Executive Director within seven days from the date this Notice was issued and the Underwriting report was posted to the Department's web site. I understand that my appeal must identify my specific grounds for appeal.
If my appeal is denied by the Executive Director, I

☒ Do wish to have my appeal to the Board of Directors and request that my appeal be added to the next available Board of Directors' meeting agenda. I understand that my Board appeal documentation must still be submitted by 5:00 p.m, July 3, 2007 to be included in the July 12, 2007 Board book. I understand that if no documentation is submitted, the appeal documentation submitted to the Executive Director will be utilized.

☐ Wish to wait to hear the Executive Director's response before deciding on my appeal to the Board of Directors.

☐ Do not wish to appeal to the Board of Directors or Executive Director.

Signed B M Driggers

Title ______

Date 7/3/07

Please fax or e-mail to the attention of:
Pam Cloyde: (fax) 512.475.3746
(e-mail) pamela.cloyde@tdhca.state.tx.us

LOCKE LIDDELL & SAPP PLLC

ATTORNEYS & COUNSELORS

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Phone: (512) 305-4700
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July 3, 2007

Mr. Michael Gerber
Executive Director
TDHCA
221 East 11th Street
Austin, Texas 78701

Re: Poteet Housing Authority Farm Labor
TDHCA No. 07110

Dear Mr. Gerber:

We represent the applicant for the Poteet Housing Authority Farm Labor development, which is seeking tax credits for a rural acquisition/rehabilitation project in Poteet.

The appeal is related to two areas of the underwriting report; 1.) pricing of the tax credits and 2.) the reduction of the transfer price that was submitted in the application.

Pricing of the Tax Credits

The underwriter reduced the requested amount of tax credits from $121,605 to $79,605.

The same syndicator pricing of 90 cents that was used for the $121,605 request was also used for the revised $79,605 tax credit amount to generate equity funding of $716,445. However because the award is below $100,000 it affects the syndicator's pricing down to 82 cents. In order to generate an equity amount of $716,445 based on 82 cents the award would have to be raised $7,766 to a total of $87,371.

Reduction of the transfer price

The underwriter reduced the requested transfer price of the property from $1,255,000 to $505,000.

Section 49.9(h)(7)(iv)(II) describes the method to determine the basis in an identity of interest acquisition transfer. In summary, the rule states if the applicant is using the original cost of the property no appraisal is needed and only evidence of the original cost needs to be submitted. In situations where the applicant is requesting a transfer in excess of the original cost because of additional owning, holding or improving costs, a transfer price for an identity of interest transaction should be based on the lower of 1.) the appraisal or 2.) the original acquisition cost plus an amount that may include capitalized costs on improvements to the Property and a calculated return on equity at a rate consistent with the historical returns of similar risks.

In determining the original acquisition cost with a calculated return on equity the following approach was taken. The property was completed in 1979 at a cost of $672,160 which is based on the original deed of trust. Since 1979 the principal on the note has been reduced through monthly amortization by a total of $165,571 leaving remaining debt of $506,589 ($506,589 + $165,571 = $672,160 original acquisition cost). Calculating a return on that $165,571 as it was paid since 1979 using a 7.5% annual return compounded monthly equals $662,272 (see attached calculation of return). Therefore the original cost plus a calculated return on equity is as follows:

Equity	$ 165,571
Current Debt	506,589
Return on Equity	662,272
Transfer Price	$1,334,432

Because this amount is more than the appraisal the appraisal should be the transfer price.

An appraisal was submitted on February 28 along with the application. The appraisal indicated a value based on the cost approach of $905,000 and a value based on the income approach of $1,255,000. The appraiser indicated that the sales comparison approach was not used due to a lack of comparable sales for the subject property. In reconciling the two approaches (income and cost), the appraiser expressed his opinion of value to be $1,255,000.

The underwriting report disallowed the appraisal and stated that USDA-RD 515 transfer prices are typically equal to the loan balance plus in some cases exit taxes and cash to outgoing owners. The applicant was never provided an opportunity to have the objections to the appraisal addressed by the appraiser or to have another appraisal performed by an appraiser of the underwriter's choice. As stated above per the QAP, if evidence is provided, the transfer price should never be less than the original cost, not the current debt balance as suggested by the underwriting report.

Regarding the disapproval of the appraisal, the underwriting report's own data indicates the property's value is in excess of $950,000. The underwriting report used the Gap method in the calculation of the tax credit amount. This method is used when it is determine that the property is able to take on additional debt in addition to the current amount. This project is simply a rehab adding no additional units or other improvements that would increase revenue. Therefore whatever debt is required be added by the underwriter is further evidence of the property's current value. The additional debt the underwriter's Gap method generated was $314,382 which combined with the current debt of $506,589 generates total debt of $820,971. This debt structure provides a DCR of 1.35 or an annual positive cash flow of $14,246. Using a 9% capitalization rate on this cash flow equates to an equity value in the property of $158,289. Per the underwriter's own data, the value of the property is $979,260 ($820,971 in debt and $158,289 in equity). We are therefore submitting that the transfer price should be $979,260.

Thank you for your time in reviewing this appeal. If you need any additional information or need something clarified please feel free to contact me or my client.

Sincerely,

Cynthia L Bast

Cynthia L. Bast

Attachment

cc: Gary Driggers

Poteet Housing Authority Farm Labor
Return on Equity Calculation

Date	Accumulated Principal Payments	Accumulated Total Equity	Return Based on 7.500%	Monthly Return	Accumulated Return by Month
12/18/1979	1,139.46		0.625%	7.12	7.12
1/18/1980	2,279.88	2,287.00	0.625%	14.29	21.42
2/18/1980	3,421.25	3,442.66	0.625%	21.52	42.93
3/18/1980	4,563.66	4,606.50	0.625%	28.79	71.72
4/18/1980	5,706.83	5,778.56	0.625%	36.12	107.84
5/18/1980	6,851.06	6,958.89	0.625%	43.49	151.33
6/18/1980	7,996.23	8,147.56	0.625%	50.92	202.25
7/18/1980	9,142.36	9,344.62	0.625%	58.40	260.66
8/18/1980	10,289.46	10,550.11	0.625%	65.94	326.60
9/18/1980	11,437.49	11,764.08	0.625%	73.53	400.12
10/18/1980	12,586.49	12,986.61	0.625%	81.17	481.29
11/18/1980	13,736.44	14,217.73	0.625%	88.86	570.15
12/18/1980	14,887.36	15,457.50	0.625%	96.61	666.76
1/18/1981	16,039.23	16,706.99	0.625%	104.41	771.17
2/18/1981	17,192.06	17,963.23	0.625%	112.27	883.44
3/18/1981	18,345.85	19,229.30	0.625%	120.18	1,003.62
4/18/1981	19,500.61	20,604.23	0.625%	128.15	1,131.78
5/18/1981	20,656.33	21,788.10	0.625%	136.18	1,267.95
6/18/1981	21,813.01	23,080.96	0.625%	144.26	1,412.21
7/18/1981	22,970.65	24,382.86	0.625%	152.39	1,564.60
8/18/1981	24,129.26	25,693.86	0.625%	160.59	1,725.19
9/18/1981	25,288.83	27,014.02	0.625%	168.84	1,894.02
10/18/1981	26,449.38	28,343.40	0.625%	177.15	2,071.17
11/18/1981	27,610.88	29,682.05	0.625%	185.51	2,256.68
12/18/1981	28,773.36	31,030.04	0.625%	193.94	2,450.62
1/18/1982	29,936.80	32,387.42	0.625%	202.42	2,653.04
2/18/1982	31,101.22	33,764.26	0.625%	210.96	2,864.01
3/18/1982	32,266.60	35,130.61	0.625%	219.57	3,083.57
4/18/1982	33,432.96	36,516.63	0.625%	228.23	3,311.80
5/18/1982	34,600.28	37,912.09	0.625%	236.95	3,548.75
6/18/1982	35,768.58	39,317.34	0.625%	245.73	3,794.48
7/18/1982	36,937.86	40,732.34	0.625%	254.58	4,049.06
8/18/1982	38,108.11	42,157.17	0.625%	263.48	4,312.54
9/18/1982	39,279.33	43,591.87	0.625%	272.45	4,584.99
10/18/1982	40,451.53	45,036.52	0.625%	281.48	4,866.47
11/18/1982	41,624.71	46,491.18	0.625%	290.57	5,157.04
12/18/1982	42,798.86	47,955.90	0.625%	299.72	5,456.77
1/18/1983	43,973.99	49,430.76	0.625%	308.94	5,765.71
2/18/1983	45,150.10	50,915.81	0.625%	318.22	6,083.93
3/18/1983	46,327.20	52,411.13	0.625%	327.57	6,411.50
4/18/1983	47,505.27	53,916.77	0.625%	336.98	6,748.48
5/18/1983	48,684.32	55,432.80	0.625%	346.46	7,094.94
6/18/1983	49,864.36	56,959.30	0.625%	356.00	7,450.93
7/18/1983	51,045.38	58,496.31	0.625%	365.60	7,816.53
8/18/1983	52,227.38	60,043.92	0.625%	375.27	8,191.81
9/18/1983	53,410.37	61,602.18	0.625%	385.01	8,576.82
10/18/1983	54,594.35	63,171.17	0.625%	394.82	8,971.64
11/18/1983	55,779.31	64,750.95	0.625%	404.69	9,376.34
12/18/1983	56,965.26	66,341.60	0.625%	414.63	9,790.97
1/18/1984	58,152.20	67,943.17	0.625%	424.64	10,215.62
2/18/1984	59,340.13	69,555.74	0.625%	434.72	10,650.34
3/18/1984	60,529.04	71,179.38	0.625%	444.87	11,095.21
4/18/1984	61,718.95	72,814.16	0.625%	455.09	11,550.30
5/18/1984	62,909.85	74,460.15	0.625%	465.38	12,015.67
6/18/1984	64,101.74	76,117.41	0.625%	475.73	12,491.41
7/18/1984	65,294.62	77,786.03	0.625%	486.16	12,977.57
8/18/1984	66,488.50	79,466.07	0.625%	496.66	13,474.23
9/18/1984	67,683.38	81,157.61	0.625%	507.24	13,981.47
10/18/1984	68,879.25	82,860.72	0.625%	517.88	14,499.35
11/18/1984	70,076.11	84,575.46	0.625%	528.60	15,027.94
12/18/1984	71,273.98	86,301.92	0.625%	539.39	15,567.33
1/18/1985	72,472.84	88,040.17	0.625%	550.25	16,117.58

Date	Accumulated Principal Payments	Accumulated Total Equity	Return Based on 7.500%	Monthly Return	Accumulated Return by Month
2/18/1985	73,672.70	89,790.28	0.625%	561.19	16,678.77
3/18/1985	74,873.56	91,552.33	0.625%	572.20	17,250.97
4/18/1985	76,075.42	93,326.40	0.625%	583.29	17,834.26
5/18/1985	77,278.28	95,112.55	0.625%	594.45	18,428.72
6/18/1985	78,482.15	96,910.87	0.625%	605.69	19,034.41
7/18/1985	79,687.02	98,721.43	0.625%	617.01	19,651.42
8/18/1985	80,892.89	100,544.31	0.625%	628.40	20,279.82
9/18/1985	82,099.77	102,379.59	0.625%	639.87	20,919.69
10/18/1985	83,307.65	104,227.34	0.625%	651.42	21,571.11
11/18/1985	84,516.54	106,087.65	0.625%	663.05	22,234.16
12/18/1985	85,726.44	107,960.60	0.625%	674.75	22,908.92
1/18/1986	86,937.34	109,846.26	0.625%	686.54	23,595.46
2/18/1986	88,149.26	111,744.71	0.625%	698.40	24,293.86
3/18/1986	89,362.18	113,656.04	0.625%	710.35	25,004.21
4/18/1986	90,576.12	115,580.33	0.625%	722.38	25,726.59
5/18/1986	91,791.06	117,517.65	0.625%	734.49	26,461.07
6/18/1986	93,007.02	119,468.10	0.625%	746.68	27,207.75
7/18/1986	94,224.00	121,431.74	0.625%	758.95	27,966.70
8/18/1986	95,441.98	123,408.68	0.625%	771.30	28,738.00
9/18/1986	96,660.98	125,398.98	0.625%	783.74	29,521.74
10/18/1986	97,881.00	127,402.75	0.625%	796.27	30,318.01
11/18/1986	99,102.04	129,420.05	0.625%	808.88	31,126.89
12/18/1986	100,324.09	131,450.97	0.625%	821.57	31,948.46
1/18/1987	101,547.16	133,495.61	0.625%	834.35	32,782.80
2/18/1987	102,771.25	135,554.05	0.625%	847.21	33,630.02
3/18/1987	103,996.36	137,626.37	0.625%	860.16	34,490.18
4/18/1987	105,222.49	139,712.67	0.625%	873.20	35,363.38
5/18/1987	106,449.64	141,813.02	0.625%	886.33	36,249.72
6/18/1987	107,677.81	143,927.53	0.625%	899.55	37,149.26
7/18/1987	108,907.01	146,056.27	0.625%	912.85	38,062.11
8/18/1987	110,137.23	148,199.35	0.625%	926.25	38,988.36
9/18/1987	111,368.48	150,356.84	0.625%	939.73	39,928.09
10/18/1987	112,600.75	152,528.85	0.625%	953.31	40,881.40
11/18/1987	113,834.06	154,715.45	0.625%	966.97	41,848.37
12/18/1987	115,068.38	156,916.75	0.625%	980.73	42,829.10
1/18/1988	116,303.74	159,132.84	0.625%	994.58	43,823.68
2/18/1988	117,540.13	161,363.81	0.625%	1,008.52	44,832.20
3/18/1988	118,777.54	163,609.75	0.625%	1,022.56	45,854.76
4/18/1988	120,015.99	165,870.75	0.625%	1,036.69	46,891.45
5/18/1988	121,255.47	168,146.93	0.625%	1,050.92	47,942.37
6/18/1988	122,495.98	170,438.36	0.625%	1,065.24	49,007.61
7/18/1988	123,737.53	172,745.14	0.625%	1,079.66	50,087.27
8/18/1988	124,980.11	175,067.38	0.625%	1,094.17	51,181.44
9/18/1988	126,223.73	177,405.17	0.625%	1,108.78	52,290.22
10/18/1988	127,468.38	179,758.61	0.625%	1,123.49	53,413.71
11/18/1988	128,714.07	182,127.79	0.625%	1,138.30	54,552.01
12/18/1988	129,960.80	184,512.81	0.625%	1,153.21	55,705.22
1/18/1989	131,208.57	186,913.79	0.625%	1,168.21	56,873.43
2/18/1989	143,448.71	200,322.14	0.625%	1,252.01	58,125.44
3/18/1989	143,486.23	201,611.68	0.625%	1,260.07	59,385.52
4/18/1989	143,524.05	202,909.56	0.625%	1,268.18	60,653.70
5/18/1989	143,562.16	204,215.86	0.625%	1,276.35	61,930.05
6/18/1989	143,600.58	205,530.63	0.625%	1,284.57	63,214.62
7/18/1989	143,639.30	206,853.92	0.625%	1,292.84	64,507.45
8/18/1989	143,678.33	208,185.78	0.625%	1,301.16	65,808.61
9/18/1989	143,717.67	209,526.28	0.625%	1,309.54	67,118.15
10/18/1989	143,757.31	210,875.47	0.625%	1,317.97	68,436.13
11/18/1989	143,797.28	212,233.40	0.625%	1,326.46	69,762.58
12/18/1989	143,837.56	213,600.14	0.625%	1,335.00	71,097.59
1/18/1990	143,878.15	214,975.74	0.625%	1,343.60	72,441.18
2/18/1990	143,919.07	216,360.25	0.625%	1,352.25	73,793.44
3/18/1990	143,960.31	217,753.75	0.625%	1,360.96	75,154.40
4/18/1990	144,001.88	219,156.28	0.625%	1,369.73	76,524.12
5/18/1990	144,043.78	220,567.90	0.625%	1,378.55	77,902.67
6/18/1990	144,086.01	221,988.68	0.625%	1,387.43	79,290.10

Date	Accumulated Principal Payments	Accumulated Total Equity with Return	Return Based on 7.500%	Monthly Return	Accumulated Return by Month
7/18/1990	144,128.58	223,418.68	0.625%	1,398.37	80,686.47
8/18/1990	144,171.48	224,857.94	0.625%	1,405.36	82,091.83
9/18/1990	144,214.72	226,306.55	0.625%	1,414.42	83,506.25
10/18/1990	144,258.30	227,764.55	0.625%	1,423.53	84,929.77
11/18/1990	144,302.23	229,232.00	0.625%	1,432.70	86,362.47
12/18/1990	144,346.50	230,708.98	0.625%	1,441.93	87,804.41
1/18/1991	144,391.13	232,196.54	0.625%	1,451.22	89,255.63
2/18/1991	144,436.11	233,691.74	0.625%	1,460.57	90,716.20
3/18/1991	144,481.45	235,197.65	0.625%	1,469.99	92,186.19
4/18/1991	144,527.14	236,713.33	0.625%	1,479.46	93,665.64
5/18/1991	144,573.20	238,238.84	0.625%	1,488.99	95,154.64
6/18/1991	144,619.62	239,774.26	0.625%	1,498.59	96,653.23
7/18/1991	144,666.41	241,319.63	0.625%	1,508.25	98,161.47
8/18/1991	144,713.57	242,875.04	0.625%	1,517.97	99,679.44
9/18/1991	144,761.10	244,440.64	0.625%	1,527.75	101,207.20
10/18/1991	144,809.01	246,016.20	0.625%	1,537.60	102,744.80
11/18/1991	144,857.30	247,602.09	0.625%	1,547.51	104,292.31
12/18/1991	144,905.97	249,198.28	0.625%	1,557.49	105,849.80
1/18/1992	144,955.02	250,804.82	0.625%	1,567.53	107,417.33
2/18/1992	145,004.47	252,421.80	0.625%	1,577.64	108,994.97
3/18/1992	145,054.30	254,049.27	0.625%	1,587.81	110,582.77
4/18/1992	145,104.53	255,687.31	0.625%	1,598.05	112,180.82
5/18/1992	145,155.16	257,335.98	0.625%	1,608.35	113,789.17
6/18/1992	145,206.19	258,995.36	0.625%	1,618.72	115,407.89
7/18/1992	145,257.62	260,666.51	0.625%	1,629.16	117,037.05
8/18/1992	145,309.46	262,348.51	0.625%	1,639.67	118,676.72
9/18/1992	145,361.71	264,038.43	0.625%	1,650.24	120,326.96
10/18/1992	145,414.37	265,741.33	0.625%	1,660.88	121,987.84
11/18/1992	145,467.45	267,455.29	0.625%	1,671.60	123,659.44
12/18/1992	145,520.95	269,180.39	0.625%	1,682.38	125,341.81
1/18/1993	145,574.88	270,916.69	0.625%	1,693.23	127,035.04
2/18/1993	145,629.23	272,664.27	0.625%	1,704.15	128,739.19
3/18/1993	145,684.01	274,423.20	0.625%	1,715.15	130,454.34
4/18/1993	145,739.23	276,193.56	0.625%	1,726.21	132,180.55
5/18/1993	145,794.88	277,975.43	0.625%	1,737.35	133,917.90
6/18/1993	145,850.97	279,768.87	0.625%	1,748.56	135,666.45
7/18/1993	145,907.51	281,573.96	0.625%	1,759.84	137,426.29
8/18/1993	145,964.49	283,390.78	0.625%	1,771.19	139,197.48
9/18/1993	146,021.93	285,219.41	0.625%	1,782.62	140,980.10
10/18/1993	146,079.82	287,059.92	0.625%	1,794.12	142,774.23
11/18/1993	146,138.17	288,912.39	0.625%	1,805.70	144,579.93
12/18/1993	146,196.98	290,776.90	0.625%	1,817.36	146,397.28
1/18/1994	146,256.25	292,653.54	0.625%	1,829.08	148,226.37
2/18/1994	146,316.00	294,542.37	0.625%	1,840.89	150,067.26
3/18/1994	146,376.22	296,443.47	0.625%	1,852.77	151,920.03
4/18/1994	146,436.91	298,356.94	0.625%	1,864.73	153,784.76
5/18/1994	146,498.09	300,282.85	0.625%	1,876.77	155,661.53
6/18/1994	146,559.75	302,221.28	0.625%	1,888.88	157,550.41
7/18/1994	146,621.89	304,172.31	0.625%	1,901.08	159,451.49
8/18/1994	146,684.53	306,136.02	0.625%	1,913.35	161,364.84
9/18/1994	146,747.67	308,112.61	0.625%	1,925.70	163,290.54
10/18/1994	146,811.31	310,101.85	0.625%	1,938.14	165,228.68
11/18/1994	146,875.45	312,104.12	0.625%	1,950.65	167,179.33
12/18/1994	146,940.09	314,119.42	0.625%	1,963.25	169,142.58
1/18/1995	147,005.25	316,147.83	0.625%	1,975.92	171,118.50
2/18/1995	147,070.93	318,189.43	0.625%	1,988.68	173,107.18
3/18/1995	147,137.12	320,244.31	0.625%	2,001.53	175,108.71
4/18/1995	147,203.84	322,312.55	0.625%	2,014.45	177,123.16
5/18/1995	147,271.09	324,394.25	0.625%	2,027.46	179,150.63
6/18/1995	147,338.87	326,489.49	0.625%	2,040.56	181,191.19
7/18/1995	147,407.18	328,598.37	0.625%	2,053.74	183,244.93
8/18/1995	147,476.04	330,720.87	0.625%	2,067.01	185,311.93
9/18/1995	147,545.44	332,857.37	0.625%	2,080.36	187,392.29
10/18/1995	147,615.39	335,007.68	0.625%	2,093.80	189,486.09
11/18/1995	147,685.90	337,171.99	0.625%	2,107.32	191,593.41
12/18/1995	147,756.96	339,350.38	0.625%	2,120.94	193,714.35

Date	Accumulated Principal Payments	Accumulated Total Equity with Return	Return Based on 7.500%	Monthly Return	Accumulated Return by Month
1/18/1996	147,828.59	341,542.94	0.625%	2,134.64	195,849.00
2/18/1996	147,900.78	343,749.78	0.625%	2,148.44	197,997.43
3/18/1996	147,973.55	345,970.98	0.625%	2,162.32	200,159.75
4/18/1996	148,046.89	348,206.64	0.625%	2,176.29	202,336.04
5/18/1996	148,120.81	350,456.85	0.625%	2,190.36	204,526.40
6/18/1996	148,195.31	352,721.71	0.625%	2,204.51	206,730.91
7/18/1996	148,270.41	355,001.32	0.625%	2,218.76	208,949.67
8/18/1996	148,346.10	357,295.77	0.625%	2,233.10	211,182.77
9/18/1996	148,422.39	359,605.16	0.625%	2,247.53	213,430.30
10/18/1996	148,499.28	361,929.58	0.625%	2,262.06	215,692.36
11/18/1996	148,576.79	364,269.15	0.625%	2,276.68	217,969.04
12/18/1996	148,654.90	366,623.94	0.625%	2,291.40	220,260.44
1/18/1997	148,733.64	368,994.08	0.625%	2,306.21	222,566.65
2/18/1997	148,813.00	371,379.66	0.625%	2,321.12	224,887.78
3/18/1997	148,892.98	373,780.76	0.625%	2,336.13	227,223.91
4/18/1997	148,973.60	376,197.51	0.625%	2,351.23	229,575.14
5/18/1997	149,054.86	378,630.00	0.625%	2,366.44	231,941.58
6/18/1997	149,136.76	381,078.34	0.625%	2,381.74	234,323.32
7/18/1997	149,219.31	383,542.63	0.625%	2,397.14	236,720.46
8/18/1997	149,302.51	386,022.97	0.625%	2,412.64	239,133.10
9/18/1997	149,386.37	388,519.48	0.625%	2,428.25	241,561.35
10/18/1997	149,470.90	391,032.25	0.625%	2,443.95	244,005.30
11/18/1997	149,556.09	393,561.40	0.625%	2,459.76	246,465.06
12/18/1997	149,641.96	396,107.02	0.625%	2,475.67	248,940.73
1/18/1998	149,728.51	398,669.24	0.625%	2,491.68	251,432.41
2/18/1998	149,815.75	401,248.16	0.625%	2,507.80	253,940.21
3/18/1998	149,903.67	403,843.88	0.625%	2,524.02	256,464.24
4/18/1998	149,992.29	406,456.53	0.625%	2,540.35	259,004.59
5/18/1998	150,081.61	409,086.20	0.625%	2,556.79	261,561.38
6/18/1998	150,171.64	411,733.02	0.625%	2,573.33	264,134.71
7/18/1998	150,262.39	414,397.10	0.625%	2,589.98	266,724.69
8/18/1998	150,353.85	417,078.54	0.625%	2,606.74	269,331.43
9/18/1998	150,446.03	419,777.46	0.625%	2,623.61	271,955.04
10/18/1998	150,538.94	422,493.99	0.625%	2,640.59	274,595.63
11/18/1998	150,632.59	425,228.22	0.625%	2,657.68	277,253.31
12/18/1998	150,726.99	427,980.29	0.625%	2,674.88	279,928.18
1/18/1999	150,822.12	430,750.31	0.625%	2,692.19	282,620.37
2/18/1999	150,918.02	433,538.39	0.625%	2,709.61	285,329.99
3/18/1999	151,014.67	436,344.65	0.625%	2,727.15	288,057.14
4/18/1999	151,112.08	439,169.23	0.625%	2,744.81	290,801.95
5/18/1999	151,210.27	442,012.22	0.625%	2,762.58	293,564.53
6/18/1999	151,309.24	444,873.76	0.625%	2,780.46	296,344.99
7/18/1999	151,408.98	447,753.97	0.625%	2,798.46	299,143.45
8/18/1999	151,509.52	450,652.97	0.625%	2,816.58	301,960.03
9/18/1999	151,610.88	453,570.89	0.625%	2,834.82	304,794.85
10/18/1999	151,712.99	456,507.84	0.625%	2,853.17	307,648.02
11/18/1999	151,815.94	459,463.96	0.625%	2,871.65	310,519.67
12/18/1999	151,919.70	462,439.37	0.625%	2,890.25	313,409.92
1/18/2000	152,024.28	465,434.19	0.625%	2,908.96	316,318.88
2/18/2000	152,129.69	468,448.57	0.625%	2,927.80	319,246.68
3/18/2000	152,235.93	471,482.61	0.625%	2,946.77	322,193.45
4/18/2000	152,343.01	474,536.46	0.625%	2,965.85	325,159.30
5/18/2000	152,450.94	477,610.26	0.625%	2,985.06	328,144.37
6/18/2000	152,559.73	480,704.10	0.625%	3,004.40	331,148.77
7/18/2000	152,669.38	483,818.15	0.625%	3,023.86	334,172.63
8/18/2000	152,779.90	486,952.53	0.625%	3,043.45	337,216.09
9/18/2000	152,891.29	490,107.37	0.625%	3,063.17	340,279.26
10/18/2000	153,003.56	493,282.82	0.625%	3,083.02	343,362.27
11/18/2000	153,116.72	496,478.99	0.625%	3,102.99	346,465.27
12/18/2000	153,230.78	499,696.05	0.625%	3,123.10	349,588.37
1/18/2001	153,345.74	502,934.11	0.625%	3,143.34	352,731.71
2/18/2001	153,461.61	506,193.31	0.625%	3,163.71	355,895.41
3/18/2001	153,578.40	509,473.81	0.625%	3,184.21	359,079.63
4/18/2001	153,696.11	512,775.73	0.625%	3,204.85	362,284.47
5/18/2001	153,814.75	516,099.23	0.625%	3,225.62	365,510.09
6/18/2001	153,934.34	519,444.43	0.625%	3,246.53	368,756.62
7/18/2001	154,054.87	522,811.49	0.625%	3,267.57	372,024.19

Date	Accumulated Principal Payments	Accumulated Total Equity with Return	Return Based on 7.500%	Monthly Return	Accumulated Return by Month
8/18/2001	154,176.35	526,200.54	0.625%	3,288.75	375,312.95
9/18/2001	154,298.80	529,611.74	0.625%	3,310.07	378,623.02
10/18/2001	154,422.21	533,045.23	0.625%	3,331.53	381,954.55
11/18/2001	154,546.60	536,501.16	0.625%	3,353.13	385,307.69
12/18/2001	154,671.98	539,979.67	0.625%	3,374.87	388,682.56
1/18/2002	154,798.35	543,480.91	0.625%	3,396.76	392,079.31
2/18/2002	154,925.72	547,005.04	0.625%	3,418.78	395,498.10
3/18/2002	155,054.10	550,552.20	0.625%	3,440.95	398,939.05
4/18/2002	155,183.50	554,122.54	0.625%	3,463.27	402,402.31
5/18/2002	155,313.92	557,716.23	0.625%	3,485.73	405,888.04
6/18/2002	155,445.37	561,333.41	0.625%	3,508.33	409,396.37
7/18/2002	155,577.86	564,974.23	0.625%	3,531.09	412,927.46
8/18/2002	155,711.40	568,638.66	0.625%	3,553.99	416,481.45
9/18/2002	155,846.00	572,327.45	0.625%	3,577.05	420,058.50
10/18/2002	155,981.66	576,040.17	0.625%	3,600.26	423,658.75
11/18/2002	156,118.40	579,777.15	0.625%	3,623.61	427,282.36
12/18/2002	156,256.22	583,538.58	0.625%	3,647.12	430,929.48
1/18/2003	156,395.13	587,324.61	0.625%	3,670.78	434,600.25
2/18/2003	156,535.15	591,135.40	0.625%	3,694.60	438,294.85
3/18/2003	156,676.27	594,971.12	0.625%	3,718.57	442,013.42
4/18/2003	156,818.50	598,831.92	0.625%	3,742.70	445,756.12
5/18/2003	156,961.87	602,717.99	0.625%	3,766.99	449,523.11
6/18/2003	157,106.36	606,629.47	0.625%	3,791.43	453,314.54
7/18/2003	157,252.01	610,566.65	0.625%	3,816.04	457,130.58
8/18/2003	157,398.80	614,529.38	0.625%	3,840.81	460,971.39
9/18/2003	157,546.76	618,518.15	0.625%	3,865.74	464,837.13
10/18/2003	157,695.89	622,533.02	0.625%	3,890.83	468,727.96
11/18/2003	157,846.20	626,574.18	0.625%	3,916.09	472,644.05
12/18/2003	157,997.70	630,641.74	0.625%	3,941.51	476,585.56
1/18/2004	158,150.39	634,735.95	0.625%	3,967.10	480,552.66
2/18/2004	158,304.30	638,856.96	0.625%	3,992.86	484,545.52
3/18/2004	158,459.43	643,004.94	0.625%	4,018.78	488,564.30
4/18/2004	158,615.78	647,180.08	0.625%	4,044.88	492,609.17
5/18/2004	158,773.37	651,382.54	0.625%	4,071.14	496,680.31
6/18/2004	158,932.21	655,612.62	0.625%	4,097.58	500,777.89
7/18/2004	159,092.31	659,870.20	0.625%	4,124.19	504,902.08
8/18/2004	159,253.67	664,155.75	0.625%	4,150.97	509,053.05
9/18/2004	159,416.31	668,469.37	0.625%	4,177.93	513,230.99
10/18/2004	159,580.24	672,811.23	0.625%	4,205.07	517,436.06
11/18/2004	159,745.47	677,181.53	0.625%	4,232.38	521,668.44
12/18/2004	159,912.00	681,580.45	0.625%	4,259.88	525,928.32
1/18/2005	160,079.86	686,008.18	0.625%	4,287.55	530,215.87
2/18/2005	160,249.04	690,464.91	0.625%	4,315.41	534,531.28
3/18/2005	160,419.56	694,950.84	0.625%	4,343.44	538,874.72
4/18/2005	160,591.43	699,466.15	0.625%	4,371.66	543,246.38
5/18/2005	160,764.67	704,011.05	0.625%	4,400.07	547,646.45
6/18/2005	160,939.27	708,585.72	0.625%	4,428.66	552,075.11
7/18/2005	161,115.25	713,190.37	0.625%	4,457.44	556,532.55
8/18/2005	161,292.63	717,825.19	0.625%	4,486.41	561,018.96
9/18/2005	161,471.42	722,490.38	0.625%	4,515.56	565,534.52
10/18/2005	161,651.62	727,186.14	0.625%	4,544.91	570,079.44
11/18/2005	161,833.24	731,912.68	0.625%	4,574.45	574,653.89
12/18/2005	162,016.30	736,670.20	0.625%	4,604.19	579,258.08
1/18/2006	162,200.82	741,458.90	0.625%	4,634.12	583,892.20
2/18/2006	162,386.79	746,278.99	0.625%	4,664.24	588,556.44
3/18/2006	162,574.24	751,130.68	0.625%	4,694.57	593,251.01
4/18/2006	162,763.16	756,014.17	0.625%	4,725.09	597,976.10
5/18/2006	162,953.59	760,929.69	0.625%	4,755.81	602,731.91
6/18/2006	163,145.52	765,877.43	0.625%	4,786.73	607,518.64
7/18/2006	163,338.97	770,857.62	0.625%	4,817.86	612,336.50
8/18/2006	163,533.96	775,870.46	0.625%	4,849.19	617,185.69
9/18/2006	163,730.49	780,916.18	0.625%	4,880.73	622,066.42
10/18/2006	163,928.57	785,994.99	0.625%	4,912.47	626,978.89
11/18/2006	164,128.22	791,107.11	0.625%	4,944.42	631,923.31
12/18/2006	164,329.45	796,252.76	0.625%	4,976.58	636,899.89
1/18/2007	164,532.28	801,432.16	0.625%	5,008.95	641,908.84
2/18/2007	164,736.71	806,645.54	0.625%	5,041.53	646,950.37
3/18/2007	164,942.76	811,893.13	0.625%	5,074.33	652,024.70
4/18/2007	165,150.44	817,175.14	0.625%	5,107.34	657,132.05
5/18/2007	165,359.76	822,491.81	0.625%	5,140.57	662,272.62
6/18/2007	165,570.74	827,843.36	0.625%	5,174.02	667,446.64

07110 Poteet Housing Authority Farm Labor

Underwriting Report

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

REPORT DATE: 06/22/07 PROGRAM: 9% HTC FILE NUMBER: 07110

DEVELOPMENT

Poteet Housing Authority Farm Labor

Location: Corner of Avenue N and 4th Street Region: 9

City: Poteet County: Atascosa Zip: 78065 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Family, Rural, Acquisition/Rehab., USDA

ALLOCATION

	REQUEST*			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$121,601			**$79,605**		

*The Applicant originally requested $287,596 but submitted a whole new economic/financing structure on 3/24/07 in order to address the loss of the 30% boost.

CONDITIONS

1 Receipt, review, and acceptance, by the 10% test, of USDA-RD's approval of the development plan, including a feasible financing structure with the proposed loan from the Housing Authority, the rental assisted contract rents, the rehabilitation scope and budget, and the transfer price.

2 Receipt, review, and acceptance of USDA-RD's acceptance of the appraisal provided or a new appraisal performed in accordance with Department guidelines that supports the proper determination of eligible building basis.

3 Receipt, review, and acceptance, by carryover, of a legal opinion or letter from the county appraisal district and back up documentation indicating that the development will qualify for a property tax exemption.

4 Receipt, review, and acceptance, by carryover, of a revised survey with the railroad ROW and site acreage clearly indicated and a letter from the surveyor or title attorney indicating that the said ROW will not have an adverse impact on the subject property.

5 Should the terms and rates of the proposed debt or syndication change or should the Board reinstate the Applicant's acquisition price and accept the Applicant's appraisal, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
60% of AMI	60% of AMI	27

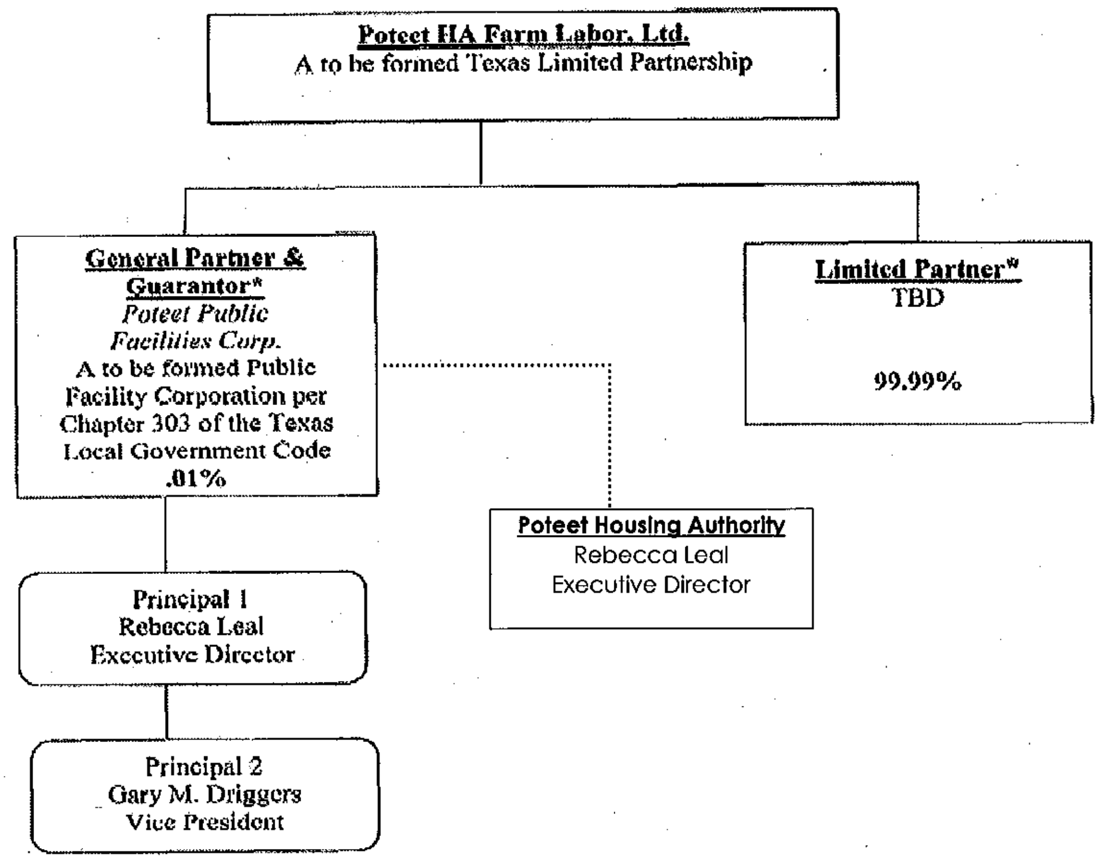
PROS	CONS
▫ The development plan calls for the continuation of the USDA rental subsidy to potentially help serve the lowest income levels in the community.	▫ The Applicant has not justified the overstated transfer price which would significantly inflate the tax credit amount. USDA has indicated that they too would have an issue with transfer amount that was more than twice the outstanding debt.
▫ This application represents an opportunity to revitalize a 28 year old Housing Authority owned property.	▫ Based on the information provided, the property has been operating in a very inefficient manner compared to other tax credit properties of similar size across the State. ▫ The original scope of work was revised significantly in response to loss of the 30% boost indicating needed improvements may have been scaled back. ▫ The appraisal provided was not performed in accordance with Department guidelines and could not be relied upon in the analysis. ▫ The development has an expense to income ratio over 65%, but this is mitigated by the ongoing Rental Assistance subsidy.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



Sponsor

CONTACT

Contact: Gary M. Driggers Phone: (210) 684-0679 Fax: (210) 521-7121
Email: gary.driggers@legacy-renewal.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments
HA of Poteet	$1,192,710	$339,683	No Prior HTC Experience
Legacy Renewal, Inc.	$328,832	$320,567	3
Gary M. Diggers	Confidential	Confidential	3

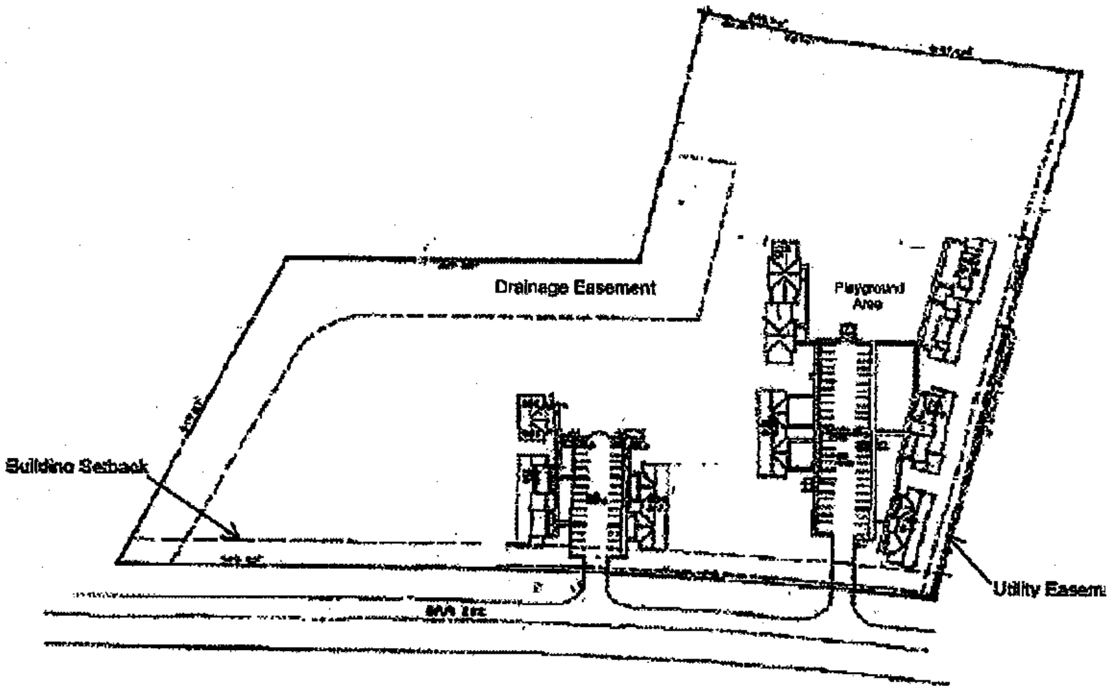
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.
- The seller is regarded as a related party. Moreover, as discussed below, the purchase contract was revised after loss of the 30% boost to include a much higher price, and additional seller financing was included to cover the inflated cost. The use of a higher acquisition price enables the proposed use of a higher eligible building basis and ultimately a higher HTC allocation.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III	IV	V	VI					Total Buildings
Floors/Stories	1	1	1	1	1	1					
Number	1	1	1	3	1	1					**8**

BR/BA	SF	Units										Total Units	Total SF
1/1	646	4	1									5	3,230
2/1	747		3	2	4							17	12,699
3/1	987					4						4	3,948
4/2	1,126						4					4	4,504
Units per Building		4	4	2	4	4	4					**30**	**24,381**

Rehabilitation summary:

The 28 year old buildings are 97% occupied as of January 2007 and in good condition per the Capital Needs Assessment. Most of the units will not require 100% access by the contractor or complete evacuation by the tenants. In situations where this may be needed the contractor will work with the Poteet Housing Authority to use vacant units available at their other properties. The repairs will consist of overlaying new asphalt and seal coating the entire driveway, replacement or repair of all damaged walkways and trash slabs, replacement of all windows, replacement of all door hardware, replacement of all vinyl tile, painting of all of the units, replacement of all sink faucets, replacement of 25% of all cabinets, replacement of sinks and laminate countertops, and installation of 30 new heating and cooling units, including new duct work, installation of a compressor, and updating the electrical to accompany the additional HVAC units.

The original plan included construction of a new community building; however, with removal of the QCT designation, the Applicant cut costs by eliminating the new community building from the development plan and cutting back significantly on the original proposed scope of work. The CNA provided was submitted on March 30, 2007 which is subsequent to the revisions to the development plan. As a result, staff cannot provide an evaluation of what components of the original development plan have been scaled back. Moreover, and particularly of concern, it is unclear whether needed improvements have been removed in the revised scope of work in response to loss of the 30% boost.

SITE ISSUES

Total Size:	10.861 acres	Scattered site?	[ ] Yes	[X] No
Flood Zone:	X	Within 100-yr floodplain?	[ ] Yes	[X] No
Zoning:	Multi-Family	Needs to be re-zoned?	[ ] Yes	[X] No [ ] N/A

Comments:

The acreage of the subject may be decreased based on final survey. A railroad easement and drainage easement have caused the title company to question the total acreage. This is discussed in more detail below in the Title section.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 5/1/2007

Overall Assessment:

[ ] Excellent [X] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: Vacant Land East: Vacant Land

South: Vacant Land West: Commercial Building

HIGHLIGHTS of ENVIRONMENTAL REPORTS

A Phase I Environmental Site Assessment report was not included, as USDA financed projects are not required to submit this report.

MARKET HIGHLIGHTS

A Market Study report was not included, as USDA financed projects are not required to submit this report. An "As Is" appraisal dated February 6, 2007 prepared by Coastal Bend Real Estate Services.

Contact: Raulie Irwin Phone: (361) 645-2111 Fax: (361) 645-2118

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

Market Area:

Poteet is located on State Highway 16, approximately 25 miles south of San Antonio. The general neighborhood is the City of Poteet, Texas. (p. 19)

INCOME LIMITS						
Atascosa						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$9,400	$10,750	$12,100	$13,450	$14,550	$15,600
60	$18,840	$21,480	$24,180	$26,880	$29,040	$31,200

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)		Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1BR 646 SF	(60%)	$451	$451	Not Provided	$440	N/A
2BR 747 SF	(30%)	$239	$239	Not Provided	$501	N/A
2BR 747 SF	(60%)	$541	$541	Not Provided	$501	N/A
3BR 987 SF	(60%)	$623	$623	Not Provided	$631	N/A
4BR 1126 SF	(60%)	$693	$693	Not Provided	$688	N/A

Comments:

The subject development is currently 100% occupied and it is likely the existing tenants will choose to remain at the property. Therefore, an inclusive capture rate calculation is not a meaningful tool for determining the feasibility of the subject development.

OPERATING PROFORMA ANALYSIS

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

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of November 2006 from the 2007 program gross rent limits. The Underwriter's rents are equal to the current USDA-RD net contract rents effective November 1, 2006. The property receives rental assistance to achieve the contract rents for all the units. The Applicant has not indicated that an increase in the rents will be requested and the appraisal does not provide comparable rents within the market. As such, the Underwriter cannot speculate about what rent increases may be reasonable or achievable.

Based on information in the application, USDA-RD approved a 3% to 4% rent increase as recently as November of 2006, which indicates that USDA-RD's approval of yet another increase may be unlikely. Despite the difference in rents, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate. Tenants will be required to pay for electric service.

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

The Applicant's total annual operating expense projection at $3,900 per unit is not within 5% of the Underwriter's estimate of $4,144, derived from the TDHCA database and actual operating history of the development. In addition, the following line items in the Applicant's budget deviate significantly from the Underwriter's estimates: general and administrative ($5K or 30% lower); compliance fees ($2K or 150% higher). The Applicant's total expense estimates appear to be on the high end of reasonable expense levels, particularly considering the property's assumed 100% tax exempt status. However, the 2006 FYE expenses for the property provided indicate an even higher expense level. Based on the information provided, the property appears to operate very inefficiently particularly with regard to utilities including water, sewer and trash and may continue to do so, which is of concern to the Underwriter.

The Applicant has indicated that the property will achieve a property tax exemption due to the Housing Authority's ownership of the GP. However, staff's experience with such transactions suggests that this alone is not sufficient to reasonably assume a 100% exemption. Typically a lease structure can be used but no such structure was proposed by the applicant nor was any evidence of an agreement with the local taxing authorities. Receipt, review, and acceptance of a legal opinion or letter from the county appraisal district indicating that the development will qualify for a property tax exemption is a condition of this report. Without the 100% exemption, basic rents would have to increase by at least 3% in order to maintain minimum feasibility.

Conclusion:

The Applicant's total operating expense estimate and net operating income (NOI) estimate are each not within 5% of the Underwriter's estimates; therefore, the Underwriter's Year One proforma will be used to evaluate the development's debt capacity and debt coverage ratio. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage and proposed loan from the Housing Authority, as adjusted.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and adjusted loan amount were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow. The expense to income ratio is above 65% however this is mitigated by the rental assistance that is available a the property.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	Coastal Bend Real Estate Services	Date:	2/6/2007
Number of Revisions:	0	Date of Last Applicant Revision:	N/A

Land Only: 10.1 acres	$49,000	As of:	2/6/2007
Existing Buildings: (as-is)	$831,000	As of:	2/6/2007
Favorable Financing:	$375,000	As of:	2/6/2007
Total Development: (as-is)	$1,255,000	As of:	2/6/2007

Comments:

The 2007 Real Estate Analysis Rules and Guidelines § 1.34(d)(9) state, "It is mandatory for all three approaches, Cost Approach, Sales Comparison Approach and Income Approach, are considered in valuing the property." The appraisal submitted relies solely on the income and cost approaches to contemplate the "as-is as-restricted" value of the property. This value is exceedingly important particularly for identity of interest acquisition/rehabilitation applications. In such applications, the "as-is as-restricted" value establishes both the ceiling for the related party transfer and basis for determining the eligible building basis. While the Appraisal includes a copy of the Department's appraisal guidelines, the Appraiser failed to comply with these guidelines. Due to this and additional reasons clarified below, the Underwriter has not relied upon the provided appraisal for the underwriting analysis.

The Appraiser notes, "Due to the lack of comparable sales data, the Sales Comparison Approach will not be used in determining the "AS IS" value of the subject property" (p. 33). However, it is routine for an appraiser to rely on sales that occur outside of the immediate market in cases where there are an absence of comparable sales in the immediate area. While it is true that few USDA-RD 515 sales have occurred, staff is aware of a few transfers due to foreclosures and outright sales from other parts of the state that could have been used for comparison purposes.

Due to the Appraiser's primary reliance on the Income Approach to derive the development's value and a discounted cashflow analysis to derive the value of USDA-RD's continued subsidy payments, the Underwriter has taken a close look at the appraisal. The Appraiser did not include any analysis of the appropriate market rent, but instead used the existing contract rents at face value. This lack of justification for the current rents is a flaw in the study but also makes the analysis of the potential to increase rents impossible to complete.

The Appraiser used annual operating expenses of $67,133 or $2,238 per unit including property taxes, which results in an NOI of $105,591. However, based on the 2006 FYE financial statement provided to the Department, the property's 2006 expenses were approximately $5,011 per unit, which resulted in an actual NOI of $31,367. Moreover, based on the underwriting analysis, the Underwriter estimates that the property will operate at an expense level of $4,144 per unit which results in an NOI of $54,863. Based on the information available, the Appraiser's value is based upon expenses that are below any reasonably expected level for USDA-RD properties in Texas. Moreover, it is highly unlikely that USDA-RD would continue to subsidize the property at the current level if the appraisal's assumed expense level could be achieved. As such, the appraised value is based on an over-subsidy of the property.

As stated above, the underwriting analysis does not rely on the appraisal provided due to a failure to generally comply with the Department's guidelines and the appraisal's use of extremely low expenses to derive the value from the Income Approach. It is not known whether the appraisal will be accepted by USDA -RD but if it is accepted it would technically meet the Department's requirement despite its limited usefulness for the underwriting process. Therefore, receipt, review, and acceptance of USDA-RD's acceptance of the appraisal provided or a new appraisal performed in accordance with Department guidelines and that supports the proper determination of eligible building basis is a condition of this report.

ASSESSED VALUE

Land Only: 10.867 acres	$0	Tax Year:	2006
Existing Buildings:	$0	Valuation by:	Atascosa CAD
Total Assessed Value:	Currently Tax Exempt	Tax Rate:	2.9772

EVIDENCE of PROPERTY CONTROL

Type:	Commercial Contract - Improved Property & Amendment	Acreage:	10.067
Contract Expiration:	3/1/2008	Valid Through Board Date?	[x] Yes [ ] No
Acquisition Cost:	$1,255,000	Other:	Amendment to contract dated 3/23/2007
Seller:	Poteet Housing Authority	Related to Development Team?	[x] Yes [ ] No

TITLE

Comments:

Item "p" in Schedule B of the title commitment indicates that a portion of the subject property lies within an abandoned railroad right-of-way, of which there appears to be no record title into the Housing Authority of the City of Poteet. The said right-of-way does not appear to be indicated on the provided survey. Therefore, receipt, review, and acceptance of a revised survey with the railroad ROW and site acreage clearly indicated and a letter from the surveyor indicating that the said ROW will not have an adverse impact on the subject property is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 3/24/2007

Acquisition Value:

The original application included a Contract for the purchase of the property that indicates a purchase price of $850,000. However, subsequent to submission of the application, the Applicant was informed that the development was not eligible for the 30% boost in eligible basis and was asked to revise the appropriate documentation in the application. Included in the Applicant's response was an Amendment to Contract that increased the purchase price from $850,000 to $1,255,000. To fund this increase and the loss of the 130% boost in credits, the Applicant has provided commitment for a $400,000 grant and a $400,000 loan from the Housing Authority which is the current owner of the property and proposed owner of the GP. this further calls into question the appropriateness of the transfer price.

The revised purchase price is effectively the existing USDA-RD 515 loan balance plus these sources of seller funds ($505,000 + $400,000 + $400,000 = $1,255,000). Based on the information available to staff, it appears that the purchase price has been inflated in order to recover eligible basis resulting from a loss of the boost and the inflated transfer price is being bolstered by the related seller's funds that are effectively recycled through the transaction to fill the increase in gap as a result of the higher transfer price. The higher transfer price of $1,255,000 does not appear to be the market value of the property.

The Applicant claimed eligible building basis using a building value of $1,215,000 which is 97% of the contract price of $1,255,000. The appraisal concluded the "as-is" market value of the land to be $49,000 or 6% of the appraised value of the land and buildings of $880,000 (excludes favorable financing value). However, as discussed above, the appraisal was not performed in accordance with Department guidelines, it is based on data that is not supported by the actual operations of the property, and it is based on an over-subsidy of the property. Discussions with USDA staff suggest that USDA-RD is unlikely to approve the Applicant's transfer price or the proposed additional debt.

Moreover, staff's experience with USDA-RD 515 transactions suggests that transfer prices are typically equal to the remaining 515 loan balance plus (in some cases) exit taxes and cash to outgoing owners. As such, the Underwriter has reduced to purchase price to the estimated USDA-RD 515 loan balance that will remain outstanding at the time of transfer ($505,000). The Underwriter has determined the eligible building basis as the existing debt less the appraised value of the land, which is $456,000. This adjustment will result in a significant reduction in eligible basis.

As the appraisal district appears to have no assessment of the land and building values on record, the Underwriter has no alternative method of determining the eligible building basis and relied upon the loan balance less appraised value of the land despite the clear deficiencies in the appraisal. However, as discussed above, this report has been conditioned upon USDA-RD's acceptance of the appraisal or a new appraisal that is performed in accordance with Department guidelines and upon which a recalculation of eligible building basis will be made.

If the appraisal were used to determine the eligible building basis, the Applicant has still grossly overstated the building value by $384,000 due to the inclusion of the value of favorable financing ($345,000) as part of the building value.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of $900 per unit, which is consistent with the estimate in the capital needs assessment.

Direct Construction Cost:

The Applicant's revised direct construction cost estimate is $66.8K or 14% lower than the estimate provided in the Property Condition Assessment (PCA). The underwriting analysis will reflect the PCA value. The Applicant dramatically revised downward the scope of work and direct construction cost estimate from $1,130,000 to $419,540 when the loss of the 30% boost was identified by staff. The Applicant has indicated that the original plan included reconstruction of the community building; however, it is unclear what other parts of the original scope of work have been scaled back because a CNA was not provided until after the revised development cost schedule was submitted. Nevertheless, the revised development cost schedule is generally consistent with the CNA submitted. It is of concern for the Underwriter that the direct construction costs were reduced by over 60% or $24K per unit in response to the loss of the 30% boost. This indicates that the plan may have been revised to fit programmatic constraints rather than utilizing a program that appropriately fits the needs of the development.

Contingency & Fees:

The Applicant's contractor's fees, contingencies, and developer fees are all within the maximums allowed by TDHCA guidelines.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant and based on a thorough evaluation of the appraisal provided. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, Underwriter's development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $1,353,846 supports annual tax credits of $93,364. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/24/2007

Source: Stearns Bank Type: **Interim Financing**

Principal: $1,200,000 Interest Rate: 7.5% ☐ Fixed Term: 18 months

Comments:

The commitment indicates a variable interest rate equal to 0.75% over the WSJ Prime Rate (the index) at the time of closing; the floor rate is indicated above.

Source: USDA 515 Type: **Assumed Permanent Financing**

Principal: $505,000 Interest Rate: 1.0% ☒ Fixed Amort: 600 months

Comments:

The application indicates that the Applicant plans to transfer the existing USDA-RD 515 loan with the same rates and terms. USDA-RD provided a letter indicating that the remaining principal on the loan as of March 22, 2007 was $507,217. The transaction has been underwritten using the estimated future balance at the time the property is transferred of $505,000. The development was refinanced with a USDA-RD 515 loan in January of 1989. The refinanced note carries an interest rate of 9.5% with a subsidy that reduces the effective rate to approximately 1% and a maturity date of February 1, 2039. The original loan principal was $672,160 (October 18, 1979).

Source: Poteet Housing Authority | Type: **Interim to Permanent Financing**

Principal: $400,000 | Interest Rate: 7.80% | [X] Fixed | Amort: 360 months

Comments:

The Applicant has provided a commitment from the Housing Authority to provide a $400,000 loan that essentially constitutes seller financing of the inflated acquisition. The commitment identifies an interest rate of 4%. When the approximate USDA loan balance at transfer ($505,000) is added to the funding sources provided by the Housing Authority, the total amount is equal to the contract purchase price. This is discussed in more detail in the construction cost section above. Of note, in order to ensure that the gap remains large enough to maximize the tax credit allocation, the Applicant has indicated a slightly lesser amount in the sources and uses of funds.

As indicated above, the Underwriter has reduced the transfer price to the existing USDA-RD loan balance, which in turn eliminates the need for this source of funds. Staff's experience and conversations with USDA-RD staff suggest that inclusion of an additional source of debt for the purpose of shoring up an inflated sales price is unlikely to be approved. Despite this concern, the both the Applicant's and Underwriter's operating proforma reflect that the development can support additional debt. Given that the Housing Authority is willing to make a contribution and that the development may have received points for local funding, the recommended financing structure for the local funds is adjusted to $314,382, which results in a debt coverage ratio of 1.35. If the recommended financing structure was based on the fully committed $400,000 loan, the gap in financing would decrease further, thereby resulting in a reduction in recommended tax credit allocation.

Source: Poteet Housing Authority | Type: **Grant**

Principal: $400,000 | Conditions: Can be structured as a loan.

Comments:

The grant amount committed is shown above; however, the Applicant has indicated that only a portion will be used. As stated above, the Underwriter is concerned that this source of funds is contributing to the ability of the applicant overstate the transfer price. In addition, the Underwriter requested that the Applicant provide documentation that this source of funds is not federally-sourced. The Applicant responded that the grant is federally-sourced but could be converted to a loan if needed in order to avoid the risk of losing eligibility for the 9% HTCs. Based upon the proforma analysis, converting this grant to a loan at AFR would needlessly burden the property by to an amount that cannot be serviced based on the proposed rent structure and operating proforma.

As indicated above, the Underwriter has reduced the transfer price to the existing USDA-RD loan balance, which in turn eliminates the need for this source of funds. As such, the development is not at risk of losing eligibility for 9% HTCs. This adjustment is reflected in the recommended financing structure. Should these funds end up being contributed to the development, documentation from and attorney and/or CPA explaining how these funds would not taint the developments ability to qualify for higher 9% credits would be required.

Source: WNC & Associates, Inc. | Type: **Syndication**

Proceeds: $1,094,516 | Syndication Rate: 90% | Anticipated HTC: $ 121,625

Comments:

The syndication price is at the low end of current market prices however any increase in rate could reduce the final allocation of credits since there would be no deferred developer fee to absorb excess syndication proceeds.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of $505,000 and adjusted loan from the Housing Authority of $314,382 indicates the need for $716,371 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $79,605 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request ($121,601), the gap-driven amount ($79,605), and eligible basis-derived estimate ($93,364), the gap derived amount of $79,605 is recommended resulting in proceeds of $716,371 based on a syndication rate of 90%. This amounts to $200K or 38% more funds than the total hard cost with contractor fees and sitework included.

There has been considerable movement in the development and financing plan for this development during the application review process none of which has been vetted through USDA-RD. Therefore, receipt, review, and acceptance, by the 10% test, of USDA-RD's approval of the development plan, including a feasible financing structure with the proposed loan from the Housing Authority, the contract rents, the rehabilitation scope and budget, and the transfer price, is a condition of this report.

It should be noted that the use of the grant funds committed by the Housing Authority, as discussed above, could result in loss of eligibility for 9% tax credit due to the inclusion of Below-Market Federal Funds. Therefore, this source of financing has not been included in the recommended financing structure and due to the reduction of the acquisition cost, this source of funds may not be needed. However, should the Board's actions result in reinstatement of the Applicant's transfer price, the development would be characterized as infeasible due to the following issues:

- The federal subsidized grant would cause a loss of eligibility for 9% HTCs or a reduction of a like amount from eligible basis resulting in a lack of sufficient funds to complete the rehabilitation proposed.
- Restructuring the grant as an above AFR loan would significantly increase the development's annual debt service. However, the development would not generate sufficient NOI to service the substantial increase in debt.

As a result, should the Board reinstate the Applicant's acquisition price and accept the Applicant's appraisal, the transaction should be fully reevaluated and alternative financing structures would be anticipated.

Return on Equity:

This is a USDA-RD transaction, in which the Applicant is restricted by the loan agreement to a return of no more than 8% per annum on the borrower's original investment, with any excess cash flow going to fund replacement reserves. USDA-RD will manage this return on equity restriction.

Underwriter:	*Cameron Dorsey*	Date:	June 22, 2007
Reviewing Underwriter:	*Lisa Vecchietti*	Date:	June 22, 2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	June 22, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Poteet Housing Authority Farm Labor, Poteet, 9% HTC #07110

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 60%	5	1	1	646	$504	$440	$2,200	$0.68	$53.00	$38.00
TC 30%	3	2	1	747	$302	501	1,503	0.67	63.00	44.00
TC 60%	14	2	1	747	$604	501	7,014	0.67	63.00	44.00
TC 60%	4	3	1	987	$699	631	2,524	0.64	76.00	50.00
TC 60%	4	4	2	1,126	$780	688	2,752	0.61	87.00	50.00
TOTAL:	30		AVERAGE:	813		$533	$15,993	$0.66	$66.27	$44.60

INCOME	Total Net Rentable Sq Ft: 24,381				TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					$191,916	$189,720	Atascosa		9
Secondary Income		Per Unit Per Month:	$5.00		1,800	1,440	$4.00	Per Unit Per Month	
Other Support Income:					0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$193,716	$191,160			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		(14,529)	(14,340)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$179,187	$176,820			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		8.40%	$501	0.62	$15,044	$10,500	$0.43	$350	5.94%
Management		5.00%	299	0.37	8,959	10,000	0.41	333	5.66%
Payroll & Payroll Tax		14.67%	876	1.08	26,291	24,000	0.98	800	13.57%
Repairs & Maintenance		10.27%	614	0.75	18,407	15,000	0.62	500	8.48%
Utilities		9.37%	560	0.69	16,789	17,000	0.70	567	9.61%
Water, Sewer, & Trash		8.96%	535	0.66	16,056	18,000	0.74	600	10.18%
Property Insurance		3.95%	236	0.29	7,078	5,000	0.21	167	2.83%
Property Tax	2.9772	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		5.02%	300	0.37	9,000	9,000	0.37	300	5.09%
TDHCA Compliance Fees		0.67%	40	0.05	1,200	3,000	0.12	100	1.70%
Other: Supp. Serv., Cable		3.07%	183	0.23	5,500	5,500	0.23	183	3.11%
TOTAL EXPENSES		69.38%	$4,144	$5.10	$124,324	$117,000	$4.80	$3,900	66.17%
NET OPERATING INC		30.62%	$1,829	$2.25	$54,863	$59,820	$2.45	$1,994	33.83%
DEBT SERVICE									
USDA 515		7.51%	$449	$0.55	$13,459	$13,459	$0.55	$449	7.61%
Poteet Housing Auth-Loan		18.59%	$1,111	$1.37	33,317	33,296	$1.37	$1,110	18.83%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		4.51%	$270	$0.33	$8,088	$13,065	$0.54	$436	7.39%
AGGREGATE DEBT COVERAGE RATIO					1.17	1.28			
RECOMMENDED DEBT COVERAGE RATIO					1.35				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		32.88%	$16,833	$20.71	$505,000	$1,305,000	$53.53	$43,500	56.15%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		1.33%	679	0.84	20,372	27,000	1.11	900	1.16%
Direct Construction		26.92%	13,779	16.95	413,364	419,540	17.21	13,985	18.05%
Contingency	4.61%	1.30%	667	0.82	20,000	20,000	0.82	667	0.86%
Contractor's Fees	12.22%	3.45%	1,767	2.17	53,000	53,000	2.17	1,767	2.28%
Indirect Construction		7.10%	3,637	4.48	109,110	109,110	4.48	3,637	4.69%
Ineligible Costs		7.06%	3,617	4.45	108,500	108,500	4.45	3,617	4.67%
Developer's Fees	13.88%	10.74%	5,500	6.77	165,000	165,000	6.77	5,500	7.10%
Interim Financing		7.62%	3,900	4.80	117,000	117,000	4.80	3,900	5.03%
Reserves		1.59%	814	1.00	24,407	0	0.00	0	0.00%
TOTAL COST		100.00%	$51,192	$62.99	$1,535,753	$2,324,150	$95.33	$77,472	100.00%
Construction Cost Recap		*33.00%*	*$16,891*	*$20.78*	*$506,736*	*$519,540*	*$21.31*	*$17,318*	*22.35%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
USDA 515	32.88%	$16,833	$20.71	$505,000	$505,000	$505,000	Developer Fee Available
Poteet Housing Auth-Loan	26.05%	$13,333	$16.41	400,000	385,678	314,382	$165,000
Poteet Housing Auth-Grant	0.00%	$0	$0.00	0	338,847	0	
HTC Syndication Proceeds	71.28%	$36,488	$44.90	1,094,625	1,094,625	716,371	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0	0	0	0%
Additional (Excess) Funds Req'd	-30.20%	($15,462)	($19.03)	(463,872)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$1,535,753	$2,324,150	$1,535,753	$245,059

Poteet Housing Authority Farm Labor, Poteet, 9% HTC #07110

PAYMENT COMPUTATION

Primary	$505,000	Amort	600
Int Rate	1.01%	DCR	4.08

Secondary	$385,678	Amort	360
Int Rate	7.80%	Subtotal DCR	1.17

Additional	$1,094,625	Amort	
Int Rate		Aggregate DCR	1.17

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$13,459
Secondary Debt Service	27,158
Additional Debt Service	0
NET CASH FLOW	$14,246

Primary	$505,000	Amort	600
Int Rate	1.01%	DCR	4.08

Secondary	$314,382	Amort	360
Int Rate	7.80%	Subtotal DCR	1.35

Additional	$1,094,625	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

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	$191,916	$197,673	$203,604	$209,712	$216,003	$250,407	$290,290	$336,526	$452,263
Secondary Income	1,800	1,854	1,910	1,967	2,026	2,349	2,723	3,156	4,242
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	193,716	199,527	205,513	211,679	218,029	252,755	293,013	339,682	456,504
Vacancy & Collection Loss	(14,529)	(14,965)	(15,413)	(15,876)	(16,352)	(18,957)	(21,976)	(25,476)	(34,238)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$179,187	$184,563	$190,100	$195,803	$201,677	$233,799	$271,037	$314,206	$422,267
EXPENSES at 4.00%									
General & Administrative	$15,044	$15,646	$16,272	$16,923	$17,600	$21,413	$26,052	$31,696	$46,918
Management	8,959	9,228	9,505	9,790	10,084	11,690	13,552	15,710	21,113
Payroll & Payroll Tax	26,291	27,342	28,436	29,574	30,756	37,420	45,527	55,391	81,992
Repairs & Maintenance	18,407	19,143	19,909	20,705	21,534	26,199	31,875	38,781	57,405
Utilities	16,789	17,461	18,159	18,886	19,641	23,896	29,074	35,372	52,360
Water, Sewer & Trash	16,056	16,698	17,366	18,061	18,783	22,853	27,804	33,828	50,073
Insurance	7,078	7,361	7,655	7,962	8,280	10,074	12,256	14,912	22,073
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	9,000	9,360	9,734	10,124	10,529	12,810	15,585	18,962	28,068
Other	6,700	6,968	7,247	7,537	7,838	9,536	11,602	14,116	20,895
TOTAL EXPENSES	$124,324	$129,208	$134,284	$139,560	$145,045	$175,890	$213,327	$258,767	$380,897
NET OPERATING INCOME	$54,863	$55,355	$55,816	$56,243	$56,632	$57,908	$57,710	$55,439	$41,370
DEBT SERVICE									
First Lien Financing	$13,459	$13,459	$13,459	$13,459	$13,459	$13,459	$13,459	$13,459	$13,459
Second Lien	27,158	27,158	27,158	27,158	27,158	27,158	27,158	27,158	27,158
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$14,246	$14,739	$15,199	$15,626	$16,016	$17,292	$17,094	$14,822	$753
DEBT COVERAGE RATIO	1.35	1.36	1.37	1.38	1.39	1.43	1.42	1.36	1.02

HTC ALLOCATION ANALYSIS -Poteet Housing Authority Farm Labor, Poteet, 9% HTC #07110

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	$90,000	$49,000				
Purchase of buildings	$1,215,000	$456,000	$1,215,000	$456,000		
Off-Site Improvements						
Sitework	$27,000	$20,372			$27,000	$20,372
Construction Hard Costs	$419,540	$413,364			$419,540	$413,364
Contractor Fees	$53,000	$53,000			$53,000	$53,000
Contingencies	$20,000	$20,000			$20,000	$20,000
Eligible Indirect Fees	$109,110	$109,110			$109,110	$109,110
Eligible Financing Fees	$117,000	$117,000			$117,000	$117,000
All Ineligible Costs	$108,500	$108,500				
Developer Fees						
Developer Fees	$165,000	$165,000	$90,746		$74,254	$165,000
Development Reserves		$24,407				
TOTAL DEVELOPMENT COSTS	$2,324,150	$1,535,753	$1,305,746	$456,000	$819,904	$897,846

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			$1,305,746	$456,000	$819,904	$897,846
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			$1,305,746	$456,000	$819,904	$897,846
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$1,305,746	$456,000	$819,904	$897,846
Applicable Percentage			3.64%	3.64%	8.55%	8.55%
TOTAL AMOUNT OF TAX CREDITS			$47,529	$16,598	$70,102	$76,766
Syndication Proceeds		**0.8999**	**$427,720**	**$149,371**	**$630,854**	**$690,824**

Total Tax Credits (Eligible Basis Method)	**$117,631**	**$93,364**
Syndication Proceeds	**$1,058,573**	**$840,195**
Requested Tax Credits	**$121,601**	
Syndication Proceeds	**$1,094,300**	
Gap of Syndication Proceeds Needed	**$1,504,768**	**$716,371**
Total Tax Credits (Gap Method)	**$167,213**	**$79,605**

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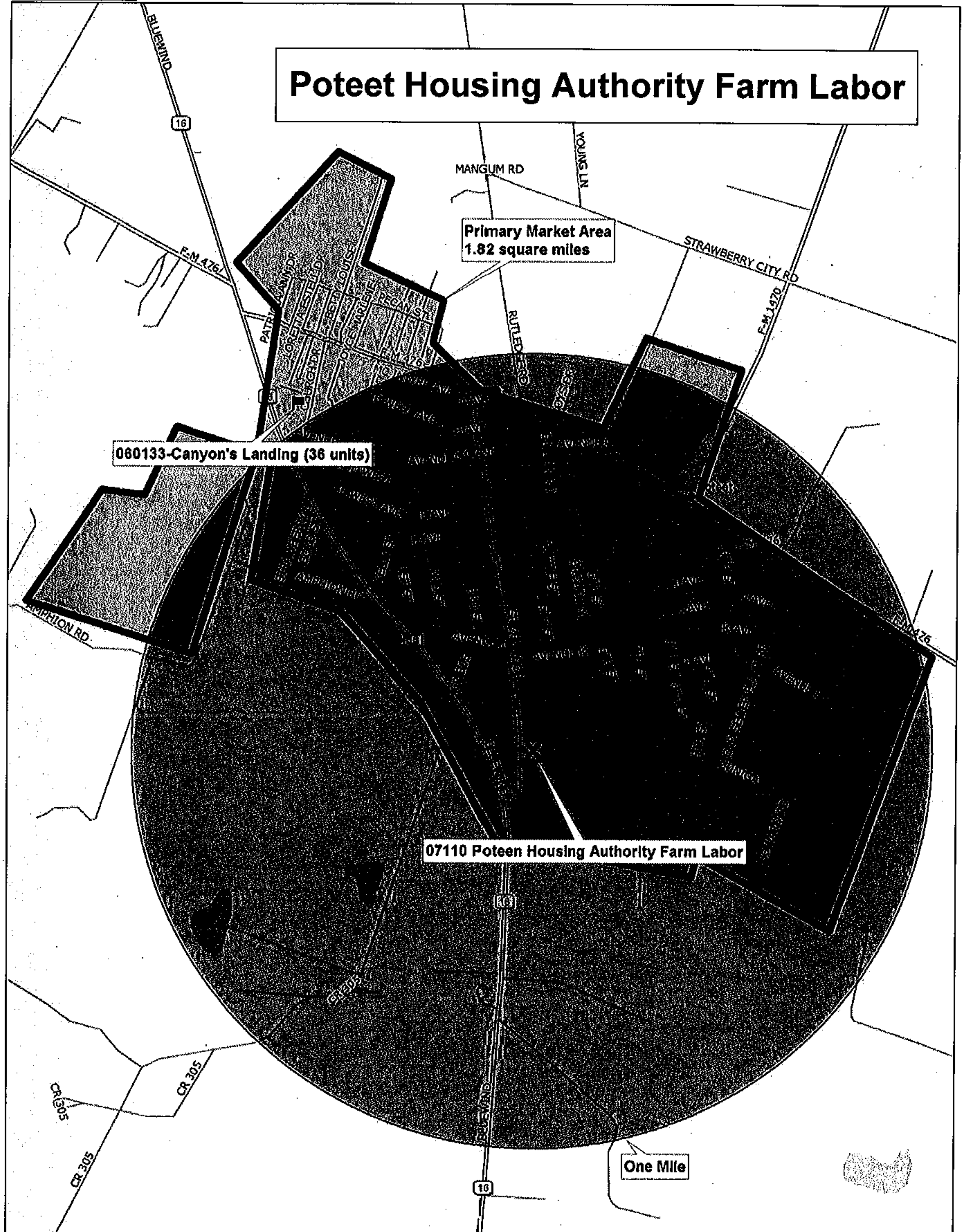

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1" = 1,733.3 ft Data Zoom 13-3

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

July 12, 2007

Action Item

Presentation, Discussion and Possible Action for 2007 Competitive Housing Tax Credit ("HTC") Appeals.

Requested Action

None. No appeals have been received at this time.

Housing Tax Credit Program
Board Action Request
July 12, 2007

Action Item

Request review and board determination of one (1) four percent (4%) tax credit application with another issuer for tax exempt bond transaction.

Recommendation

Staff is recommending that the board review and approve the issuance of one (1) four percent (4%) Tax Credit Determination Notice with **another issuer** for the tax exempt bond transaction known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
07415	Costa Vizcaya	Houston	Houston HFC	252	252	$28,428,844	$15,000,000	$1,087,975	$1,087,975

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
July 12, 2007

Action Item

Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits associated with Mortgage Revenue Bond Transactions with other Issuers.

Requested Action

Approve, Amend or Deny the staff recommendation for Costa Vizcaya, #07415.

Summary of the Transaction

Background and General Information: The application was received on March 6, 2007. The Issuer for this transaction is Houston HFC with a reservation of allocation that expires on August 5, 2007. The development proposes the new construction of 252 total units targeting the family population, with 100% of the units to be restricted. The proposed development will be located in Houston, Harris County. There is no zoning required for the Houston area.

Organizational Structure and Compliance: The Borrower is Costa Vizcaya, Ltd. and the General Partner is NRP Costa Vizcaya, LLC which is comprised of J. David Heller with 33% ownership interest, Alan F. Scott with 34% ownership interest and T. Richard Bailey, Jr. with 33% ownership interest. The Compliance Status Summary completed on June 28, 2007 reveals that the principals of the general partner have a total of nine (9) properties that have all been monitored with no material non-compliance. The bond priority for this transaction is:

☒ **Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits

Census Demographics: The development is to be located at approximately 12000 N. Gessner in Houston. Demographics for the census tract (5515) include AMFI of $58,549; the total population is 3,230; the percent of population that is minority is 67.37%; the percent of population that is below the poverty line is 11.39%; the number of owner occupied units is 717; the number of renter units is 196 and the number of vacant units is 34. The percentage of population that is minority for the entire City of Houston is 69% (Census information from FFIEC Geocoding for 2006).

Public Comment: The Department has received no letters of support or opposition.

Recommendation

Staff recommends the Board approve the issuance of a Determination Notice of $1,087,975 in Housing Tax Credits for Costa Vizcaya.

MULTIFAMILY FINANCE PRODUCTION DIVISION
July 12, 2007
Development Information, Public Input and Board Summary

Costa Vizcaya, TDHCA Number 07415

BASIC DEVELOPMENT INFORMATION

Site Address: Approx. 12000 N. Gessner — Development #: 07415

City: Houston — Region: 6 — Population Served: General

County: Harris — Zip Code: 77064 — Allocation: Urban/Exurban

HOME Set Asides: ☐ CHDO ☐ Preservation ☐ General — Purpose/Activity: NC

Bond Issuer: Houston HFC

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner:	Costa Vizcaya, Ltd.	
Owner Contact and Phone	Debra Guerrero	(210) 487-7878
Developer:	NRP Holding, LLC	
Housing General Contractor:	NRP Contractors, LLC	
Architect:	Alamo Architects	
Market Analyst:	Apartment Market Data	
Syndicator:	Column Financial	
Supportive Services:	Community Housing Resource Partners	
Consultant:	Not Utlized	

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	0	252	0	12	132	96	12	0

Type of Building:

☐ Duplex
☐ Triplex
☐ Fourplex
☐ 4 units or more per building
☐ Detached Residence
☐ Single Room Occupancy
☐ Transitional
☐ Townhome

Total Restricted Units:	252
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	252
Total Development Cost:	$28,428,844
Number of Residential Buildings:	15
HOME High Total Units:	0
HOME Low Total Units:	0

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$1,087,975	$1,087,975	0	0	0%
TDHCA Bond Allocation Amount:	$0	$0	0	0	0%
HOME Activity Fund Amount:	$0	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

MULTIFAMILY FINANCE PRODUCTION DIVISION
July 12, 2007
Development Information, Public Input and Board Summary

Costa Vizcaya, TDHCA Number 07415

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Whitmire, District 15 NC
US Representative: Culberson, District 7, NC

TX Representative: Elkins, District 135 NC
US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Bill White, Mayor, City of Houston - NC
Resolution of Support from Local Government ☐

Toni Lawrence, City Council Member, City of Houston - S

Donald H. Sampley, Assistant Director, City of Houston - The proposed project for construction of affordable rental housing is consistent with the City of Houston's Consolidated Plan.

Individuals/Businesses: In Support **0** In Opposition **0**

Neighborhood Input:

General Summary of Comment:

The Department has received no letters of support and no letters of opposition.

CONDITIONS OF COMMITMENT

Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”

Receipt, review and acceptance by closing of a revised four-bedroom, two story unit floor plans that comply with Section 504 of the Rehabilitation Act of 1973 including, at a minimum, one unit having at least two ground floor bedrooms.

Receipt, review and acceptance of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a comprehensive wetland delineation further investigating and mitigating any effect with regard to the identified wetlands.

Receipt, review and acceptance of documentation verifying no building and/or improvements to include drives will be located in the 100-year floodplain as described in the QAP (10 TAC Section 49.6(a)), or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property.

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

MULTIFAMILY FINANCE PRODUCTION DIVISION

July 12, 2007

Development Information, Public Input and Board Summary

Costa Vizcaya, TDHCA Number 07415

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

4% Housing Tax Credits: Credit Amount: $1,087,975

Recommendation: **Recommend approval of a Housing Tax Credit Allocation not to exceed $1,087,975 annually for ten years, subject to conditions.**

TDHCA Bond Issuance: Bond Amount: $0

Recommendation:

HOME Activity Funds: Loan Amount: $0

HOME CHDO Operating Expense Grant: Grant Amount: $0

Recommendation:

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

REPORT DATE: 07/01/07 PROGRAM: 4% HTC FILE NUMBER: **07415**

DEVELOPMENT

Costa Vizcaya

Location: Approximately 12000 N. Gessner Region: 6

City: Houston County: Harris Zip: 77064 ☐ QCT ☒ DDA

Key Attributes: Family, New Construction, Urban/Exurban

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,087,975			**$1,087,975**		

CONDITIONS

1 Receipt, review and acceptance by closing of revised four-bedroom, two-story unit floor plans that comply with Section 504 of the Rehabilitation Act of 1973 including, at a minimum, one unit having at least two ground floor bedrooms.

2 Receipt, review, and acceptance of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a comprehensive wetland delineation further investigating and mitigating any effect with regard to the identified wetlands.

3 Receipt, review, and acceptance of documentation verifying no buildings and/or improvements to include drives will be located in the 100-year floodplain as described in the QAP (10 TAC §49.6(a)), or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property .

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

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	252

PROS

- The Developer has extensive experience with the Department and the housing tax credit program.

CONS

- The site has several currently unresolved environmental concerns (wetlands) that could delay or prevent development.
- The amount of developer fee that is expected to be deferred is considerable and not predicted to be repayable within 10 years but is repayable in 15 years.

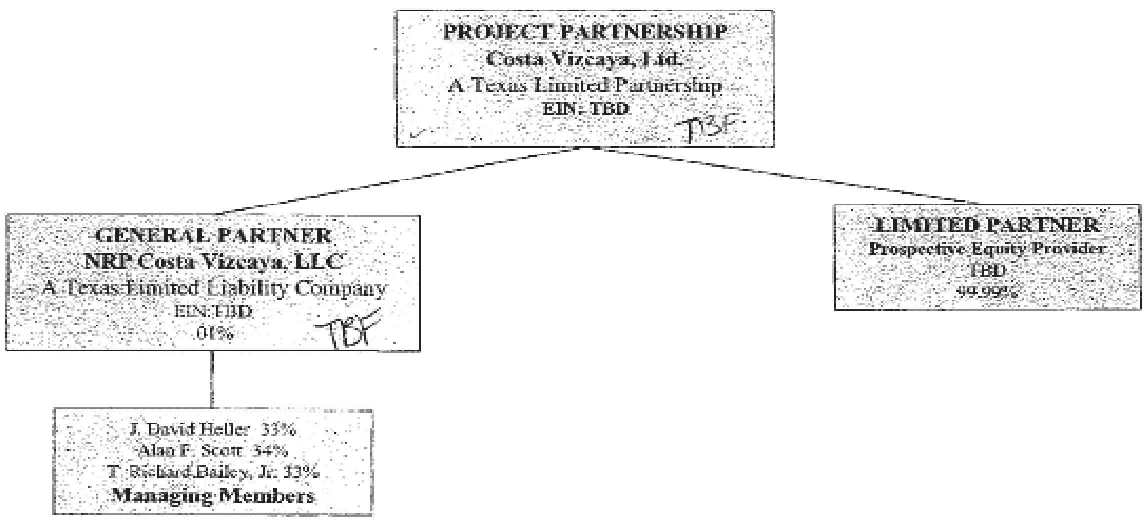
- The number of 2 and 3 bedroom units targeting 60% units may be more than needed based upon the unit capture rate calculated by the Market Analyst.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Debra Guerrero Phone: (210) 487-7878 Fax: (210) 487-7880
Email: dguerrero@nrpgroup.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments in Texas (since 2004)
Northside Redevelopment	$2,991,804	$94,786	Not provided assumed to be same as below
NRP Holdings, LLC	$36,136,449	$163,962	4 complete, 7 under construction, 7 new applications
J. David Heller	CONFIDENTIAL		4 complete, 7 under construction, 7 new applications
Ted Bailey Jr.	CONFIDENTIAL		4 complete, 7 under construction, 7 new applications
Alan Scott	CONFIDENTIAL		4 complete, 7 under construction, 7 new applications

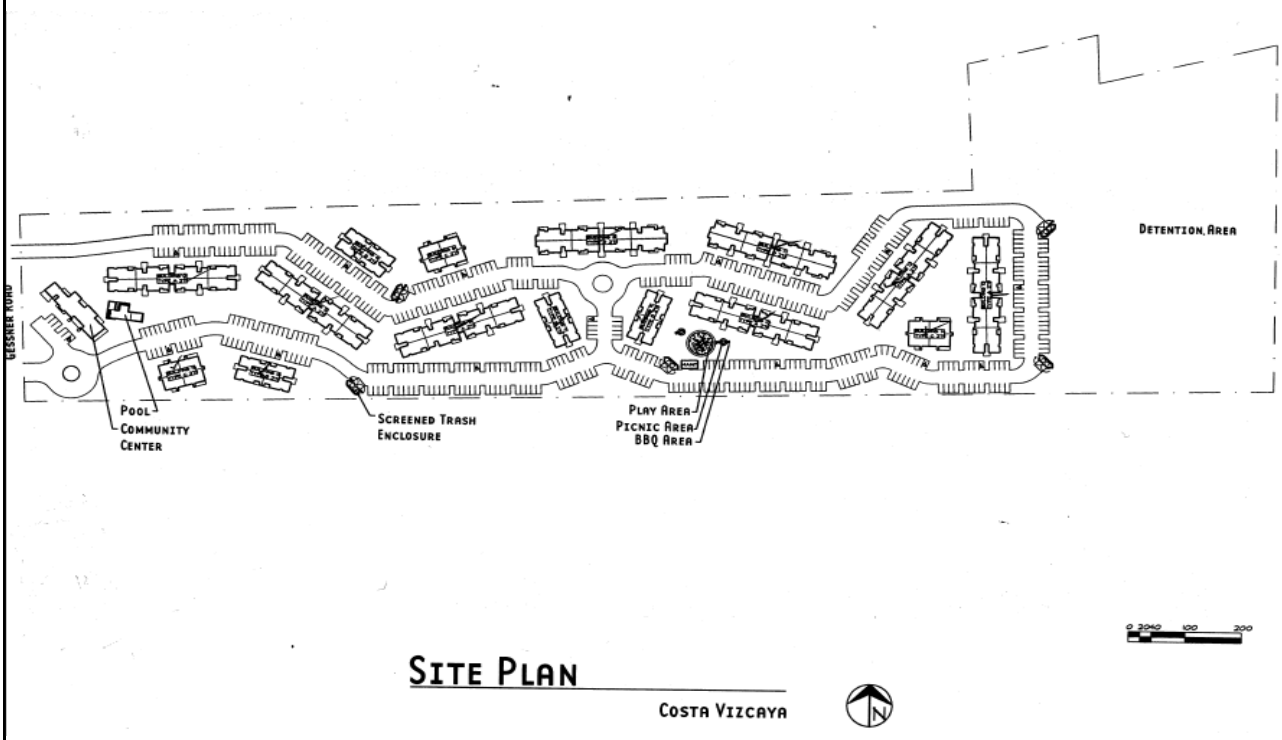
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

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

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D							Total Buildings
Floors/Stories	3	3	3	3							
Number	6	4	3	2							**15**

BR/BA	SF	Units										Total Units	Total SF
1/1	789				6							12	9,468
2/2	1,010	12	12									120	121,200
2/2	1,044				6							12	12,528
3/2	1,255	12			12							96	120,480
4/2	1,561			4								12	18,732
Units per Building		24	12	4	24							**252**	**282,408**

Comments:

The 2007 QAP requires compliance with Section 504 of the Rehabilitation Act of 1973. New construction developments proposing 2 story units must also comply with this requirement. New Construction 24 CFR 8.22 (a) and (b) of Section 504 states, "A minimum of 5 percent or at least one unit (whichever is greater) in a housing project is required for mobility-impaired persons. An additional minimum of 2 percent or at least one unit (whichever is greater) is required for people with hearing or vision impairments. In circumstances where greater need is shown, HUD may prescribe higher percentages than those listed above."

Thus, two-story units offering two or more bedrooms must have at least two ground floor bedrooms. In order to meet the 504 requirements in this development the Subject is required to provide at least one two-story, four-bedroom unit with two ground floor bedrooms.

Correspondence with the Applicant verifies that the Architect is in the process of revising the 4 bedroom unit floor plans in order to meet 504 requirements. Receipt, review and acceptance by closing of revised four-bedroom, two-story unit floor plans that comply with Section 504 of the Rehabilitation Act of 1973 including, at a minimum, one unit having at least two ground floor bedrooms is a condition of this report.

SITE ISSUES

Total Size:	± 24 acres	Scattered site?	[ ] Yes	[x] No	
Flood Zone:	AE & X	Within 100-yr floodplain?	[x] Yes	[ ] No	
Zoning:	N/A	Needs to be re-zoned?	[ ] Yes	[ ] No	[x] N/A

Comments:

According to the ESA provider, a portion of the Subject Property is located within the 100-year flood zone. This is discussed in more detail in the "Highlights of Environmental Reports" section (below).

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 3/16/2007

Overall Assessment:

[ ] Excellent [x] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: Greens Bayou and residential uses

South: Wharton Power Plant and vacant/undeveloped land

East: A man-made creek and Link-Belt Cranes

West: North Gessner Road and residential and commercial uses

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: ECS-Texas, LLP Date: 5/3/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "ECS reviewed the FEMA flood zone information. According to the revised, preliminary FEMA flood zone map number 48201C0435J, the Site was identified in Zone AE with the southeast corner of the Site being located within Zone X. Zone X is defined as being outside the 100- and 500-year floodplains. Zone AE is defined as being within the 100-year flood plain. A base flood elevation has been established for this area of the Site." (p. 4)
- "The site is located within or possibly contains wetlands. According to the US Fish and Wildlife Service's National Wetland Inventory (USFWS NWI), Federal wetland areas were identified on the Site. It is recommended that consultation with the USFWS NWI take place prior to development of the Site." (p. 20)

Comments:

"ECS reviewed the FEMA floodplain map for the Site. According to the map, a portion of the Site lies within the 100-year floodplain. The City of Houston Building Services Department governs construction within the floodplain. ECS recommends consulting with the City of Houston to ensure all applicable permitting requirements are met prior to any new construction on the Site.

According to the USFWS NWI, Federal wetland areas were identified on the Site. It is recommended that consultation with the USFWS take place prior to development of the Site and a comprehensive wetland delineation be conducted." (p. 23)

Receipt, review, and acceptance of evidence that all Phase I ESA recommendations have been carried out including, but not limited to a comprehensive wetland delineation further investigating and mitigating any effect with regard to the identified wetlands.

In addition, the site appears to have a portion in the flood plain; therefore, receipt, review, and acceptance of documentation verifying no buildings and/or improvements to include drives will be located in the 100-year floodplain as described in the QAP (10 TAC §49.6(a)), or a flood hazard mitigation plan to include, at a minimum, consideration and documentation of flood plain reclamation sitework costs, building flood insurance and tenant flood insurance costs prior to the initial closing on the property is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData, LLC   Date: 5/3/2007

Contact: Darrell Jack   Phone: (210) 530-0040   Fax: (210) 340-5830

Number of Revisions: 1   Date of Last Applicant Revision: 5/14/2007

Primary Market Area (PMA): 32.24 square miles ~ 3.21 mile radius

"For this analysis, we utilized a “primary market area” encompassing 32.98 square miles. The boundaries of the Primary Market Area are as follows: North - Louetta Road; East - Veteran’s Memorial Drive and Antoine Drive; South - Fallbrook Drive; and West: Jones Road" (p. 3)

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
Idlewilde	060617	250	250	No secondary market				
Wellington Park	03466	244	Stable					
Primrose @ Heritage Park (Bammel)	04467	210	Senior					

Idlewilde Apartments and Primrose at Heritage Park are 2006 and 2004 tax exempt bond transactions, respectively, located within the defined PMA boundaries. Both the Market Analyst and the Underwriter has included the 250 units at Idlewilde in the inclusive capture rate calculation since like the subject, this development also targets families. However, although Primrose at Heritage Park is currently only 61% occupied, it is an elderly development and units at a development that exclusively rents to seniors are not considered in the inclusive capture rate analysis for developments targeting the general population. It should be noted, Wellington Park is a 2003 tax exempt bond transaction also targeting families, within the defined PMA boundaries. Wellington Park's 244 units were not included in the inclusive capture rate calculation for the subject since it appears the development is currently 98% occupied.

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	$25,620	$29,280	$32,940	$36,600	$39,540	$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/60% Rent Limit	315	17		332	12	52	19%
2 BR/60% Rent Limit	159	6		165	132	112	148%
3 BR/60% Rent Limit	78	4		82	96	86	222%
4 BR/60% Rent Limit	33	2		35	12	0	34%

OVERALL DEMAND					
	Target Households	Household Size	Income Eligible	Tenure	Demand
PMA DEMAND from TURNOVER					
Market Analyst p. 57	35,324	98% 34,632	10% 3,422	100% 3,422	64% 2,204
Underwriter	100% 36,123	98% 35,412	10% 3,498	100% 3,498	64% 2,253
PMA DEMAND from HOUSEHOLD GROWTH					
Market Analyst p. 57		98% 799	10% 77	100% 77	100% 77
Underwriter		98% 803	10% 78	100% 78	100% 78

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 58	252	250	0	502	2,281	22.00%
Underwriter	252	250	0	502	2,331	21.54%

Primary Market Occupancy Rates:

"The current occupancy of the market area is 91.9%. Demand for newer rental apartment units is considered to be growing." (p.11)

Absorption Projections:

"Today, the PMA is 91.9% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous seventeen years for all unit types is estimated to be 288 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.12)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 789 SF 60%	$597	$599	$745	$599	$146
1 BR 789 SF 60%	$585	$599	$745	$599	$146
2 BR 1,010 SF 60%	$722	$722	$975	$722	$253
2 BR 1,010 SF 60%	$704	$722	$975	$722	$253
2 BR 1,044 SF 60%	$704	$722	$975	$722	$253
3 BR 1,255 SF 60%	$827	$830	$1,300	$830	$470
3 BR 1,255 SF 60%	$808	$830	$1,300	$830	$470
4 BR 1,561 SF 60%	$914	$916	$1,500	$916	$584
4 BR 1,561 SF 60%	$892	$916	$1,500	$916	$584

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. Existing "affordable" housing projects have an overall occupancy of 94.1%. This demonstrates that the demand for affordable rental housing is high, and that there is a shortage of affordable housing in this market." (p.14)

Comments:

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

OPERATING PROFORMA ANALYSIS

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

In general, the Applicant's projected rents collected for each affordable unit were calculated by subtracting anticipated tenant-paid utility allowance estimates as provided by Diamond Property Consultants, from the 2007 program gross rent limits. According to the Applicant, a portion of the utility allowances reflected in the rent schedule are based on the allowances provided by the Houston Housing Authority and the other portion is based on information provided by the third-party, Diamond Property Consultants. However, the Applicant did not provide sufficient documentation to substantiate that the application of the HHA utility allowances to 76 of the units is reasonable; therefore, the Underwriter has applied the anticipated Diamond Property Consultants utility allowances to all of the proposed units.

Diamond Property Consultants indicate that the electric portion of the utility allowance estimate for each unit type will be based on the estimates provided by the utility provider, Cirro Energy, and the gas, water and sewer portion will be based on the Houston PHA allowances.

The Applicant's secondary income and vacancy and collection loss are in line with current TDHCA guidelines, and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/16/2007

The Applicant's total annual operating expense projection at $4,390 per unit is within 5% of the Underwriter's estimate of $4,509, derived from the TDHCA database, and third-party data sources. However, the Applicant's revised budget shows repairs and maintenance to be approximately $38K less than the Underwriter's estimate and property taxes to be approximately $58K more.

Conclusion:

The Applicant's effective gross income, operating expenses, and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.17, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	49.6 acres	$2,304,016	Tax Year:	2007
1 acre:		$46,415	Valuation by:	Harris CAD
Total Prorata:	24 acres	$1,245,216	Tax Rate:	3.06197

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Agreement Acreage: 24.013

Contract Expiration: 8/1/2007 Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $2,750,000 Other: Two separate contracts

Seller: Gessner Mills Road JV & White Oak Developers, Related to Development Team? [ ] Yes [x] No

CONSTRUCTION COST ESTIMATE EVALUATION

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

Acquisition Value:

The site cost of $114,521 per acre or $10,913 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Cost:

The Applicant claimed off-site costs of $150,000 for water and fire hydrants and provided sufficient third party certification through a registered architect to justify these costs.

Sitework Cost:

The Applicant's claimed sitework costs of $9,000 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is comparable to the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by $60K to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Contingency & Fees:

The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines; however, the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by $8,719 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $23,960,485 supports annual tax credits of $1,133,810. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/16/2007

Issuer: Houston HFC

Source: Washington Mutual Type: **Interim to Permanent Bond Financing**

Taxable:	$185,000	Interest Rate:	6.50%	x	Fixed	Amort: 480	months
Tax-Exempt:	$15,000,000	Interest Rate:	5.10%	x	Fixed	Amort: 480	months

Source: Column Financial Type: **Syndication**

Proceeds: $10,243,000 Syndication Rate: 94% Anticipated HTC: $ 1,089,798

Amount: $3,000,844 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of $15,185,000 indicates the need for $13,243,844 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,409,071 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request ($1,087,975), the gap-driven amount ($1,409,071), and eligible basis-derived estimate ($1,133,810), the Applicant's revised request of $1,087,975 is recommended resulting in proceeds of $10,225,866 based on a syndication rate of 94%.

The Underwriter's recommended financing structure indicates the need for $3,017,978 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within just over 10 years of stabilized operation.

Underwriter:	*Diamond Unique Thompson*	Date:	7/1/2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	7/1/2007

MULTIFAMILY COMPARATIVE ANALYSIS

Costa Vizcaya, Houston, 4% HTC #07415

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash Only
TC 60%	8	1	1	789	$686	$599	$4,792	$0.76	$87.00	$13.31
TC 60%	4	1	1	789	$686	599	2,396	0.76	87.00	13.31
TC 60%	92	2	2	1,010	$823	722	66,424	0.71	101.00	13.31
TC 60%	28	2	2	1,010	$823	722	20,216	0.71	101.00	13.31
TC 60%	12	2	2	1,044	$823	722	8,664	0.69	101.00	13.31
TC 60%	68	3	2	1,255	$951	830	56,440	0.66	121.00	13.31
TC 60%	28	3	2	1,255	$951	830	23,240	0.66	121.00	13.31
TC 60%	8	4	2	1,561	$1,062	916	7,328	0.59	146.00	13.31
TC 60%	4	4	2	1,561	$1,062	916	3,664	0.59	146.00	13.31
TOTAL:	252		**AVERAGE:**	1,121		$767	$193,164	$0.68	$110.10	$13.31

INCOME	Total Net Rentable Sq Ft: 282,408			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$2,317,968	$2,297,280	Harris	Houston	6
Secondary Income		Per Unit Per Month:	$7.50	22,680	22,680	$7.50	Per Unit Per Month	
Other Support Income:				0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$2,340,648	$2,319,960			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(175,549)	(172,296)	-7.43%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$2,165,099	$2,147,664			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.16%	$443	0.40	$111,628	$95,600	$0.34	$379	4.45%
Management	5.00%	430	0.38	108,255	105,840	0.37	420	4.93%
Payroll & Payroll Tax	12.55%	1,078	0.96	271,687	264,400	0.94	1,049	12.31%
Repairs & Maintenance	6.79%	583	0.52	146,939	108,720	0.38	431	5.06%
Utilities	2.69%	231	0.21	58,212	50,800	0.18	202	2.37%
Water, Sewer, & Trash	3.01%	259	0.23	65,269	50,000	0.18	198	2.33%
Property Insurance	3.56%	306	0.27	77,033	75,600	0.27	300	3.52%
Property Tax 3.06197	8.96%	770	0.69	193,928	252,000	0.89	1,000	11.73%
Reserve for Replacements	2.91%	250	0.22	63,000	63,000	0.22	250	2.93%
TDHCA Compliance Fees	0.47%	40	0.04	10,080	10,080	0.04	40	0.47%
Other: Supp. Servs	1.40%	120	0.11	30,240	30,240	0.11	120	1.41%
TOTAL EXPENSES	52.48%	$4,509	$4.02	$1,136,271	$1,106,280	$3.92	$4,390	51.51%
NET OPERATING INC	47.52%	$4,083	$3.64	$1,028,828	$1,041,384	$3.69	$4,132	48.49%
DEBT SERVICE								
First Lien Mortgage	40.64%	$3,492	$3.12	$879,909	$905,597	$3.21	$3,594	42.17%
GIC Income	0.60%	$52	$0.05	12,997		$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	6.28%	$539	$0.48	$135,922	$135,787	$0.48	$539	6.32%
AGGREGATE DEBT COVERAGE RATIO				1.15	1.15			
RECOMMENDED DEBT COVERAGE RATIO					1.17			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		9.68%	$10,913	$9.74	$2,750,000	$2,750,000	$9.74	$10,913	9.67%
Off-Sites		0.53%	595	0.53	150,000	150,000	0.53	595	0.53%
Sitework		7.98%	9,000	8.03	2,268,000	2,268,000	8.03	9,000	7.98%
Direct Construction		47.15%	53,175	47.45	13,400,135	13,426,737	47.54	53,281	47.23%
Contingency	4.38%	2.42%	2,725	2.43	686,760	686,760	2.43	2,725	2.42%
Contractor's Fees	14.00%	7.72%	8,705	7.77	2,193,539	2,197,263	7.78	8,719	7.73%
Indirect Construction		4.41%	4,978	4.44	1,254,419	1,254,419	4.44	4,978	4.41%
Ineligible Costs		4.55%	5,130	4.58	1,292,640	1,292,640	4.58	5,130	4.55%
Developer's Fees	15.00%	10.98%	12,384	11.05	3,120,732	3,134,000	11.10	12,437	11.02%
Interim Financing		3.53%	3,976	3.55	1,002,025	1,002,025	3.55	3,976	3.52%
Reserves		1.07%	1,202	1.07	302,934	267,000	0.95	1,060	0.94%
TOTAL COST		100.00%	$112,782	$100.64	$28,421,183	$28,428,844	$100.67	$112,813	100.00%
Construction Cost Recap		*65.26%*	***$73,605***	***$65.68***	***$18,548,434***	***$18,578,760***	***$65.79***	***$73,725***	*65.35%*

SOURCES OF FUNDS						RECOMMENDED	
First Lien Mortgage	53.43%	$60,258	$53.77	$15,185,000	$15,185,000	$15,185,000	Developer Fee Available
GIC Income	0.00%	$0	$0.00	0		0	$3,125,281
HTC Syndication Proceeds	36.04%	$40,647	$36.27	10,243,000	10,243,000	10,225,866	% of Dev. Fee Deferred
Deferred Developer Fees	10.56%	$11,908	$10.63	3,000,844	3,000,844	3,017,978	97%
Additional (Excess) Funds Req'd	-0.03%	($30)	($0.03)	(7,661)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$28,421,183	$28,428,844	$28,428,844	$4,169,372

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Costa Vizcaya, Houston, 4% HTC #07415

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$53.03	$14,975,477
Adjustments				
Exterior Wall Finish	0.00%		$0.00	$0
Elderly			0.00	0
9-Ft. Ceilings	3.00%		1.59	449,264
Roofing			0.00	0
Subfloor			(0.82)	(232,516)
Floor Cover			2.43	686,251
Breezeways/Balconies	$22.27	19,958	1.57	444,463
Plumbing Fixtures	$805	720	2.05	579,600
Rough-ins	$400	252	0.36	100,800
Built-In Appliances	$1,850	252	1.65	466,200
Exterior Stairs	$1,800	112	0.71	201,600
Enclosed Corridors	$43.11		0.00	0
Heating/Cooling			1.73	488,566
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$65.36	3,860	0.89	252,299
Other: fire sprinkler	$1.95	282,408	1.95	550,696
SUBTOTAL			67.15	18,962,701
Current Cost Multiplier	0.98		(1.34)	(379,254)
Local Multiplier	0.89		(7.39)	(2,085,897)
TOTAL DIRECT CONSTRUCTION COSTS			$58.42	$16,497,550
Plans, specs, survy, bld prm	3.90%		($2.28)	($643,404)
Interim Construction Interes	3.38%		(1.97)	(556,792)
Contractor's OH & Profit	11.50%		(6.72)	(1,897,218)
NET DIRECT CONSTRUCTION COSTS			$47.45	$13,400,135

PAYMENT COMPUTATION

Primary	$15,000,000	Amort	480
Int Rate	5.10%	DCR	1.17
Secondary	$185,000	Amort	480
Int Rate	6.50%	Subtotal DCR	1.15
Additional		Amort	
Int Rate		Aggregate DCR	1.15

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$879,909
Secondary Debt Service	12,997
Additional Debt Service	0
NET CASH FLOW	$148,478

Primary	$15,000,000	Amort	480
Int Rate	5.10%	DCR	1.18
Secondary	$185,000	Amort	480
Int Rate	6.50%	Subtotal DCR	1.17
Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.17

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$2,297,280	$2,366,198	$2,437,184	$2,510,300	$2,585,609	$2,997,429	$3,474,842	$4,028,294	$5,413,691
Secondary Income	22,680	23,360	24,061	24,783	25,527	29,592	34,306	39,770	53,447
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,319,960	2,389,559	2,461,246	2,535,083	2,611,135	3,027,022	3,509,148	4,068,064	5,467,138
Vacancy & Collection Loss	(172,296)	(179,217)	(184,593)	(190,131)	(195,835)	(227,027)	(263,186)	(305,105)	(410,035)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,147,664	$2,210,342	$2,276,652	$2,344,952	$2,415,300	$2,799,995	$3,245,962	$3,762,959	$5,057,102
EXPENSES at 4.00%									
General & Administrative	$95,600	$99,424	$103,401	$107,537	$111,838	$136,069	$165,548	$201,415	$298,143
Management	105,840	108,929	112,197	115,563	119,030	137,988	159,966	185,444	249,221
Payroll & Payroll Tax	264,400	274,976	285,975	297,414	309,311	376,324	457,855	557,051	824,571
Repairs & Maintenance	108,720	113,069	117,592	122,295	127,187	154,742	188,268	229,057	339,060
Utilities	50,800	52,832	54,945	57,143	59,429	72,304	87,969	107,028	158,427
Water, Sewer & Trash	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Insurance	75,600	78,624	81,769	85,040	88,441	107,602	130,915	159,278	235,770
Property Tax	252,000	262,080	272,563	283,466	294,804	358,675	436,382	530,926	785,900
Reserve for Replacements	63,000	65,520	68,141	70,866	73,701	89,669	109,096	132,731	196,475
Other	40,320	41,933	43,610	45,355	47,169	57,388	69,821	84,948	125,744
TOTAL EXPENSES	$1,106,280	$1,149,386	$1,194,273	$1,240,922	$1,289,403	$1,561,926	$1,892,404	$2,293,220	$3,369,245
NET OPERATING INCOME	$1,041,384	$1,060,955	$1,082,380	$1,104,030	$1,125,897	$1,238,069	$1,353,557	$1,469,739	$1,687,857
DEBT SERVICE									
First Lien Financing	$879,909	$879,909	$879,909	$879,909	$879,909	$879,909	$879,909	$879,909	$879,909
Second Lien	12,997	12,997	12,997	12,997	12,997	12,997	12,997	12,997	12,997
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$148,478	$168,049	$189,473	$211,124	$232,991	$345,163	$460,651	$576,833	$794,951
DEBT COVERAGE RATIO	1.17	1.19	1.21	1.24	1.26	1.39	1.52	1.65	1.89

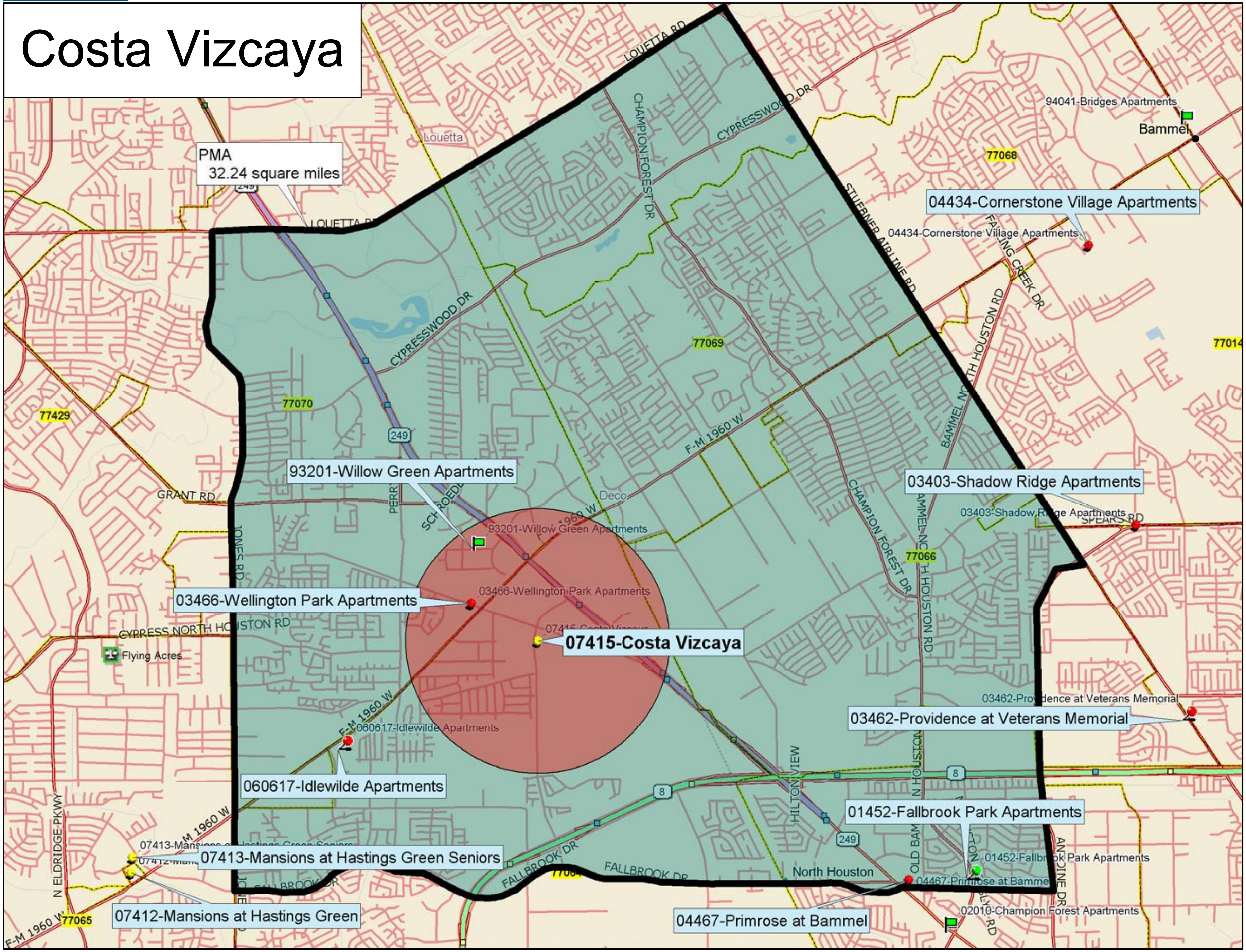
HTC ALLOCATION ANALYSIS -Costa Vizcaya, Houston, 4% HTC #07415

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$2,750,000	$2,750,000		
Purchase of buildings				
Off-Site Improvements	$150,000	$150,000		
Sitework	$2,268,000	$2,268,000	$2,268,000	$2,268,000
Construction Hard Costs	$13,426,737	$13,400,135	$13,426,737	$13,400,135
Contractor Fees	$2,197,263	$2,193,539	$2,197,263	$2,193,539
Contingencies	$686,760	$686,760	$686,760	$686,760
Eligible Indirect Fees	$1,254,419	$1,254,419	$1,254,419	$1,254,419
Eligible Financing Fees	$1,002,025	$1,002,025	$1,002,025	$1,002,025
All Ineligible Costs	$1,292,640	$1,292,640		
Developer Fees			$3,125,281	
Developer Fees	$3,134,000	$3,120,732		$3,120,732
Development Reserves	$267,000	$302,934		
TOTAL DEVELOPMENT COSTS	$28,428,844	$28,421,183	$23,960,485	$23,925,609

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		$23,960,485	$23,925,609
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$31,148,630	$31,103,292
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$31,148,630	$31,103,292
Applicable Percentage		3.64%	3.64%
TOTAL AMOUNT OF TAX CREDITS		$1,133,810	$1,132,160
Syndication Proceeds	**0.9399**	**$10,656,670**	**$10,641,158**

Total Tax Credits (Eligible Basis Method)	**$1,133,810**	**$1,132,160**
Syndication Proceeds	**$10,656,670**	**$10,641,158**
Requested Tax Credits	**$1,087,975**	
Syndication Proceeds	**$10,225,866**	
Gap of Syndication Proceeds Needed	**$13,243,844**	
Total Tax Credits (Gap Method)	**$1,409,071**	

Costa Vizcaya



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Scale 1 : 62,500

1" = 5,208.3 ft Data Zoom 11-6

Housing Tax Credit Program
Board Action Request
July 12, 2007

Action Item

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

Recommendation

Staff is recommending that the board review and approve the issuance of one (1) four percent (4%) Tax Credit Determination Notice with **TDHCA** as the Issuer for the tax exempt bond transaction known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
07619	Costa Rialto	Houston	TDHCA	216	216	$23,500,721	$12,385,000	$942,498	$942,498

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AND COMMUNITY AFFAIRS

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MULTIFAMILY FINANCE PRODUCTION DIVISION

2007 Private Activity Multifamily Housing Revenue Bonds

Costa Rialto
5000 block of Aldine Bender Road
Harris County, Texas

Costa Rialto, Ltd.
216 Units
Priority 2
$12,385,000 Tax Exempt – Series 2007

TABLE OF EXHIBITS

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
July 12, 2007

Action Item

Presentation, Discussion and Possible Issuance of Multifamily Housing Revenue Bonds, Series 2007 and Housing Tax Credits with TDHCA as the Issuer for the Costa Rialto development.

Requested Action

Approve, Amend or Deny the staff recommendation for the Costa Rialto development, #07619.

Summary of the Costa Rialto Transaction

Background and General Information: The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, as amended, the Department's Enabling Statute (the "Statute"), which authorizes the Department to issue revenue bonds for its public purposes, as defined therein. (*The Statute 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 pre-application for the 2007 Waiting List was received on January 3, 2007. The application was scored and ranked by staff. The application was induced at the February 1, 2007 Board meeting and submitted to the Texas Bond Review Board. The application received a Reservation of Allocation on February 26, 2007. Although the deadline for delivery of the bonds is on or before July 26, 2007, the anticipated closing date is July 20, 2007. Located in Harris County, the development proposes the new construction of 216 units targeted to the general population. This application was submitted under the Priority 2C category, with the applicant proposing 100% of the units serving individuals and families earning 60% of AMFI.

Organizational Structure and Compliance: The Borrower is Costa Rialto, Ltd. and the General Partner is NRP Costa Rialto, LLC which is comprised of the following individuals with ownership interest: J. David Heller with 33% ownership interest, T. Richard Bailey, Jr. with 34% ownership interest, and Alan F. Scott with 33% ownership interest. The Compliance Status Summary completed on June 8, 2007 shows that the principals of the general partner have a total of nine (9) properties that have no material noncompliance.

Public Hearing: There were 15 people in attendance at the public hearing conducted by the Department for the proposed development on May 1, 2007, and 2 people spoke for the record. Both people who spoke for the record were in opposition. The reason for opposition is as follows: the area will see a crime rate increase, concentration of apartments in the area, and the negative impact the development will have on the surrounding property values. A copy of the transcript is included in this presentation. The Department has received letters of support from State Senator John Whitmire, State Representative Senfronia Thompson and Harris County Commissioner El Franco Lee. The Department has received one letter of opposition from Aldine Independent School District.

Census Demographics: The proposed site is located at approximately 5011 Aldine Bender Road, Harris County. Demographics for the census tract (3213) include AMFI of $37,952; the total population is

5,585; the percent of the population that is minority is 70.98%; the percent of the population that is below the poverty line is 21.50%; the number of owner occupied units is 448; the number renter occupied units is 1,547 and the number of vacant units is 183. (FFIEC Geocoding for 2006)

Summary of the Financial Structure

The applicant is requesting the Department's approval and issuance of fixed rate tax-exempt bonds in the amount of $12,385,000. The bonds will be unrated and privately placed with Centestine Holding Company. The term of the Bonds will be for 40 years and amortized over 40 years. The construction and lease up period will be for 30 months with the option of four 3 month extensions. The interest rate on the Bonds will be 5.35% per annum.

Recommendation

Staff Recommends the Board approve the issuance of $12,385,000 in tax exempt Multifamily Housing Revenue Bonds, Series 2007 and $942,498 in Housing Tax Credits for Costa Rialto.

RESOLUTION NO. 07-022

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (COSTA RIALTO APARTMENTS) SERIES 2007; 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, very low and extremely low income (all 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, very low and extremely 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 multifamily residential rental development 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; (d) to make, commit to make, and participate in the making of mortgage loans, including federally insured loans, and to enter into agreements and contracts to make or participate in mortgage loans for residential housing for individuals and families of low, very low and extremely low income and families of moderate income; and

WHEREAS, the governing board of the Department (the "Board") has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Costa Rialto Apartments) Series 2007 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association, a national banking association, as trustee (the "Trustee"), for the purpose of obtaining funds to finance the Development (defined below), all under and in accordance with the Constitution and laws of the State; and

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

WHEREAS, the Board, by resolution adopted on February 1, 2007, declared its intent to issue its revenue bonds to provide financing for the Development; and

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

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

WHEREAS, the Department's interest in the Mortgage Loan (except for certain reserved rights), including the Note and the Security Instrument, will be assigned to the Trustee pursuant to an Assignment of Deed of Trust Documents and an Assignment of Note (collectively, the "Assignment") from the Department to the Trustee; 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 Development which will be filed of record in the real property records of Harris County, Texas; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Bond Purchase Contract") with Centerline Holding Company, a statutory trust organized and existing under the laws of the State of Delaware (the "Purchaser") and any other parties to such Bond Purchase Contract as authorized by the execution thereof by the Department and acknowledged by the Borrower, setting forth certain terms and conditions upon which the Purchaser 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 Purchaser or another party to such Bond Purchase Contract; 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 Development for the purpose of monitoring the operation and maintenance of the Development; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Loan Agreement, the Assignment, the Regulatory Agreement, the Bond Purchase Contract and the Asset Oversight Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution, and (b) the Security Instrument and the Note; 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 Article I, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Security Instrument and the Note, 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 for approval, the Comptroller of Public Accounts of the State for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to or on the order of the initial purchaser or purchasers thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. (i) The Bonds shall bear interest at a rate of 5.35% per annum, subject to adjustment upon default in accordance with the Indenture; provided that, in no event shall the interest rate (including any default rate) on the Bonds exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Bonds shall be $12,385,000; (iii) the final maturity of the Bonds shall occur on July 1, 2047; and (iv) the price at which the Bonds are sold to the Purchaser (as defined herein) shall be the principal amount thereof.

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

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

Section 1.5--Approval, Execution and Delivery of the Regulatory Agreement. That the form and substance of 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 Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee and to cause the Regulatory Agreement to be filed of record in the real property records of Harris County, Texas.

Section 1.6--Acceptance of the Security Instrument and Note. That the form and substance of the Security Instrument and the Note are hereby accepted by the Department and that the authorized representatives of the Department named in this Resolution each are hereby authorized to endorse and deliver the Note to the order of the Trustee, as its 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.

Section 1.8--Approval, Execution and Delivery of the Bond Purchase Contract. That the sale of the Bonds to the Purchaser and any other party to the Bond Purchase Contract is hereby approved, that the form and substance of the Bond Purchase Contract are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Bond Purchase Contract and to deliver the Bond Purchase Contract to the Purchaser and any other party to the Bond Purchase Contract as appropriate.

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 - Loan Agreement
Exhibit D - Regulatory Agreement
Exhibit E - Security Instrument
Exhibit F - Note
Exhibit G - Assignment
Exhibit I - Bond Purchase Contract

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: Chair and Vice Chairman of the Board, Executive Director or Acting Executive Director of the Department, Deputy Executive Director of Programs of the Department, Deputy Executive Director of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary to the Board.

Section 1.14--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Development'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 Development.

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

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

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

Section 2.5--Purchaser. That the purchaser with respect to the issuance of the Bonds shall be Centerline Holding Company, a statutory trust organized and existing under the laws of the State of Delaware

Section 2.6-- Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors, analysts and consultants to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.

Section 2.7--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 to the Regulatory Agreement and shall be annually redetermined by the Issuer.

Section 2.8--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 Development 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 Development and the information with respect to the proposed financing of the Development 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 Development 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 financing of the Development is a public purpose and will provide a public benefit, and

(iii) that the Development 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 Development in accordance with the requirements of the Loan Agreement and 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 Mortgage Loan in accordance with its terms, and

(iii) that the Borrower is not, and will not enter into a contract for the Development 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 Development in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Development 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 Development 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 to obtain decent, safe, and sanitary housing by financing the costs of the Development, 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 Development shall be (1) individuals and families of low, very low and extremely low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in 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 Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of administration, monitoring and oversight with respect to the Bonds and the

Development 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 Chapters 33 and 35, 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 special 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 or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. Each Bond shall contain on its face a statement to the effect that the State 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 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 28th day of June, 2007.

By: /s/ Elizabeth Anderson
Elizabeth Anderson, Chair

Attest: /s/ Kevin Hamby
Kevin Hamby, Secretary

[SEAL]

EXHIBIT A

DESCRIPTION OF DEVELOPMENT

Owner: Costa Rialto, Ltd., a Texas limited partnership

Development: The Development is a 216-unit multifamily facility to be known as Costa Rialto Apartments and located at approximately the 5000 block of Aldine Bender Road, Harris County, Texas. It will consist of 3 two- and 10 three-story residential apartment buildings with approximately 243,108 net rentable square feet and an average unit size of approximately 1,125 square feet. The unit mix will consist of:

12	one-bedroom/one-bath units
12	two-bedroom/one-bath units
96	two-bedroom/two-bath units
84	three-bedroom/two-bath units
12	four-bedroom/two-bath units
216	Total Units

Unit sizes will range from approximately 789 square feet to approximately 1561 square feet.

Common areas are expected to include a clubhouse, a barbecue area, a playground, and a swimming pool. All units are expected to have central heating and air conditioning, carpeting and vinyl tile, ceiling fans, mini-blinds, a dishwasher, a range and oven, and a balcony/patio.

MULTIFAMILY FINANCE PRODUCTION DIVISION

July 12, 2007

Development Information, Public Input and Board Summary

Costa Rialto, Ltd, TDHCA Number 07619

BASIC DEVELOPMENT INFORMATION

Site Address:	Approx. 5000 block of Aldine Bender Rd.			Development #:	07619
City:	Houston	Region:	6	Population Served:	General
County:	Harris	Zip Code:	77032	Allocation:	Urban/Exurban

HOME Set Asides: ☐ CHDO ☐ Preservation ☐ General

Purpose/Activity: NC

Bond Issuer: TDHCA

HTC Purpose/Activity: NC=New Construction, ACQ=Acquisition, R=Rehabilitation, NC/ACQ=New Construction and Acquisition, NC/R=New Construction and Rehabilitation, ACQ/R=Acquisition and Rehabilitation

OWNER AND DEVELOPMENT TEAM

Owner:	Costa Rialto, Ltd	
Owner Contact and Phone	Debra Guerrero	(210) 487-7878
Developer:	NRP Holdings, LLC	
Housing General Contractor:	NRP Contractors, LLC	
Architect:	Alamo Architects	
Market Analyst:	Apartment Market Data	
Syndicator:	Charter Mac Capital	
Supportive Services:	Community Housing Resource Partners	
Consultant:	Not Utilized	

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	Eff	1 BR	2 BR	3 BR	4 BR	5 BR
0	0	0	216	0	12	108	84	12	0

Type of Building:

- ☐ Duplex
- ☐ Triplex
- ☐ Fourplex
- ☑ 4 units or more per building
- ☐ Detached Residence
- ☐ Single Room Occupancy
- ☐ Transitional
- ☐ Townhome

Total Restricted Units:	216
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	216
Total Development Cost:	$23,500,721
Number of Residential Buildings:	13
HOME High Total Units:	0
HOME Low Total Units:	0

Note: If Development Cost =$0, an Underwriting Report has not been completed.

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
4% Housing Tax Credits with Bonds:	$942,498	$942,498	0	0	0%
TDHCA Bond Allocation Amount:	$12,385,000	$12,385,000	40	40	5.35%
HOME Activity Fund Amount:	$0	$0	0	0	0%
HOME CHDO Operating Grant Amount:	$0	$0			

MULTIFAMILY FINANCE PRODUCTION DIVISION
July 12, 2007
Development Information, Public Input and Board Summary
Costa Rialto, Ltd, TDHCA Number 07619

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Whitmire, District 15 S

TX Representative: Thompson, District 141 S

US Representative: Green, District 29, NC

US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Bill White, Mayor, City of Houston - NC

Nadine Kujawa, Aldine ISD Superintendent - O

Resolution of Support from Local Government ☐

David B. Turkel, Director Harris County Community and Economic Development Department - Consistent with the HUD approved 2003-2007 Consolidated Plan for Harris County which established the need for affordable, rental housing in the county.

El Franco Lee, County Commissioner Precinct 1 - S

Individuals/Businesses: In Support **0** In Opposition **0**

Neighborhood Input:

General Summary of Comment:

Public Hearing: Concerns the area might see a crime rate increase and that the lack of upkeep and maintenance may have an effect the surrounding property values.
Number that attended: 15
Number that spoke: 2
Number in support: 5
Number in opposition: 7
Number Neutral: 3

CONDITIONS OF COMMITMENT

Per §49.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development Applications "must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants ("LURA")."

Receipt, review and acceptance by closing of a revised four-bedroom, two story unit floor plans that comply with Section 504 of the Rehabilitation Act of 1973 including, at a minimum, one unit having at least two ground floor bedrooms.

Receipt, review and acceptance of evidence that all Phase I recommendations have been carried out including, but not limited to proper disposal of oil drums and above ground storage tanks, evaluation of TCEQ files or subsurface investigation, and a survey and potential remediation plan for asbestos containing materials if existing structures will be demolished.

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

MULTIFAMILY FINANCE PRODUCTION DIVISION

July 12, 2007

Development Information, Public Input and Board Summary

Costa Rialto, Ltd, TDHCA Number 07619

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

4% Housing Tax Credits: Credit Amount: $942,498

Recommendation: **Recommend approval of a Housing Tax Credit Allocation not to exceed $942,498 annually for ten years, subject to conditions.**

TDHCA Bond Issuance: Bond Amount: $12,385,000

Recommendation: **Recommend approval of issuance of $12,385,000 in Tax Exempt Mortgage Revenue Bonds with an interest rate of 5.35% and repayment term of 40 years with a 40 year amortization period, subject to conditions.**

HOME Activity Funds: Loan Amount: $0

HOME CHDO Operating Expense Grant: Grant Amount: $0

Recommendation:

Costa Rialto

Estimated Sources & Uses of Funds

Sources of Funds	
Series 2007 Tax-Exempt Bond Proceeds	$ 12,385,000
Tax Credit Proceeds	9,088,140
Deferred Development Fee	2,597,328
GIC Income	202,428
Total Sources	$ 24,272,896

Uses of Funds	
Acquisition and Site Work Costs	$ 1,522,140
Direct Hard Construction Costs	16,686,000
Indirect Construction Costs (Architectural, Engineering, etc)	437,935
Developer Fees and Overhead	2,809,000
Direct Bond Related	241,585
Bond Purchase Costs	1,398,596
Other Transaction Costs	1,047,640
Real Estate Closing Costs	130,000
Total Uses	$ 24,272,896

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 61,925
TDHCA Application Fee	11,000
TDHCA Bond Administration Fee (2 years)	24,770
TDHCA Bond Compliance Fee ($40 per unit)	8,640
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	25,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	2,500
Trustee Fee	7,500
Trustee's Counsel (Note 1)	5,500
Attorney General Transcript Fee	9,500
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,750
TEFRA Hearing	1,500
Total Direct Bond Related	$ 241,585

Costa Rialto

Bond Purchase Costs	
Origination Fee	247,700
Due Diligence Fee	12,000
Lender Legal	35,000
GP Counsel	40,000
Developer Legal	20,000
Local Legal	50,000
Capitalized Interest	993,896
Total Bond Purchase Costs	$ 1,398,596
Other Transaction Costs	
Tax Credit Related Costs	78,640
Permits and Fees	185,000
Title and Survey	178,000
Construction Insurance	200,000
Reserves and Other	406,000
Total Other Transaction Costs	$ 1,047,640
Real Estate Closing Costs	
Title and Recording Costs	130,000
Total Real Estate Costs	$ 130,000
Estimated Total Costs of Issuance	$ 2,817,821

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

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Real Estate Analysis Division

Underwriting Report

REPORT DATE: 07/01/07 PROGRAM: 4% HTC/MRB FILE NUMBER: **07619**

DEVELOPMENT

Costa Rialto

Location: Approximately 5000 Block of Aldine Bender Road Region: 6

City: Houston County: Harris Zip: 77032 ☐ QCT ☒ DDA

Key Attributes: Family, New Construction, Urban/Exurban

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Private Activity Mortgage Revenue Bonds	$12,385,000			**$12,385,000**	**5.35%**	**480 months**
Housing Tax Credit (Annual)	$942,498			**$942,498**		

Original reservation reflected $14,000,000 but $12,385,000 is their current request.

CONDITIONS

1 Receipt, review and acceptance by closing of revised four-bedroom, two-story unit floor plans that comply with Section 504 of the Rehabilitation Act of 1973 including, at a minimum, one unit having at least two ground floor bedrooms.

2 Receipt, review, and acceptance of evidence that all Phase I ESA recommendations have been carried out including, but not limited to proper disposal of oil drums and above ground storage tanks, evaluation of TCEQ files or subsurface investigation, and a survey and potential remediation plan for asbestos containing materials if existing structures will be demolished.

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

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	216

PROS

- The Developer has extensive experience with the Department and the housing tax credit program.

CONS

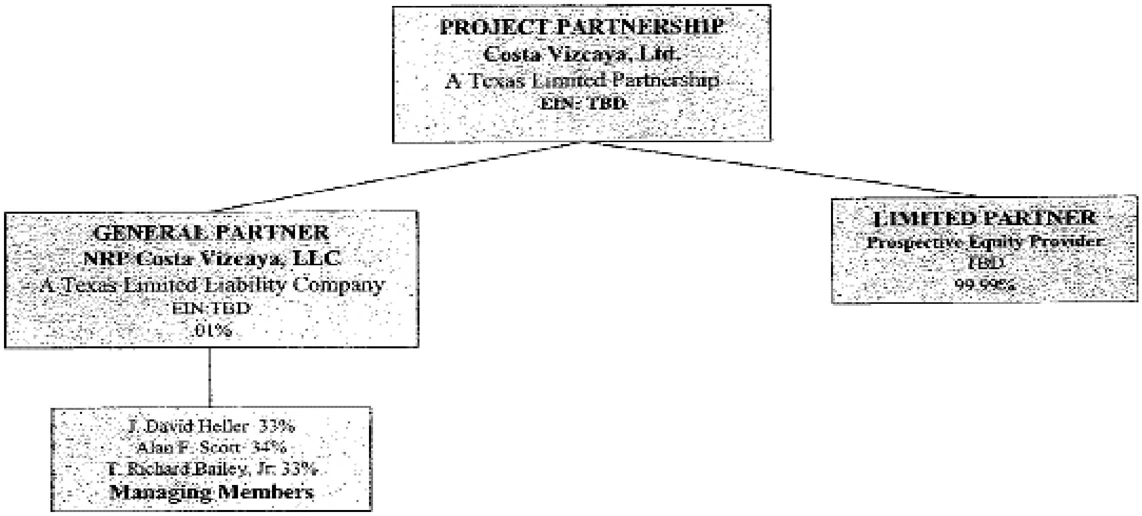
- The site has several currently unresolved environmental concerns (leaking storage tanks) that could delay or prevent development.
- The amount of developer fee that is expected to be deferred is considerable and not predicted to be repayable within 10 years but is repayable in 15 years.

PREVIOUS UNDERWRITING REPORTS

None.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Debra Guerrero Phone: (210) 487-7878 Fax: (210) 487-7880
Email: dguerrero@nrpgroup.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# of Complete Developments in Texas (since 2004)
Northside Redevelopment	$2,991,804	$94,786	Not provided assumed to be same as below
NRP Holdings, LLC	$36,136,449	$163,962	4 complete, 7 under construction, 7 new applications
J. David Heller	CONFIDENTIAL		4 complete, 7 under construction, 7 new applications
Ted Bailey Jr.	CONFIDENTIAL		4 complete, 7 under construction, 7 new applications
Alan Scott	CONFIDENTIAL		4 complete, 7 under construction, 7 new applications

[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

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

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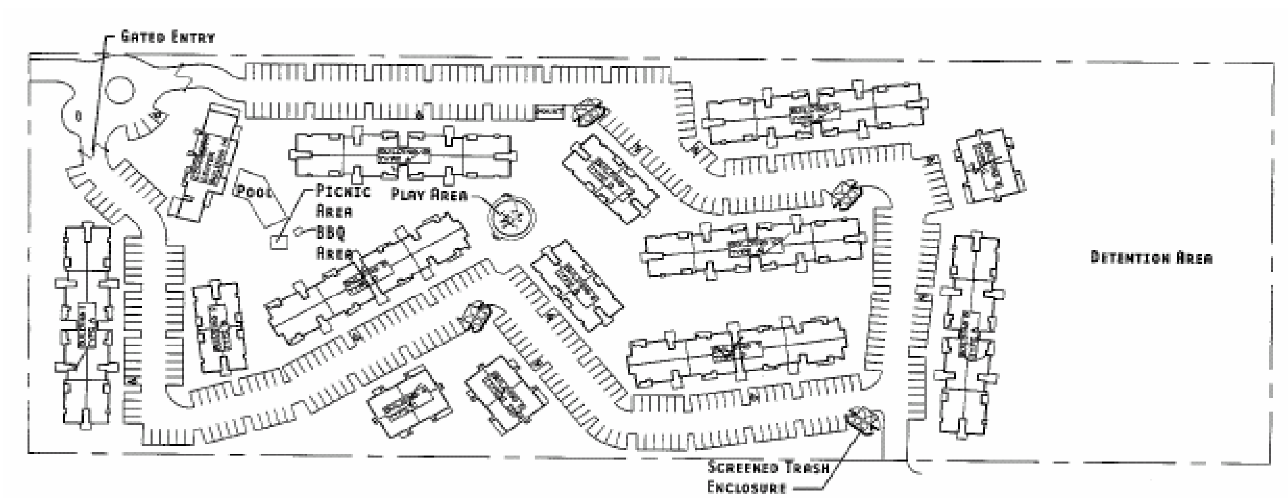
PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D							Total Buildings
Floors/Stories	3	3	2	3							
Number	5	3	3	2							**13**

BR/BA	SF	Units										Total Units	Total SF
1/1	789				6							12	9,468
2/2	1,010	12	12									96	96,960
2/2	1,044				6							12	12,528
3/2	1,255	12			12							84	105,420
4/2	1,561			4								12	18,732
Units per Building		24	12	4	24							**216**	**243,108**

Comments:

The 2007 QAP requires compliance with Section 504 of the Rehabilitation Act of 1973. New construction developments proposing 2 story units must also comply with this requirement. New Construction 24 CFR 8.22 (a) and (b) of Section 504 states, "A minimum of 5 percent or at least one unit (whichever is greater) in a housing project is required for mobility-impaired persons. An additional minimum of 2 percent or at least one unit (whichever is greater) is required for people with hearing or vision impairments. In circumstances where greater need is shown, HUD may prescribe higher percentages than those listed above."

Thus, two-story units offering two or more bedrooms must have at least two ground floor bedrooms. In order to meet the 504 requirements in this development the Subject is required to provide at least one two-story, four-bedroom unit with two ground floor bedrooms.

Correspondence with the Applicant verifies that the Architect is in the process of revising the 4 bedroom unit floor plans in order to meet 504 requirements. Receipt, review and acceptance by closing of revised four-bedroom, two-story unit floor plans that comply with Section 504 of the Rehabilitation Act of 1973 including, at a minimum, one unit having at least two ground floor bedrooms is a condition of this report.

SITE ISSUES

Total Size:	14 acres	Scattered site?	[ ] Yes	[x] No	
Flood Zone:	Zone X	Within 100-yr floodplain?	[ ] Yes	[x] No	
Zoning:	N/A	Needs to be re-zoned?	[ ] Yes	[ ] No	[x] N/A

Comments:

No zoning in Houston.

TDHCA SITE INSPECTION

Inspector: TDHCA Staff   Date: 5/1/2007

Overall Assessment:

[ ] Excellent   [x] Acceptable   [ ] Questionable   [ ] Poor   [ ] Unacceptable

Surrounding Uses:

North: Aeropark Drive, City of Houston Water Facility, and vacant/undeveloped land

South: Aldine Bender Road (FM 525), vacant/undeveloped land and a gas station

East: Crosswinds Drive and residential uses

West: Vickery Drive, vacant/undeveloped land and an abandoned manufacturing building

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Raba Kistner Consultants, Inc.   Date: 9/29/2006

Recognized Environmental Concerns (RECs) and Other Concerns:

- "The SITE was observed as an approximate 14 acre tract of residentially developed property. Residential structures include a two single-story residential dwellings and one mobile home. Other structures include four sheds, a three-side corrugated metal barn, and abandoned livestock pens...."
- "During the SITE reconnaissance, R-K observed several 5-gallon containers of hydraulic fluid and a 55-gallon drum of oil for use in conjunction with various pieces of farm equipment on the SITE. The containers and drums appear intact with no evidence of spills or releases, soil staining, or stressed vegetation in the immediate area.

  Review of regulatory database information indicates the presence of two active leaking underground storage tank (LUST) facilities on the adjacent south property. These facilities are currently listed by the Texas Commission on Environmental Quality (TCEQ) as being in the monitoring and in the pre-assessment and release determination phase." (p.16)

Comments:

"Based on the information as presented...R-K recommends the following:
The on-site septic facilities (OSSF's) should be decommissioned and closed by a properly licensed individual and closure conducted according to applicable state and local regulations should future development occur on the SITE.

If the domestic water well located on the SITE is to no longer be used, it should be plugged properly, in accordance with the Texas Department of Licensing and Registration, Section 76.1004, Technical Requirements - Standards for Capping and Plugging of Wells.

In accordance with the National Emission Standards for Hazardous Air Pollutants (NESHAP) regulated in the State of Texas by the Texas Department of Health (TDH) in conjunction with the Texas Asbestos Health Protection Rules, a survey of the existing building improvements on SITE for asbestos-containing materials (ACBM) is required prior to any demolition of the structures, along with submittal of the Demolition/Renovation Notification Form to the TDH ten (10) days prior to any such activity, including any asbestos abatement.

It is recommended to conduct a TCEQ file evaluation of the adjacent LUST facilities or conduct a subsurface evaluation in order to determine if impacts to the SITE from these adjacent facilities have occurred.

The containers and drum of hydraulic fluid and oil should be removed a disposed of at a permitted facility.

Should the Client desire a greater level of comfort with regard to regulatory status of the wetland area identified by the National Wetland Inventory Map, it is recommended that an on site wetland determination be conducted and a request for Jurisdictional Determination be submitted to the USACE." (p. 17)

Receipt, review, and acceptance of evidence that all Phase I ESA recommendations have been carried out including, but not limited to proper disposal of oil drums and above ground storage tanks, evaluation of TCEQ files or subsurface investigation and a survey for asbestos containing materials if existing structures will be demolished is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData Date: 4/4/2007

Contact: Darrell Jack Phone: (210) 530-0040 Fax: (210) 340-5830

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

Primary Market Area (PMA): 35.92 square miles ~ 3.39 mile radius

For this analysis, we utilized a "primary market area" encompassing 36.74 square miles. The boundaries of the Primary Market Area are as follows: North - Beltway 8; East - Union Pacific Railroad; South - Mount Houston Road; and West - Interstate 45. (p.3)

The primary market area in this instance is a somewhat unusual shape but is acceptable because it defines a band along Loop 8 the major east- west corridor in the area. The PMA excludes several developments which exist farther north but includes areas and developments that are closer to the center of the city.

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
Primrose @ Aldine Bender	04405	248	Seniors	No Secondary Market				
Gates of Dominion North	07165	150	Low Priority					
Timber Ridge II Apartments	03456	124	Stable					
Northland Woods Apartmen	03436	280	Stable					

INCOME LIMITS						
Harris						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	$25,620	$29,280	$32,940	$36,600	$39,540	$42,480

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/60% Rent Limit	139	22		161	12		7%
2 BR/60% Rent Limit	124	10		134	108		81%
3 BR/60% Rent Limit	119	10		129	84		65%
4 BR/60% Rent Limit	79	6		85	12		14%

OVERALL DEMAND					
	Target Households	Household Size	Income Eligible	Tenure	Demand
PMA DEMAND from TURNOVER					
Market Analyst p. 57	22,715	93% 21,152	15% 3,198	100% 3,198	64% 2,060
Underwriter	100% 22,973	93% 21,391	15% 3,232	100% 3,232	64% 2,081
PMA DEMAND from HOUSEHOLD GROWTH					
Market Analyst p. 57		93% 258	15% 36	100% 36	100% 36
Underwriter		93% 252	15% 35	100% 35	100% 35

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 58	216	0	0	216	2,096	10.30%
Underwriter	216	0	0	216	2,117	10.20%

Primary Market Occupancy Rates:

" The current occupancy of the market area is 90.5%. Demand for newer rental apartment units is considered to be growing." (p.10)

Absorption Projections:

"Today, the PMA is 90.5% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous seventeen years for all unit types has averaged 138 units per year. We expect this to increase as the number of new households continue to grow, and as additional rental units become available." (p. 10)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 789 SF 60%	$580	$580	$680	$580	$100
2 BR 1,010 SF 60%	$703	$703	$820	$703	$117
2 BR 1,044 SF 60%	$703	$703	$835	$703	$132
3 BR 1,255 SF 60%	$809	$809	$1,050	$809	$241
4 BR 1,561 SF 60%	$891	$891	$1,250	$891	$359

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market." (p. 13)

Comments:

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

OPERATING PROFORMA ANALYSIS

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

The Applicant’s projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of April 1, 2007, maintained by the Harris County Housing Authority, from the 2007 program gross rent limits. Tenants will be required to pay electric, natural gas, water and sewer utility costs. The Applicant’s secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines. As a result, effective gross income is within 5% of the Underwriter’s estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/15/2007

The Applicant's total annual operating expense projection at $4,390 per unit is within 5% of the Underwriter's estimate of $4,451, derived from the TDHCA database, and third-party data sources. However, the Applicant's revised budget shows repairs and maintenance to be approximately $25K less than the Underwriter's estimate and property taxes to be approximately $27K more.

Conclusion:

The Applicant's effective gross income, operating expenses, and net operating income are within 5% of the Underwriter's estimates; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.15, which is within the Department's DCR guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 14 acres	$362,400	Tax Year:	2006
Existing Buildings:	$473,600	Valuation by:	Harris CAD
Total Assessed Value:	$836,000	Tax Rate:	2.49631

EVIDENCE of PROPERTY CONTROL

Type: Purchase and Sale Contract Acreage: 14

Contract Expiration: 7/30/2007 Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $1,362,794 Other:

Seller: Vera Reese & Darwin & Phyllis Matthews Related to Development Team? [ ] Yes [x] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 6/20/2007

Acquisition Value:

The site cost of $97,342 per acre or $6,309 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Cost:

The Applicant claimed off-site costs of $154,058 for driveways and provided sufficient third party certification through an architect to justify these costs.

Sitework Cost:

The Applicant's claimed sitework costs of $6,019 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $725K or 6% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by $33K to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Contingency & Fees:

The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines; however, the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by $4,279 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $20,736,192 supports annual tax credits of $981,237. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

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

Issuer: TDHCA

Source: CharterMac Capital Type: **Interim to Permanent Bond Financing**

Tax-Exempt: $12,385,000 Interest Rate: 5.35% [x] Fixed Amort: 480 months

Comments:

The stated interest rate excludes annual trustee fees, issuer fees or other trust indenture expenses; in addition there will be an ongoing monthly fee of 0.0625% payable to the servicer in connection with any extension of the original date of completion beyond 6 months.

Source: CharterMac Capital Type: **Syndication**

Proceeds: $8,764,000 Syndication Rate: 93% Anticipated HTC: $ 942,498

Amount: $2,351,363 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of $12,385,000 indicates the need for $11,115,721 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,195,407 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($942,498), the gap-driven amount ($1,195,407), and eligible basis-derived estimate ($981,237), the Applicant's request of $942,498 is recommended resulting in proceeds of $8,764,000 based on a syndication rate of 93%.

The Underwriter's recommended financing structure indicates the need for $2,351,721 in additional permanent funds. Deferred developer fees in this amount do not appear to be repayable from development cashflow within 10 years of stabilized operation; however it does appear to be repayable from development cashflow within 15 years of stabilized operation.

Underwriter:	*Diamond Unique Thompson*	Date:	7/1/2007
Reviewing Underwriter:	*Lisa Vecchietti*	Date:	7/1/2007
Director of Real Estate Analysis:	*Tom Gouris*	Date:	7/1/2007

MULTIFAMILY COMPARATIVE ANALYSIS

Costa Rialto, Houston, 4% HTC/MRB #07619

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash Only
TC 60%	12	1	1	789	$686	$580	$6,960	$0.74	$106.00	$13.31
TC 60%	96	2	2	1,010	$823	703	67,488	0.70	120.00	13.31
TC 60%	12	2	2	1,044	$823	703	8,436	0.67	120.00	13.31
TC 60%	84	3	2	1,255	$951	809	67,956	0.64	142.00	13.31
TC 60%	12	4	2	1,561	$1,062	891	10,692	0.57	171.00	13.31
TOTAL:	216		AVERAGE:	1,126		$748	$161,532	$0.66	$130.61	$13.31

INCOME	Total Net Rentable Sq Ft:	243,108		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$1,938,384	$1,938,384	Harris	Houston	6
Secondary Income		Per Unit Per Month:	$7.50	19,440	19,440	$7.50	Per Unit Per Month	
Other Support Income:				0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$1,957,824	$1,957,824			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(146,837)	(146,832)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,810,987	$1,810,992			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.78%	$401	0.36	$86,529	$71,900	$0.30	$333	3.97%
Management		5.00%	419	0.37	90,549	90,720	0.37	420	5.01%
Payroll & Payroll Tax		11.52%	966	0.86	208,575	225,200	0.93	1,043	12.44%
Repairs & Maintenance		6.25%	524	0.47	113,264	88,320	0.36	409	4.88%
Utilities		3.45%	289	0.26	62,424	50,000	0.21	231	2.76%
Water, Sewer, & Trash		3.13%	263	0.23	56,712	52,740	0.22	244	2.91%
Property Insurance		3.65%	306	0.27	66,186	64,800	0.27	300	3.58%
Property Tax	2.49631	10.42%	874	0.78	188,721	216,000	0.89	1,000	11.93%
Reserve for Replacements		2.98%	250	0.22	54,000	54,000	0.22	250	2.98%
TDHCA Compliance Fees		0.48%	40	0.04	8,640	8,640	0.04	40	0.48%
Other: Supp. Servs		1.43%	120	0.11	25,920	25,920	0.11	120	1.43%
TOTAL EXPENSES		53.09%	$4,451	$3.96	$961,520	$948,240	$3.90	$4,390	52.36%
NET OPERATING INC		46.91%	$3,933	$3.49	$849,468	$862,752	$3.55	$3,994	47.64%
DEBT SERVICE									
First Lien Mortgage		41.49%	$3,479	$3.09	$751,428	$751,428	$3.09	$3,479	41.49%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		5.41%	$454	$0.40	$98,039	$111,324	$0.46	$515	6.15%
AGGREGATE DEBT COVERAGE RATIO					1.13	1.15			
RECOMMENDED DEBT COVERAGE RATIO						1.15			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		6.04%	$6,309	$5.61	$1,362,794	$1,368,082	$5.63	$6,334	5.82%
Off-Sites		0.68%	713	0.63	154,058	154,058	0.63	713	0.66%
Sitework		5.76%	6,019	5.35	1,300,000	1,300,000	5.35	6,019	5.53%
Direct Construction		51.48%	53,784	47.79	11,617,250	12,342,106	50.77	57,139	52.52%
Contingency	3.61%	2.07%	2,160	1.92	466,560	466,560	1.92	2,160	1.99%
Contractor's Fees	14.00%	8.01%	8,372	7.44	1,808,415	1,909,894	7.86	8,842	8.13%
Indirect Construction		4.63%	4,839	4.30	1,045,314	1,045,314	4.30	4,839	4.45%
Ineligible Costs		4.46%	4,663	4.14	1,007,110	1,007,110	4.14	4,663	4.29%
Developer's Fees	15.00%	11.44%	11,948	10.62	2,580,771	2,709,000	11.14	12,542	11.53%
Interim Financing		4.29%	4,480	3.98	967,598	967,598	3.98	4,480	4.12%
Reserves		1.13%	1,184	1.05	255,640	231,000	0.95	1,069	0.98%
TOTAL COST		100.00%	$104,470	$92.82	$22,565,508	$23,500,721	$96.67	$108,800	100.00%
Construction Cost Recap		*67.32%*	***$70,334***	***$62.49***	***$15,192,225***	***$16,018,560***	***$65.89***	***$74,160***	*68.16%*

SOURCES OF FUNDS

						RECOMMENDED	
First Lien Mortgage	54.88%	$57,338	$50.94	$12,385,000	$12,385,000	$12,385,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0		0	$2,704,721
HTC Syndication Proceeds	38.84%	$40,574	$36.05	8,764,000	8,764,358	8,764,000	% of Dev. Fee Deferred
Deferred Developer Fees	10.42%	$10,886	$9.67	2,351,363	2,351,363	2,351,721	87%
Additional (Excess) Funds Req'd	-4.14%	($4,328)	($3.85)	(934,855)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$22,565,508	$23,500,721	$23,500,721	$3,199,590

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Costa Rialto, Houston, 4% HTC/MRB #07619

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$52.99	$12,883,486
Adjustments				
Exterior Wall Finish	0.00%		$0.00	$0
Elderly			0.00	0
9-Ft. Ceilings	3.00%		1.59	386,505
Roofing			0.00	0
Subfloor			(0.82)	(200,159)
Floor Cover			2.43	590,752
Breezeways/Balconies	$22.27	19,801	1.81	440,978
Plumbing Fixtures	$805	612	2.03	492,660
Rough-ins	$400	216	0.36	86,400
Built-In Appliances	$1,850	216	1.64	399,600
Exterior Stairs	$1,800	96	0.71	172,800
Enclosed Corridors	$43.07		0.00	0
Heating/Cooling			1.90	461,905
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$65.36	3,836	1.03	250,731
Other: fire sprinkler	$1.95	243,108	1.95	474,061
SUBTOTAL			67.62	16,439,718
Current Cost Multiplier	0.98		(1.35)	(328,794)
Local Multiplier	0.89		(7.44)	(1,808,369)
TOTAL DIRECT CONSTRUCTION COSTS			$58.83	$14,302,555
Plans, specs, survy, bld prm	3.90%		($2.29)	($557,800)
Interim Construction Interes	3.38%		(1.99)	(482,711)
Contractor's OH & Profit	11.50%		(6.77)	(1,644,794)
NET DIRECT CONSTRUCTION COSTS			$47.79	$11,617,250

PAYMENT COMPUTATION

Primary	$12,385,000	Amort	480
Int Rate	5.35%	DCR	1.13

Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.13

Additional	$8,764,358	Amort	
Int Rate		Aggregate DCR	1.13

RECOMMENDED FINANCING STRUCTURE APPLICANT'S N

Primary Debt Service	$751,428
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$111,324

Primary	$12,385,000	Amort	480
Int Rate	5.35%	DCR	1.15

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

Additional	$8,764,358	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

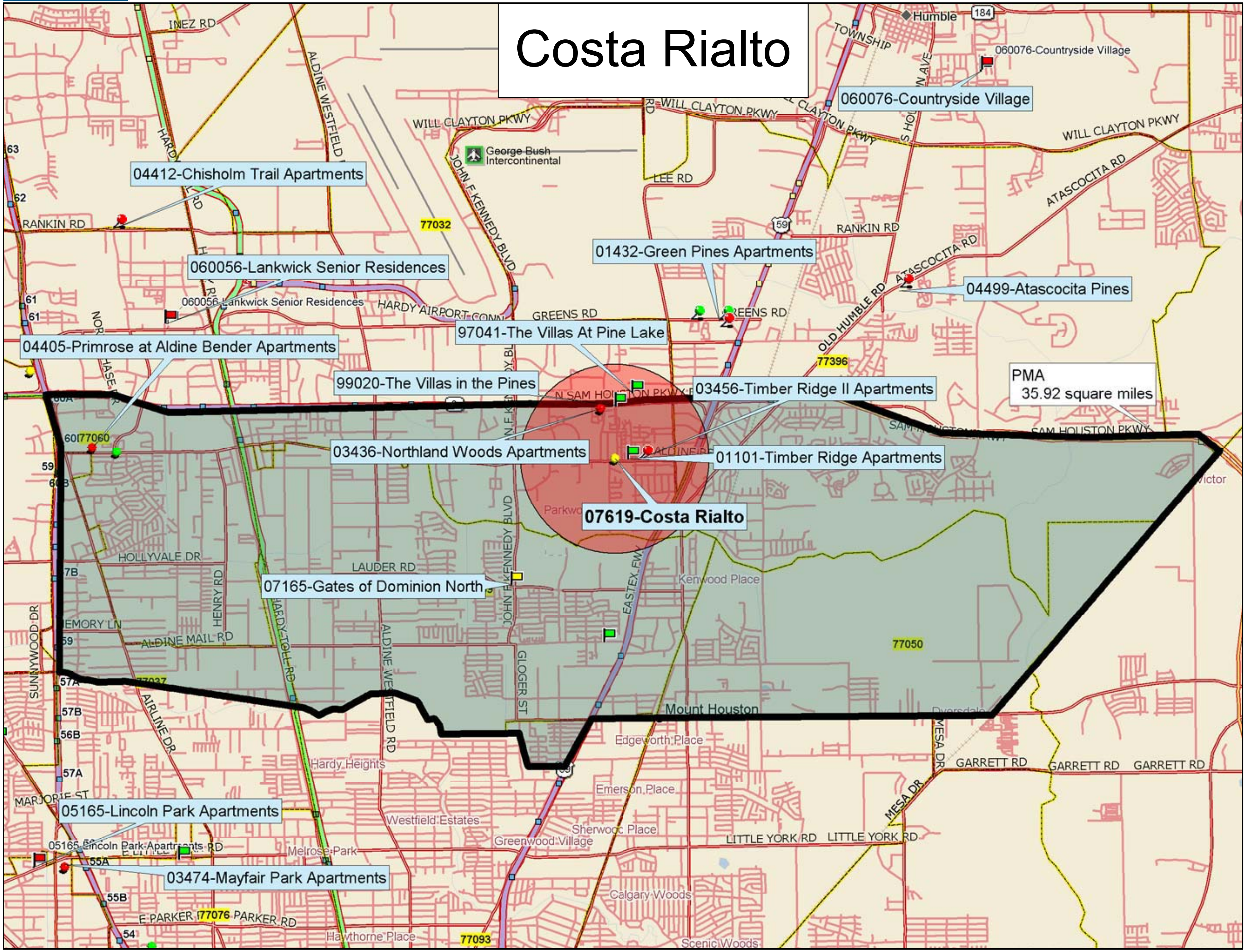
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,938,384	$1,996,536	$2,056,432	$2,118,125	$2,181,668	$2,529,151	$2,931,980	$3,398,968	$4,567,929
Secondary Income	19,440	20,023	20,624	21,243	21,880	25,365	29,405	34,088	45,812
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,957,824	2,016,559	2,077,055	2,139,367	2,203,548	2,554,516	2,961,384	3,433,056	4,613,741
Vacancy & Collection Loss	(146,837)	(151,242)	(155,779)	(160,453)	(165,266)	(191,589)	(222,104)	(257,479)	(346,031)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,810,987	$1,865,317	$1,921,276	$1,978,915	$2,038,282	$2,362,928	$2,739,281	$3,175,577	$4,267,710
EXPENSES at 4.00%									
General & Administrative	$86,529	$89,990	$93,590	$97,334	$101,227	$123,158	$149,841	$182,304	$269,855
Management	90,549	93,266	96,064	98,946	101,914	118,146	136,964	158,779	213,385
Payroll & Payroll Tax	208,575	216,918	225,594	234,618	244,003	296,867	361,184	439,435	650,471
Repairs & Maintenance	113,264	117,794	122,506	127,406	132,503	161,210	196,136	238,630	353,230
Utilities	62,424	64,921	67,518	70,219	73,027	88,849	108,098	131,518	194,679
Water, Sewer & Trash	56,712	58,980	61,339	63,793	66,344	80,718	98,206	119,483	176,863
Insurance	66,186	68,833	71,587	74,450	77,428	94,203	114,613	139,444	206,411
Property Tax	188,721	196,270	204,121	212,285	220,777	268,609	326,804	397,607	588,555
Reserve for Replacements	54,000	56,160	58,406	60,743	63,172	76,859	93,511	113,770	168,407
Other	34,560	35,942	37,380	38,875	40,430	49,190	59,847	72,813	107,781
TOTAL EXPENSES	$961,520	$999,075	$1,038,105	$1,078,669	$1,120,826	$1,357,809	$1,645,203	$1,993,782	$2,929,638
NET OPERATING INCOME	$849,468	$866,242	$883,171	$900,246	$917,456	$1,005,119	$1,094,078	$1,181,795	$1,338,072
DEBT SERVICE									
First Lien Financing	$751,428	$751,428	$751,428	$751,428	$751,428	$751,428	$751,428	$751,428	$751,428
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$98,039	$114,814	$131,743	$148,818	$166,028	$253,691	$342,650	$430,367	$586,644
DEBT COVERAGE RATIO	1.13	1.15	1.18	1.20	1.22	1.34	1.46	1.57	1.78

HTC ALLOCATION ANALYSIS -Costa Rialto, Houston, 4% HTC/MRB #07619

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,368,082	$1,362,794		
Purchase of buildings				
Off-Site Improvements	$154,058	$154,058		
Sitework	$1,300,000	$1,300,000	$1,300,000	$1,300,000
Construction Hard Costs	$12,342,106	$11,617,250	$12,342,106	$11,617,250
Contractor Fees	$1,909,894	$1,808,415	$1,909,894	$1,808,415
Contingencies	$466,560	$466,560	$466,560	$466,560
Eligible Indirect Fees	$1,045,314	$1,045,314	$1,045,314	$1,045,314
Eligible Financing Fees	$967,598	$967,598	$967,598	$967,598
All Ineligible Costs	$1,007,110	$1,007,110		
Developer Fees			$2,704,721	
Developer Fees	$2,709,000	$2,580,771		$2,580,771
Development Reserves	$231,000	$255,640		
TOTAL DEVELOPMENT COSTS	$23,500,721	$22,565,508	$20,736,192	$19,785,907

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$20,736,192	$19,785,907
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$26,957,050	$25,721,680
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$26,957,050	$25,721,680
Applicable Percentage		3.64%	3.64%
TOTAL AMOUNT OF TAX CREDITS		$981,237	$936,269
Syndication Proceeds	**0.9299**	**$9,124,219**	**$8,706,080**
Total Tax Credits (Eligible Basis Method)		**$981,237**	**$936,269**
Syndication Proceeds		**$9,124,219**	**$8,706,080**
Requested Tax Credits		**$942,498**	
Syndication Proceeds		**$8,764,000**	
Gap of Syndication Proceeds Needed		**$11,115,721**	
Total Tax Credits (Gap Method)		**$1,195,407**	



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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS

COSTA RIALTO, LTD.

PUBLIC HEARING

Cafeteria
Francis Elementary School
14815 Lee Road
Houston, Texas

May 1, 2007
6:12 p.m.

BEFORE:

SHANNON ROTH, Multifamily Housing Specialist
Finance Division, TDHCA

ALSO PRESENT:

DEBRA GUERRERO
WHITNEY A. BAILEY
KIM K. OGG

I N D E X

P R O C E E D I N G S

MS. ROTH: My name is Shannon Roth, and I'm a housing specialist with the Texas Department of Housing, and we're going to go ahead and start with the public hearing for Costa Rialto.

Let me just let you know what the role of the Department is in the process, which is to allow all interested persons in the surrounding the opportunity to provide comments on the development that we will be discussing this evening.

The formal of this evening's hearing will be as follows: first I will present the program that the development has applied for; second, Debra Guerrero, member of the development team, will give a presentation on the specifics of the development; and lastly, I will read a speech that's required by the Internal Revenue Service. At the conclusion of the speech I'm going to open up the floor for public comment.

There are handouts for you on the back table. We have a handout regarding the development specifics, which include the income levels, and also a handout containing deadlines for input and how to submit input, and we have three by five cards with our contact information on it.

If you would like to speak, there are witness affirmation forms available on the back table. Please fill out the form and hand it to a TDHCA staff person prior to speaking.

There's a sign in sheet also on the back table. Please be sure you sign in. This is the only way of knowing exactly how many people we have here in attendance.

Also, there are columns for you to check on the far right hand side of the sign in sheet to indicate whether you support or oppose the development. If neither box is checked, then we will consider you attitude as being neutral, so please be sure you check the appropriate box.

The entire hearing, all the comments made here this evening will be transcribed by a court reporter. It's important that you make your comments at the microphone so that she can record your comments. Any comments or questions made from the audience may not be picked up on the record.

To allow everyone an opportunity to speak, we will any questions or concerns that were raised at the end after all public comment has been made. I ask that the developer keep a list of questions that come up as it relates to the development, and I will keep a list of questions that come up as it relates to the Department at all.

According to the IRS Code, the Department is only required to take public comment on the bond issuance, however, TDHCA has extended this to take comment on the development itself. We're not required to do that, but we want community input and assure that your voice is heard.

TDHCA schedules the public hearings where the development is to be located at a time and location that is convenient for the community. The mission of the Department is to help Texans achieve and improve quality of life through the development of better communities.

The two programs that the developer has applied for include the private activity bond program, as well as the housing tax credit program. Both programs are created by the Federal Government to encourage private industry to build quality housing that is affordable to individuals and families with lower than average incomes.

The private activity bond program refers to an issuance of tax exempt bonds. The tax exemption is not an exemption of property, but rather an exemption to the purchaser of the bond. The bond purchaser does not have to pay taxes on their investment and the income they make on the investment.

The bond purchaser accepts a lower rate of return, therefore the lender that is involved will charge a lower interest rate for the mortgage that we've placed on the property to the developer, therefore the developer can build a market rate property at a lower cost to the development.

The housing tax credit was created as a result of the Tax Reform Act of 1986. The housing tax credit is a credit or reduction in tax liability each year for 10 years for investors in affordable rental housing.

By providing a credit against tax liability, the housing tax credit is an incentive for individuals and corporations to invest in construction or rehabilitation of housing for low income families.

The housing tax credit provides equity to the development and lowers the building cost, which allows the developer to provide lower rents to the affordable tenants.

In conclusion, with both of these programs, the tax benefit goes to the investor to help finance the development. These two programs result in the developer being able to build -- I'm sorry, excuse me -- these two programs result in the developer being able to have the opportunity to bring something of high quality to your area.

And of all the properties, they are privately owned and privately managed. There are ongoing oversight responsibilities between the affordable housing developments and the Department. This includes regular monitoring to ensure the development is complying with the rules of housing tax credit and private activity bond program.

The time that the developments will be monitored for is the greater of 30 years, or as long as the bonds are outstanding. Oversight responsibilities include units being occupied by eligible household, physical appearance, rents are capped at appropriate levels, and repair reserves are established and funded.

Tenant background checks are established by the developer, and would apply to all tenants equally. The developer can establish procedures up to and including eviction for various reasons consistent with the state eviction laws that would be applicable to any other apartment complex. TDHCA does not set these requirements.

The Department monitors the development every two years. Desk reviews are done quarterly by the Department, and are a modified version of an on site visit. The Department verifies that the set asides are met, and that the units are income and rent restricted.

After lease up a survey is usually done to determine the tenant profile and any type of services that would be of interest to the tenants. The services can include tutoring, honor roll programs, computer access, educational classes, after school activities, summer camp, healthcare screening, immunizations for school children, ESL classes, GED certifications, financial planning, credit counseling, and down payment assistance.

It's important to note that all [indiscernible] individuals begin in multifamily housing. It's a first step to home ownership, therefore, some developers could choose to provide down payment assistance classes to help educate tenants on steps to how they can -- they can take towards home ownership.

Okay. Now I'm going to ask Ms. Guerrero to come up and give a presentation on the specifics on the development.

MS. GUERRERO: Thank you very much. My name is Debra Guerrero, and I represent the NRP Group, and we are the developer, the contractor, and the property manger of the proposed development, Costa Rialto.

And I'm sure, in your letter, most of you understand where the location is, and you know where the location over on Aldine Bender and Cross Winds. Right there at the corner. And what we're doing is taking a 14 acre tract of land and proposing 216 units at 60 percent AMI, area median income.

And I think as Shannon just explained, at 60 percent area median income, and if you see on your sheet before you, we're proposing the following net rents for one, two, three, and four bedrooms of 580, 703, 809, and 891.

And as you can also see, on the income limits for household size, we're talking about a family of four making $36,000 -- not more than $36,000 in order to qualify for our particular development. It also goes through each of the other income limits per household.

I don't know how familiar you are with the affordable housing program, and specifically the bond program where most of the developments are at 60 percent area median income. When we talk about 60 percent area median income in a community like Houston, we're talking about working people.

That tends to be the misconception a lot of times when it comes to development where you use the term low income, or affordable. A lot of times what you'll see, especially in our particular developments, is our tenants are many times single mothers, one parent families, or they're two people that are just working and have maybe one child.

So those are the type of tenants that NRP strives to get at our developments, but more importantly, the way you do that is through a good screening process. And just to let you know a little bit of what we do, in terms of screening, we -- when somebody comes and applies for residency at one of our developments, we do a credit check, and it's not that you're required good credit, you have to have some credit, and you have to have not had bad credit.

So there is a way to reach that happy medium. You cannot have been convicted of any crimes, whether it be a misdemeanor -- or any crime actually. And, in fact, the example of one particular incident in San Antonio, it was a gentleman that seven years before had been caught with some illegal substance, and we actually had to deny that, even though he was only 18 at the time, because zero tolerance when it comes to our applicants.

In addition, you do have to make at least two and a half times the rent. So when you see a rent of 703 for a two bedroom, the tenant has to make at least two and a half times that amount in order to qualify to live in our residence.

It sounds like it' -- I'm sorry, a month -- it sounds like it's strict, but that's the way that NRP has managed to ensure that we have good quality development at all of our properties within Texas.

Just to let you know a little bit about NRP, we've been here in the State of Texas now for five years. We have one, two, three, four developments -- I'm sorry, five developments that are now in lease up, one in Dallas, one in Corpus Christi, and the others in San Antonio, Texas.

We are under construction on two developments in the Harris County/Brazoria County area, a senior development in partnership with Commons of Grace, and a multifamily development in Brazoria County in partnership with a local non-profit NRC. We have four other developments that are under construction within San Antonio.

And as far as our property management experience, we are a national company, and our property management experience is not only here in Texas, but all over the United States. We were just selected as the number one affordable housing provider, quality-wise, in the United States.

With regard to the quality, because that's always another concern, and security, our development, we will be -- it's a $25 million investment basically. We will spend at least $76,000 a unit, which is pretty significant when you think about it.

And -- but it's important to get the quality of the development in order for people at 60 percent AMI to want to live there, because you're still competing. This isn't free housing. This is housing where your residents have to pay, so we have to be competitive.

We're also very secure. We are a gated community. All of our communities are gated, and we have peace officers that actually live on our property, in exchange for free rent they do part-time patrolling in the area.

It's been very effective on our other properties because nobody knows anybody better than somebody that lives there. It's the same as in anybody's neighborhood. So it's a very secure environment.

In addition, we provide a resident after school program free of charge to our tenants, because, as you know, with a lot of working families, children don't have anywhere to go when they come home.

And it's important -- and philosophically -- not only is it part of meeting the requirements of a residence service, but philosophically it's important to NRP to have an after school program because the idea of latch key children not having anywhere to go, it's just -- it shouldn't be. And if we're providing housing, you need to provide the services that go with it.

And the last thing, very important, is that we are paying 100 percent in property taxes. We are not asking for a tax exemption, we are not associated with a non-profit to get a tax exemption. We will be paying 100 percent of the property taxes.

And to the school district, currently they get about $3300 a year in taxes, and they will be getting up to $130,000 a year once this development -- once we're fully developed.

As far as transportation, that was another concern that residents had expressed, or surrounding property owners, there is a bus line that runs right in front of our proposed development and provides transportation access.

And I think that's pretty much -- I've covered everything that I need to under -- but if there's any questions, we'll be happy to answer and work with you to address any concerns that you might have, or issues that you want to address.

Thank you.

MS. ROTH: Thank you, Debra.

MS. GUERRERO: I'm sorry, just really quickly. Whitney Bailey is here, and she is here as a representative of the NRP group as well.

MS. ROTH: Okay. Now I'm going to read this speech that's required for the IRS Code, and then we'll open the floor for public comment.

Good evening. My name is Shannon Roth. I'd like to proceed with the public hearing. Let the record show that it is 6:25 p.m. Tuesday, May 1, 2007. We are at the Francis Elementary School located at 14815 Lee Road, Houston, Texas.

I'm 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 Service Code. The sole purpose of the hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issue.

No decision regarding the development will be made at this hearing. The Department's Board is scheduled to meet to consider this transaction on June 14, 2007.

In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the Board at any of their meetings. The Department's staff will also accept written comments from the public up to 5:00 p.m. on June 5, 2007.

The bonds will be issued as tax exempt multifamily revenue bonds in the aggregate principal amount not to exceed 14 million, and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs, the issuer.

The proceeds of the bonds will be loaned to Costa Rialto, Ltd., 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: a 216 unit multifamily residential rental development to be constructed on approximately 14 acres of land located at approximately the 5000 block of Aldine Bender Road, Harris, County, Texas.

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

And I would now like to open the floor for public comment. We have two people who have signed up, and we can start with Donald Wiley.

MR. WILEY: Thank you very much.

MS. ROTH: Sure.

MR. WILEY: My name is Donald Wiley. I've been residing in this area for 35 years. And I listened to the presentation, I was very much impressed, but I've heard the same presentation before with two other projects built in this area.

The first one, we're all familiar with, was the Harris Dock [phonetic] Apartments. That too was rent on a sliding scale. Then we built another one on the other side of our subdivision called Fountain View. It's also on a sliding scale.

Everybody needs a place to live. I agree with that. But when you have apartments that are on a sliding scale of income levels, problems occur. You have a situation, they say, well, we police it, we bring up the apartment project.

Well, what happens in many cases, someone will come in and the next thing you know, you have two, three, four families in that same apartment that are not part of it. And then when you contact the management of these apartment projects, they say, well, we're not really responsible for the actions of our renters.

So my question is, since we've been having these apartments on a sliding scale, which are all classified as lower income housing, our property values have gone down. If you look at what your home was selling for six, seven, eight years ago compared to now, several thousand dollars less.

And my question is, if these apartments are on a sliding scale, why do they always end up all in the same area of town? Because once they get a edge in, they keep spreading in that area, pulling the community down.

It has nothing to do with race or gender, it all has to do with income levels. And our income levels, a lot of times, effects our standard of living, or how we live. And if you drive up and down 525, and went through the apartment projects, you'll understand what I mean by that.

So my objection is not to sliding scale housing, but spread it out all over the county. Don't bring it just in to our neighborhood. We have enough problems now.

And the apartments that we have where we're at right, and we were told the same story, the police officers can't even go in there unless there's two units at a time because they're so dangerous to go into them.

And single parents? Yes. Same scenario, single parents, but in walk the boyfriends, and then the next week another boyfriend, then another boyfriend, becoming a revolving door. And they brought their children in.

And bottom line is, apartment projects are concerned about one thing, occupancy. How many units are rented. Bottom line, management is having to respond to the owners of the project how much money are you making for us. And everything else becomes secondary.

So this is my objection to having any more apartments built within the last three blocks of our subdivisions. We have enough problems in our own neighborhoods, in our subdivisions without inviting more.

Welcome to Harris County, we're glad you're bringing your tax money here, we're glad, the schools need the extra money, but let's spread this out so not just one area is impacted in such a way that it continues to pull our property value down.

Thank you very much, and everybody have a blessed evening.

MS. GUERRERO: Thank you.

MS. ROTH: Thank you. Okay. The next person is Toni. And if you could just please state your name for the record.

MS. PHAM: Sure. My name is Thanh-Hien Pham. I go by Toni Pham. And I represent Tommio, Inc. [phonetic] which owns the property next door to the proposed development.

I agree very much with what the previous gentleman said, and I do think that crime is a problem in the area. I mean, just as a prime example, Sunday night we were watching the news and there was a shooting in the Timber Ridge Apartments just nearby.

There are a number of apartment complexes nearby, and I'm not necessarily convinced that having two peace officers on the premises part-time patrolling the area would be enough to deter crime.

You know, my main objection really is that I think that it would invite more crime, and, you know, yes, I know that you'll be screening your applicants and screening the renters, but there's only so much that can be done there. And, of course, they do have guests, you know, other invitees, that sort of stuff.

And I think that, you know, that it will -- I don't think that it would be an asset to the community. And if anything, it would bring down the property values. So that's my objection.

MS. ROTH: Okay. Thank you. Okay. No one else has filled out a witness affirmation form. Did anyone else wish to make a formal public comment and fill out one of our forms?

(No response.)

MS. ROTH: Okay. I am going to go ahead and conclude the hearing. Thank you for attending the hearing. Your comments have been recorded. The meeting is adjourned, and the time is 6:35 p.m.

MS. ROTH: We can open the floor now for question and answer, if anybody has any. We do have -- the record is still recording so if you had any questions, feel free. Please state your name, and you'll have to come up so we can get it on record. Yes, so she can get it.

MS. PHAM: My name is Nicole Pham. I'm Toni's sister. I did have a question for the NRP Group. If you have a problem that escalates to gun fire, how do you handle it? Okay.

And has this happened at your other properties before, you know. And after the incident occurs, how do you keep on policing, or how do you address the problem so that it does not occur again?

MS. ROTH: Could you -- yes, could you just come up and state your name and --

MS. GUERRERO: My name is Debra Guerrero. And just let me respond first to the why they all end up in the same part of town question, because I mean that is a really good question.

I want to let you know that as far as NRP and where we've decided to locate, I'm actually near Willow Brook Mall right now with a proposed development, and we tend to look all over, because we don't want them congregated all in one area either.

And we also look at where there's market demand. And in this particular area, there is still market demand. And so that's how we decide where we're going to locate.

I know -- but I will tell you that the entire Harris County area right now is at DDA, which means that you get 130 -- you get a 30 percent more bump on your equity, and so that's one of the reasons, and your incomes are so high here in Houston.

And so, I mean, just to kind of give you an idea of why, and you are now a qualified census tract. So that's why developers tend to look at your area specifically. Because even with the DDA that goes away, the fact is, you're a QCT.

In our case, we know all of Houston is Harris County, and Brazoria, and all the other counties are DDA, so what we're looking for is where is the demand. And in this particular area, we actually saw -- and to go to where you don't it benefits, we actually saw a deteriorating corridor. I mean, that corridor is in desperate need of reinvigoration.

There is -- I mean, you need some money pumped into that street so that you can get store fronts and interest and roof tops that will attract that retail and commercial so that you can sell your property right there.

And so we really see this as -- we've seen it done in other parts of the city where -- I mean, I'm sorry, not here in -- but in San Antonio, where we've gone into a corridor that's old and is -- whose property values are going down, and reinvigorated it. And we've actually seen it be a benefit to the corridor. And so -- I mean, that -- when we think of benefit, that's what we're looking at is how it benefits the entire area.

But I wanted to explain to you why everybody came. It's QCT. As a qualified census tract, they get a bump. But right now, all of Harris County's a DDA, so you can go anywhere.

With regard to crime --

MS. ROTH: I'm sorry, could you maybe explain what the DDA --

MS. GUERRERO: Oh, I'm sorry.

MS. ROTH: -- means to --

MS. GUERRERO: A difficult to develop area, which is basically HUD, Housing and Urban Development, through the Federal Government, says this particular census is, and I don't know the exact definition of what percentage you are below the area median income, or compared to the whole thing, but they designate certain areas in need of special attention and investment.

And so they try to help in bringing more investment into that area. And so as a QC -- it'll have the same characteristics as a QCT. You all are a QCT all year round, but the DDA is special because it came with the whole Rita and Katrina stuff, but mostly Rita.

And so for a limited period of time, the whole county is designated as a difficult to develop area. So all the Federal programs are saying, hey, let's look, into these areas and these census tracts, and let's invest in those areas.

So that's -- is that enough of an explanation --

MS. ROTH: Yes.

MS. GUERRERO: -- without getting too technical?

MS. ROTH: Yes. And thank you for letting them know that --

MS. GUERRERO: That why people are --

MS. ROTH: -- it's partly because of the Rita and the hurricane issue that brought about the DDA designation to Harris County, and some surrounding areas.

MS. GUERRERO: Now with regard to crime, I understand that shooting was actually -- it was a Deputy Sheriff that shot at a teenager. And there's some concerns right now with how that came about and what happened.

With regard to crime, we have found that the peace officers are really the most effective way, because they live there 24 hours. And I don't know what Timber Ridge is, and I know that's the -- I don't know what their policy is, and whether or not they have anybody.

I do know, and I'll give you the example of one of ours, is the Mexican mafia. They saw that a new apartment complex had been built, you know, near one of the areas where they had tended to -- they were in control of all the other older stuff. And they wanted to live in a new place.

So they decided they were going to come to our Costa Dorada product over on Military Drive and take over. Well, that peace officer tagged them within a week of them moving in, and zero tolerance. They were kicked out, because -- I mean, he was able, by living there, to know what was going on.

And I know you hear about it from everybody, and you're right. Everybody comes in and they try to tell you this is what we're going to propose, this is how we're going to keep it safe.

I'll give you Costa Dorada, because it's been around for six, seven years, and I invite all of you to please come and see our properties in San Antonio. It's still at 100 percent occupancy because we've managed to keep it safe, because the neighborhood knocks on our door and looks at those crime stats almost every month. And if there's something out of whack, they are our neighbor, and they come and say, hey, what's going on.

And our peace officer knows enough about what's going on that he can explain anything going on, on that property. So it really is the most effective way, and the only way you control it is you have zero tolerance.

MS. BAILEY: If I could add to that --

MS. ROTH: Could you come up and state your name? Thank you.

MS. BAILEY: I'm Whitney Bailey. I'm with NRP as well.

The zero tolerance extends to the guests as well. So if the mother, living in the unit, her boyfriend comes over, and something happens, she's kicked out too. So it applies to your guests as well. If they come --

MR. WILEY: Only if something happens.

MS. GUERRERO: If something happens, yes.

MS. BAILEY: I mean --

MR. WILEY: If nothing happens he can live there 20 years?

MS. BAILEY: Well, but then, in addition to that, about the multiple families, or the boyfriends, you know --

MS. GUERRERO: Right.

MS. BAILEY: -- are coming in and out, we would -- we do regular inspections of the units, because that's part of our program. And also part of the guidelines is that you can't have more people on their then is on the lease, because then we are out of compliance and we lose the money for the property.

And so we are very adamant about making sure only the people on that lease are in the unit, because --

MS. GUERRERO: Right.

MS. BAILEY: -- we lose out.

MS. GUERRERO: And everybody on that lease has to be screened the same as the applicant. I mean, that's one of the requirements. And, again, you can say they all start off that way, because everybody says they're going to do it, but because of compliance, and because of -- we're not the type, we're real sticklers on compliance -- is we monitor ourselves in terms of quality control.

You asked for other examples. I gave you the one example of the Mexican mafia. We, knock on wood, have not had any incidents that the peace officer either prevented -- I mean, we've prevented anything from happening because he was watching, but we haven't had any incidents that even came close to the Deputy Sheriff shooting at a teenager, no.

MS. PHAM: I did have a question. You say that your policy is, you know, you have a zero tolerance policy, and that you want to make sure that everybody who lives on the property is in compliance.

MS. GUERRERO: Right.

MS. PHAM: But regulatory measures, or laws, or rules, you know, do you -- are governing you so that you're required to do that, and more so, it just sounds to me like a corporate policy as opposed to a regulatory --

MS. GUERRERO: Yes, ours is corporate. TDHCA is compliance, and they can probably talk more about the compliance requirements.

MS. PHAM: So both applies.

MS. GUERRERO: Right.

MS. ROTH: Like I said in my presentation, we do go out and monitor the properties every two years, and desk reviews are done quarterly I believe is what I said, through our portfolio and compliance division.

And at that time they -- and I have not worked in that division, but it's my understanding that they go out and physically look, you know, look --

MS. PHAM: At it.

MS. ROTH: -- in the units, they go through files to audit to make sure that the tenants meet the income requirement to live there.

MS. PHAM: But that's mostly just to make sure that financially the applicants meet the guidelines.

MS. ROTH: Well, I also believe they're making sure that who's on the lease is who's --

MS. BAILEY: Right. It's physical inspection --

MS. ROTH: -- actually living --

MS. BAILEY: -- as well.

MS. ROTH: -- in the unit.

MS. GUERRERO: Yes, because see they need to make sure that whoever's on the lease, everybody on the lease, that all of their income is recorded and that we're not going over income. And so that's why they physically go to the units to check who's living there.

And they actually -- that's what she means by auditing. We just went through one on one of our newest properties, Costa Vizcaya. And I think that we had one that was over income because they didn't report child support or something.

I mean, they really get down to that detail to ensure that those that are supposed to benefit are the ones benefitting.

AUDIENCE: Are these surprise inspections, or you all notified, hey, next Tuesday we're coming to inspect --

MS. GUERRERO: I don't --

MS. BAILEY: Audits --

MS. GUERRERO: -- I don't know. I believe that you're --

AUDIENCE: Are these surprise inspections --

MS. BAILEY: The TDHCA audits --

AUDIENCE: -- notified. Hey, you all stay away today because there's an inspection.

MS. GUERRERO: Yes.

MS. BAILEY: Our inspections are surprise. The TDHCA audits, they have to be announced --

MS. GUERRERO: Yes, but --

MS. BAILEY: -- but we'll --

MS. GUERRERO: -- we don't -- but the thing is, the residents aren't warned about it, they're not warned to go, hey, get that person out of there. We're notified about when it's going to occur throughout the year, or, you know, quarterly.

And as far as our inspections and the -- that's why having that peace officer there is so important, because he can look and see if it's at 4:00 in the afternoon, or if it's 4:00 in the morning.

I mean, he will know -- it's like your own neighbors, neighborhood watch, you know, who -- God willing, you know what's going on in your own neighborhood; therefore, that's kind of what the peace officer does.

AUDIENCE: Well, you keep saying he, but on the average how many peace officers you all have that live on a piece of property?

MS. GUERRERO: Two.

AUDIENCE: Just two? What if both of them are working the same shift at night, and who takes care of --

MS. GUERRERO: We don't -- we stagger. We stagger their -- we actually interview, and we have a peace -- we actually have a consultant that's a police officer that goes and selects and interviews all of our peace officers for all of our properties.

And that's because he started the one, again, at Costa Dorada, the seven-year-old project. And it is such a success that he has just carried his program on and implemented it at our other properties.

AUDIENCE: And then what happens if you have a tenant who, in the initial background check and all of the checks that you do, you know, perfect record, six months down the road then commits a crime of, you know, some sort, how do you continually monitor all of your tenants like that?

I mean, that's an ongoing thing. What measures do you have in place to do that?

MS. BAILEY: Well, if it's something we hear about, evicted.

AUDIENCE: Okay. But --

MS. BAILEY: But then we also have --

AUDIENCE: -- committed a crime.

MS. BAILEY: You know, you have either -- you hear about it, the neighbors are going to tell, or every year you have a -- you go through a renewal process, and that's when you do the search, all of the searches, all over again.

MS. GUERRERO: Whitney actually used to work in property management for NRP. And that's the other thing that -- is that NRP -- some developers come in and it's the developer, they build it, and they run. With us, we're the developer, we build it, and we manage it.

So you call me, you have my number back here, you call Debra and say, hey, construction's messing up, or, you know, we understand there was a shooting, can you explain that to us. And that's what you get with our company, because we do all three. And so that's why she's very familiar with property management because she actually used to work in that particular area.

Yes, ma'am, I'm sorry.

MS. ROTH: Can you state your name, ma'am?

MS. PRICE: It's Evelyn Price.

MS. ROTH: Thank you.

MS. GUERRERO: Evelyn Price.

MS. PRICE: Evelyn Price. I am a property owner in this area. My big concern is, you go to any apartment complex in this area, you're going to see cars that cost more than the people who qualify for those homes, because drugs are sold with cash.

Drug dealers make cash. There's no reportable income from a drug dealer. This entire area is invested with drug dealers, it's invested with gang members.

I have had the problem, even with this area's schools and stuff. My children went to this school, and I have one child who is a gifted and talented child, and this school here put it in writing to me they don't have programs for gifted and talented children.

Because of the area, they have to dummy down the classes to teach to these children that are in the poverty level, that they can't excel them because there's nobody at home helping them with their homework, there's no parent that cares, because when they're strung out on drugs they don't care.

I've dealt with this for many, many years with the Aldine School District. I've seen it first hand as a parent. You can't tell me that this apartment complex -- it's pretty on the paper, the colors are pretty, it's beautiful.

It will be nice, but as soon as the drug dealers gets there, and they take it over -- because you're not going to know who's selling drugs, you're not going to know, they're not -- you're going to see, oh, there's a Mercedes, there's this, there's that.

You know that person's a drug dealer. You can't prove it till they get busted. You can't prove that they're in a gang until they get busted. But this entire area is full of them.

The schools can't protect you. You have teachers, you have principals that tell these teachers, don't fight these kids, lock them up in the room, push your panic button, and lock your door. Don't fight these kids, don't confront them, because they're afraid of them.

You're going to bring them right into the area more. You're going to bring more of them in. I'm a parent, I've dealt with it, so I've seen it first hand, I know this happens in school districts, I know this happens in this area. That's why I opposed this one.

MS. GUERRERO: Well, now, and we understand,

and that's one of the -- I mean that's -- the peace officers are very effective in detecting that. And I understand your frustration. I mean, I completely do. And I know I can tell you, but until you see it, you're not going to know.

And all I can say is that, you know, in terms of peace officers, it really is a good program that has been effective, and, you know, God willing, it'll be effective here too. And we know it will be, and if not, zero tolerance; we kick them out. We really do.

MS. PRICE: Have you visited the apartment complex next door? Haverstock, have you went there and seen it?

MS. GUERRERO: No, I haven't been to Haverstock, no.

MS. PRICE: The police are afraid to go there. The ambulance personnel --

MR. PRICE: They had a substation --

MS. PRICE: -- will not go there.

MR. PRICE: -- police substation on the property. Not just two cops --

MS. GUERRERO: They did? At Haverstock?

MR. PRICE: -- but [indiscernible] cops.

MS. PRICE: They had cops there.

MR. PRICE: It got so bad the cops left. So what makes you all think you all are going to be so good with two cops who are going to run this thing?

MS. GUERRERO: Well, that kind of makes you wonder about the police, if they couldn't control it.

MS. PRICE: They're afraid of the gangs, because there's -- I'm telling you, the gangs are so bad in this area.

MR. PRICE: Unless you got a Rambo cop that doesn't care about the law, you ain't going to make it -- make any of it safe because --

MS. GUERRERO: Yes.

MR. PRICE: -- the substation on the property can't do it, what are two cops going to do, well, one cop --

MS. GUERRERO: That's really interesting.

MR. PRICE: -- because one cop will be working while the other cop's there. What's one cop --

MS. GUERRERO: I'm sorry. Is it a tax credit property next door, do you know?

AUDIENCE: It's low income, but I don't know --

MS. GUERRERO: Is it a Section 8, or project based?

AUDIENCE: Sliding scale.

MS. GUERRERO: So it's a Section -- okay, I'm sorry.

Okay. Kim, do you want to respond, and then I'll let Ms. Wiley?

MS. OGG: Oh, I just thought you might want to talk to him about the accepted program reading with the police captain who had --

MS. GUERRERO: Kim Ogg is actually one of our attorneys here in the Houston area, and one of the reasons that we started working with Kim is because she had been involved -- she ran the Crime Stoppers program here in the Harris County area, and she's been really instrumental in introducing us to the lieutenants and the captains in the are to prevent those kinds of things from happening.

If you don't mind, I'd like for you --

MS. OGG: Yes, I can address some of your safety concerns.

MS. ROTH: Please just state your name for the record.

MS. OGG: Sure. My name's Kim Ogg. I'm a native Houstonian, and I've lived here all my life, other than four years when I lived in Austin. So I know your area, I know your concern.

My background is that I was an Assistant DA here, a chief felony prosecutor for seven years, then I ran the gang task force for Mayor Bob Lanier from 1994 until 1999, and then I ran Crime Stoppers from '99 until last year when I went into practicing law.

There's several things that have come up that I'd like to address just briefly as an overall kind of presentation about safety. First of all, as you know Houston has been built by developers. There are good developers and there are bad developers, but there are always developers in Houston.

And it's as integral a part of our history as it gets. So what you do is you look to support the responsible business people and you look to pressure and punish the irresponsible ones.

The reason that I chose to represent NRP was every time I had a question for them that related to safety, I knew if we were going to stand up and be credible advocates for them, we really needed to understand their policies and procedures.

Because they manage their own developments, you -- you know, you've got first hand accountability. And while they're a national company, they only have been in Texas for five years. So they're introduction to the market has not been just so rapid that they couldn't keep up with the growth.

They've really taken care of the properties that they've -- you said seven years, I said five -- but for a fairly short period they've really taken care of the properties that they've developed.

Their written policies, when it comes to safety procedures, you said what would happen if a shooting happened, you would encourage information exchange between your management and your tenants so that everybody knew, call 9-1-1. Period. Over and out.

You would want your management staff and, of course, your security officers living on the property to know exactly which substation to contact, who's working when, and they would.

That's why these folks met with the captain out at the northwest substation on a different property, and will meet -- it's really just a matter of meeting with the person who's in charge of the area -- will meet with the folks in charge of this particular district.

The city has a requirement now for apartment complexes that they register with HPD and participate in what's called the CPTED [phonetic] program, security through environmental design. HP and the city now said they have an interest in making sure that apartments are not only run more safely, which is obvious, but they're actually developed -- they're developed with safety in mind.

So the captain that we met directed us to the head of the CPTED program in HPD. It's part of this mayoral initiative to clean up the violence that occurring in apartment complexes, and he's got his hands full, Lord knows.

But what these folks do is work with management like, and developers like NRP to make sure that the policies -- first of all, that your design is as safe as it can be; secondly, that the policies and procedures you have in place really ensure a well-trained staff as much as you can.

The screening question was brought up by the captain that we met with on a different proposed development, and the screening process that he proposed was annual, more often than just a one time check.

In fact, they even encouraged a more frequent check. He encouraged a quarterly check. It's very doable. It's not a terribly expensive, or labor intensive process.

Because they are -- have such rigid compliance requirements anyway with regard to tenants, you've got an accurate list of the tenants. With your officers on site, if you have somebody stay more than a friendly length of stay, some thing that looks suspicious, they can be on that.

And so the compliance that is required for them to maintain their status, it's pretty serious, and the financial consequences mean that they're invested in that. You dove tail that with your security policies and instead of a once a year screening, they could do it every quarter at really not at terribly much greater expense or effort. And so I think we can assure you, they will not be allowing convicts to live there.

Now in terms of the violence that occurs, if this property management group gets out of whack with their written policies, what they've said that they'll do to protect you, then, as you know, as a lawyer, that just increases their liability.

I mean, when you set high standards for yourself, if you don't meet them, you actually expose yourself to more liability. So they've got a financial stake in trying to make their property safer than the ones around it.

I think that will generate greater value for your property than less. You're going to be developed, so you've got to look for the more responsible developers.

And if they've got good written polices, they worked with the police in getting it implemented, no, it's not going to ensure rapid police response, they're not the police, but if they've got a good set of written policies, they've got to live by them, or they really open themselves up, not just to regulation by the city through that apartment ordinance that requires them to register and meet these CPTED, these safety through environmental design requirements, but they better do it for their own, you know, for their own protection from civil liability.

So I would say that they have done really what they can to ensure your safety up front. There's no way to guarantee that there's not ever going to be a problem, but they've got a good track record, and I'd encourage you to look at it. That's what we did.

MS. ROTH: Ms. Wiley, I know you had a question. Thank you.

MRS. WILEY: I'm Dorothy Wiley --

MS. GUERRERO: Yes, ma'am.

MRS. WILEY: I live over here, not too far. In fact, Timber Ridge Apartments are in my back door, basically. And, yes, we were aware of the problem that happened Tuesday night.

MS. GUERRERO: Right.

MRS. WILEY: But there -- I understand that we are not in the city limits; we're in the county.

MS. GUERRERO: Right.

MRS. WILEY: So HPD's policy would not apply --

AUDIENCE: Well --

MS. GUERRERO: Except that we went ahead, and because it's in Harris County, we have initiated the security by design, and included a lot of those. Not only -- because definitely for Vizcaya over on Willow Brook, we had -- we're having to because it's within the city, but on this particular development, and also one that we're proposing in Harris County further near Walters Road -- I mean, I'm sorry, Hafer Road further, again, in other areas of town, we went ahead and we initiated the security by design because we thought that it was important enough.

And that a lot of people worry about security, just like you are. I mean, they really do. So we made it one of our priorities.

MRS. WILEY: Okay. Well, like Timber Ridge, they had all of this problem Tuesday night. Well, Friday night they weren't too concerned over there, because at 3:30 in the morning they had a large PA system, and band,

and they were playing music till after 3:30 in the morning.

MS. GUERRERO: Really?

MRS. WILEY: And it was a little difficult, since my bedroom backs up to the back fence. And they have their, you know, their traffic through there with their loud music and all like that.

So if they have security people in their property, evidently they're not there, or else they're enjoying the music as well.

So that's just an issue that we're having with Timber Ridge right not. It doesn't have anything to do with you --

MS. GUERRERO: Right.

MRS. WILEY: -- but that is a concern because of the people, the population that comes into enjoy the music.

MS. GUERRERO: Right. Do you have a neighborhood association formed?

MRS. WILEY: We had --

MS. GUERRERO: We'd be happy to help form one. We did that --

MR. WILEY: We had one, but it fizzled out.

MRS. WILEY: No, they have someone who collects our homeowners --

MS. GUERRERO: Oh, you have an HOA.

MRS. WILEY: -- we don't have anybody else there.

MS. GUERRERO: Oh. Because we actually -- on one of our properties, we helped organize a neighborhood association, because they really wanted to organize. They use our -- as a home base, and our residents are a part of it. And we'd love to work with you so that things like that -- because that would bug us too --

MRS. WILEY: Yes. We have --

MS. GUERRERO: -- so we could prevent it.

MRS. WILEY: -- gone to -- you know, we pay our dues to someone, you know, whoever they may be, but we do that so we can keep our homes, so they won't, whoever it is, won't take it away from us. But, no, we have, oh --

MS. GUERRERO: And do you have enough of a relationship with Timber Ridge to call them and say, hey --

MRS. WILEY: I have --

MS. GUERRERO: -- stop.

MRS. WILEY: -- when they were building that, I stayed over there. I even called their owner of the property because we were having a property problem. And when they were putting in a side street off of Aldine Bender, and they tore down the fence and put in a wood fence just so far, and then they put in a gate, or an opening to a gate, and then they had the trash dump that was sealed in, and then a wire fence all the way to the back.

Well, for a while they didn't even have a gate, and then they put up a gate, and then the kids came and tore that down. And so we've had a problem with that, and the trash that comes over in our yard.

And then they put in a water pump for their fountains, or their water -- you know, watering the plants and everything. They have that, but they ran the meter, the pole, the light meter, in our yard, to run their water.

And I asked them, I asked the people who were drilling the well, where is the water coming from. And, well, it's coming from underneath the ground. I said, is it like a water tank? Yeah. So I guess if our house sinks, we'll know why.

So we have --

MS. GUERRERO: That's wrong.

MRS. WILEY: -- it on our property. But that was some of the problems that we've tried to address on our own with the --

MS. GUERRERO: With the owner.

MRS. WILEY: -- people over there. And right now it's status quo. But now we've got problems with the noise, and obviously they don't care.

MS. GUERRERO: Well, I'm sorry.

MRS. WILEY: And if they had anybody there, surely they would have come out and told them not to.

MS. GUERRERO: Yes.

MS. OGG: Did the Sheriff's Department cite anybody?

MRS. WILEY: No.

MS. OGG: Did you call them?

MRS. WILEY: Well, it doesn't do much good. Like when we had a problem in our neighborhood with an elderly man and his ill wife passed away. There was a problem there, and the elderly man, who was in his 80's came out and asked if we could please be quiet and it was going to get violent. But we called 9-1-1 and they never came out.

MS. OGG: Constable support?

MALE VOICE: Sheriff's Office.

MS. OGG: Yes, but any Constable support?

MRS. WILEY: No.

MS. OGG: For those live music deals, Constables and sheriff's Department, there's got to be somebody that will --

MR. WILEY: They don't -- no.

MRS. WILEY: Well, no, they don't come out.

MR. WILEY: We call them all the time.

MRS. WILEY: My daughter, who is with the Harris County Sheriff's, and her husband's with Harris County Sheriff's, and they said that there are a lot of areas in the north side that -- and we're part of it -- that they cannot come out unless they have at least one back up with them. They won't come out.

And if you'll ever notice, going into Haverstock, you won't find one Sheriff's car there. You'll find two to three for the very same incident.

MS. OGG: What about a civil nuisance case?

MRS. WILEY: There, again, you have to have some kind of an organization in order to file a case like that. And we're just all individuals.

MS. OGG: Right.

MS. GUERRERO: Right.

MRS. WILEY: That makes a big difference.

MS. GUERRERO: Well, thank you very much.

MR. WILEY: I think the problem is simply this. We've got enough sliding scale low income housing in our area, and why don't you take some of Atascosita [phonetic]. I know some property available out there that you can build. And I'm sure there might be an Atascosita -- but we've got enough right now.

MRS. WILEY: Well, what about the lower end. All these vendors down there at 45; that needs some more apartments, and some of those need renovating. There's a large population down there that needs adequate housing.

MR. WILEY: We've just got enough lower income down here. It's becoming a problem in our area. We just don't need any more. Your project looks beautiful and I'm sure it is --

MS. GUERRERO: It is. It's beautiful.

MR. WILEY: -- but it's not the project, but it's the people that come into the project.

AUDIENCE: And they will make their way in. They did it in Haverstock, they did it in Timber Ridge, and they'll do it in all of them. You can't keep everybody out. They will come in.

And how many years you all been in business?

MS. GUERRERO: We've actually been in business for 15 -- no, I'm sorry, we've been in business for 12 years, we've been in Texas now with our development partner now for seven years, and as NRP for five.

AUDIENCE: Now of all them properties, are they all being ran just like they was, looking just as good, the same kind of people as day one when they opened up?

MS. GUERRERO: The ones -- I will tell you, the Texas property that's the oldest is seven years old. It's over there across from Brooks Air Force Base. Again, I invite you all to go see it. A hundred percent very well maintained.

And, in fact, all this retail located -- over a million square feet of retail located -- and I'm not saying it's because of the apartments, but it just added to the roof tops in the area.

The ones in Ohio have been around a lot longer, and you couldn't -- they're very well maintained. Because, the other thing is, unlike a single family home where anybody can move in, and you can't control who your neighbors are, and they can let their whole house get deteriorated, we have a compliance period of at least 15 years with TDHCA, and 30 years in keeping it in a certain condition. So for at least 15 years you have to keep it in mint condition for your equity investors.

AUDIENCE: I'm not talking so much about the aesthetics of it; I'm talking about the people.

MS. GUERRERO: Well, but that almost goes --

(Pause.)

AUDIENCE: Like you all, beautiful and everything else. Look at it now; the cops can't even stay there.

MS. GUERRERO: Yes, but, you know, they go hand in hand, because the people you get in, they're going to help maintain that property and it'll look good. And if you don't have a well-maintained property, you don't get good people, so --

AUDIENCE: There's another thing that bothers me. You really didn't know where Timber Ridge is, which is right next door to --

MS. GUERRERO: Timber Ridge is right next door.

AUDIENCE: -- and Haverstock --

MS. GUERRERO: Haverstock, I don't know. I've never been.

AUDIENCE: And that kind of lets me know, have you all really opened your eyes to the crime and stuff around here, or you all just say, hey, it looks like we can make some money here?

MS. GUERRERO: No. Timber Ridge I've been to several times.

AUDIENCE: I mean, you've got to know Haverstock. That's the biggest crime thing around here. I mean, how can you move into an area and not know much about Haverstock? I mean, how much do you all really know about this area, other than, hey, we can make some bucks here?

MS. GUERRERO: Well, we also look at the economic growth of the area and where it's going, and population.

AUDIENCE: Fine.

MS. GUERRERO: So, well, and also and how to help improve the corridor, which is money for other people.

Yes, sir?

MR. ARENSON: My name is Tony Arenson [phonetic]. I have lived on Aldine Bender for 30 years, back when it was a two-lane highway. In the last decade, this area, including the subdivisions, have been in rapid decline. There's a lot of crime that's also in the subdivisions, not only just the apartment complexes. Haverstock is not a new issue, it's been there for 30 years, or probably longer, ever since I can remember.

And I think that your complex will be a great asset to the community because in the last -- I'm going to say in the last two years. In all these new developments, it is actually clean to drive down Aldine Bender. We have these store fronts; everything's cleaned up.

And I think a place to set the standard would be good for the community because this area for the last 10 years has not been very nice to drive down and look. Now, it is finally halfway decent to say, yeah, I live on Aldine Bender. It doesn't look so much like the ghetto anymore. And for the last 10 years it has looked like that.

We have AutoZone, and it will be good from someone to come into the community and set the standards for Haverstock. Haverstock's not a new problem. It has been there, and will always be there until they have to up the ante to be equivalent to the other facilities that are in our area.

I think it'll be a great asset. And I think the community is finally starting to look decent with all these new incorporations coming in.

MS. GUERRERO: Well, and that's what we hope to do down that corridor, is to reinvigorate it. I mean, that's what it's about. With roof tops you get more retail and commercial.

MS. PHAM: Can I address some things? Just for your point of information, we're going to be building a hall, so it's going to be a little noisier. I'm sorry. We're not doing retail, just for point of information, because you keep referring back to retail.

But I wanted to point out to you that when the incident occurred at Timber Wall -- or Timber Ridge --

MS. GUERRERO: Timber Ridge.

MS. PHAM: -- Timber Ridge, first it was first a trespassing call, then it became something else, and then it became something else. But that's what I'm trying to say. It wasn't just a shooting, it was something before and then it escalated.

And that's how come I wanted to know from you guys, okay, if first you have a call, hey, we have a disturbance, or we have a, you know -- whatever the situation is, it's a very small incident. Okay. How are you going to address it?

Because usually when there's a first call, there will be a second call, you know. How do you stop it before it becomes something more? And after it has become something more, do you add -- beef up security?

MS. GUERRERO: It's the policing. I'm sorry, so the trespassing call --

MS. PHAM: There was a trespassing --

MS. GUERRERO: -- was way before --

MS. PHAM: -- no, the --

MS. GUERRERO: -- or that same day?

MS. PHAM: It was another day.

MS. GUERRERO: Okay.

MS. PHAM: Another day. Let's say it was a week before this incident. Okay. So it was a trespassing --

MS. GUERRERO: And it was somebody that wasn't a resident there?

MS. PHAM: I'm assuming. I just --

MS. GUERRERO: See, there's a lot of assumptions we're making --

MS. PHAM: I don't know.

MS. GUERRERO: -- and we don't know.

MS. PHAM: I know. But then --

MS. GUERRERO: But for us, if there's an incident, then the policing people go out there and they figure out what's going on, whether it's caused by the resident, or it's caused by a visitor. So there isn't a need to beef it up, as long as your policing people are doing what they're supposed to be doing.

Now if it escalates, then 9-1-1 definitely has to be called, because even though your peace officers can arrest, it's really your Harris County Constables and Sheriff's deputies that need to get involved.

MS. PHAM: Okay.

MS. GUERRERO: So absolutely, we will address it.

MS. BAILEY: We do investigate incidents.

MS. GUERRERO: Absolutely.

MS. BAILEY: We will. We don't just say, oh, it just happened on Friday.

MS. GUERRERO: Right.

MS. BAILEY: We investigate it too, so, and see if it is necessarily -- you know, maybe a charge wasn't brought, but we still think there could be a danger, we want you to leave please.

MS. GUERRERO: Yes.

MS. PHAM: All right. So basically you're not governed by their regulations, it's really your corporate policy.

MS. GUERRERO: No, no, no, they don't have any regulations -- their regulations do not address security or policing or anything.

MS. PHAM: Okay.

MS. GUERRERO: That's what we add in order to be, you know, to be the best there is --

MS. PHAM: Okay.

MS. GUERRERO: -- and to make not only the residents feel secure, but the surrounding neighborhoods.

MS. BAILEY: But where some of it comes in, just to clarify, we do have our corporate, but then where their guidelines come into some of that policing, it has to do with the number of residents and the income per household.

You know, that's where -- if you see there are five people in that -- there's four people on a lease and they make under such and such income, but now there's a fifth person there, and they're working and bringing income in, that's where we sit there, and we say, we can't have that because you just no longer qualify, you have to leave.

MS. PHAM: Okay. So basically you're saying that you're going to do that function on a quarterly review --

MS. GUERRERO: We're looking at -- we actually have talked to our management group, after talking to Captain Driscoll about incorporating that into our process, yes. Because it -- the captain felt that it was a better way, especially here in the Harris County area, to deal with those issues before they happen.

AUDIENCE: You do have it annually?

MS. GUERRERO: Right now we do it annually at the rent -- we have zero tolerance if we know about it, but it's an annual re-review when they come in to renew their lease.

MS. BAILEY: They have the -- it's not just renewal, it's -- we call it recertification --

MS. GUERRERO: Right.

MS. BAILEY: -- because we have to certify the income, we have to check criminal, credit, everything all over again. So it's not just come in and you want to stay another year, sign paper.

MS. OGG: But a criminal check quarterly is what he suggested. It's --

MS. GUERRERO: Right.

MS. OGG: -- pretty easy. The County convictions -- arrests are not registered, but convictions are, and maintained by the District and County clerks.

AUDIENCE: Zero tolerance? My brother had lived in some apartments 10 years ago, and they had a zero tolerance, and -- but their thing was, if you've got cops calling you at your apartment, for anything, you're evicted.

Do you all have anything like that, cops calling your apartment one time, two times, do you all have any kind of --

MS. BAILEY: It's --

MS. GUERRERO: Oh, if --

AUDIENCE: -- or if they ever call --

MS. BAILEY: -- it would be --

AUDIENCE: -- 15 times, but it was just misdemeanor stuff, you could still live there?

MS. BAILEY: Well, that's why we do investigate. We do investigate each incident.

MS. GUERRERO: Yes, they have to sign -- I mean, they have to sign something that says -- and on the lease itself, it says, you know, we're going to follow these rules. And there's zero tolerance. I mean, absolutely --

AUDIENCE: With zero tolerance --

MS. GUERRERO: -- if the police are called.

AUDIENCE: -- you all have a number of times the cops have called your apartment --

MS. GUERRERO: You know what we threw --

AUDIENCE: -- by this family, I mean --

MS. BAILEY: [indiscernible]

MS. GUERRERO: You know what? I'll give you an example. Costa Dorada again that one that's seven years old and is pristine, there was this lady throwing bags of trash over her balcony, bags of trash. And in the lease it said, you will put the trash in the appropriate receptacle.

And so our partner was walking by, all of sudden this trash falls on his head, and he made the maintenance guy go look in that trash, found dirty diapers, found the mail, and found out exactly who had -- plus he had seen it come down, but proved that it was these people.

They were kicked out within 48 hours. Now we have to follow fair housing, as always, but since they had already signed the lease that said, you will do this and follow the rules, and they had gotten a previous warning, they were kicked out.

So it ain't just for police. It's about making sure that property is very well maintained. That's the way we do it, and that's all I can tell you. Where your brother lived obviously wasn't NRP, but, and, again, all I can do is tell you what we do, and what our policies are to make sure that they're well-maintained and well-run.

And I want to -- even after all of this is over, I want to work with you and look at developing a neighborhood association, or look at how we make sure that those Harris County deputies and sheriffs do come and respond. We want to be a part of this neighborhood.

And my phone number's in the back, and I really appreciate you all coming and expressing, you know, issues that you have, and should we be fortunate to continue on with this process and be able to get this Bill, we're going to be your neighbors. So we want to work with you, and so --

MR. WILEY: Do you all own that property now?

MS. GUERRERO: Excuse me?

MR. WILEY: Do you all own that property now?

MS. GUERRERO: Do we own it?

MR. WILEY: Now.

MS. GUERRERO: We have it under contract right now. We have it under contract.

So, again, thank you very much. And you have my phone number, call me, e-mail me, and we'll answer more questions.

MS. ROTH: Okay. I just wanted to go back and address the issue on the Department monitoring the properties. The TDHCA bond development are monitored on site annually by a third party asset management agency. The Department performs desk reviews and audits quarterly for all bond and housing tax credit developments.

Additionally, the apartment completes a comprehensive on site review for all housing tax credit properties every two years. During these on site visits the Departments monitors the physical appearance of the property, ensures units are occupied by eligible household, the development is charging the appropriate rent for the household, and that the tenants are living in a safe, healthy environment.

The U.S. Department of Housing and Urban Development requires a limit of no more than two per persons per bedroom. Desk reviews are a monitored version of the on site visit. The Department verifies that the required restrictions are met, such as low income eligible tenants, special needs, and that the units are occupied by the correct household.

The desk review is based on information that the owner submits to the Department and if there are any issues that require the attention of the Department, they will -- we'll will notify the owner.

In addition, the state requires that a reserved fund for -- of accounts for any maintenance and future repairs for the property are funded and kept.

And, again, you can submit any additional comments you may have in writing to us, e-mail, fax, a letter, by June 5. This development is scheduled to go before our Board on June 14. Our Board does meet in Austin. They welcome your comment, so if you feel like making that trip to Austin to give your comment and speak to them directly, please feel free to do so.

Our Board materials are posted to our website seven days prior to our meeting, so you -- and our website is listed on the cards that are back on the table. Please feel free to go to it.

You can, you know, scroll through it and see, you know, what's up there, and any comments that we've received, we'll post them as well. You can see, you know, what they're proposing, and if you have any questions, you can give us a call.

So, and I appreciate you coming out and have a good evening and a safe trip --

MS. PHAM: I'm sorry, just on an off note. If the Haverstock is causing so much problem and it is an eye sore, and I think if your Department regulates, or --

MS. ROTH: I -- we have -- you know, we regulate -- I couldn't tell you if that's one of -- a complex that got funding from our department.

MS. PHAM: Oh, okay.

MS. ROTH: That is -- that list is also

available on our website.

MS. PHAM: Okay.

MS. ROTH: But it is, you know, several hundred properties, and I don't know if I have that exact number. Actually, we have 13.075 housing tax credit properties, and approximately !15,000 units. So I couldn't possibly know the name of them all.

MS. PHAM: Well, but basically it's on the website so that the homeowners can go, and they have a place to complain to, so maybe something can be don about that particular --

MS. ROTH: If it is one of our properties, we do have a complaint system that is outlined on our website that you can certain utilize to let the Department know that you're having issues with that property.

That name does not -- and like said, I couldn't possibly know them all.

MS. PHAM: Right.

MS. ROTH: I have been working with tax credit since 1999, so I'm familiar with some of them, but that name does not ring a bell.

But please feel free, and if you would like to give me your e-mail, what I can do is when I get back to the office, it won't be till Monday, but I could certainly check that list for you and let you if it's on our list as a property that we monitor.

MS. PHAM: I will definitely do that.

MS. ROTH: You can do that. And also, if you want to talk to the owner of that, you can also do what we call and open records request and we can give you the owner information as well. I believe that's subject to that. And you can, you know, try to contact them, however you'd like to do that.

Okay. Thank you. Have a good evening.

(Whereupon, at 7:18 p.m., the public hearing was concluded.)

C E R T I F I C A T E

IN RE: Costa Rialto, Ltd.

LOCATION: Houston, Texas

DATE: May 1, 2007

I do hereby certify that the foregoing pages, numbers 1 through 66, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Leslie Berridge before the Texas Department of Housing and Community Affairs.

05/12/2007
(Transcriber) (Date)

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

HOME DIVISION

BOARD ACTION REQUEST
July 12, 2007

Action Items

Presentation, discussion and possible approval of 2007 Single Family HOME Investment Partnerships Program (HOME) award recommendations in the amount of $14,859,763.

Required Action

Approve or approve with amendments the 2007 Single Family HOME Investment Partnerships Program Award Recommendations.

Background and Recommendations

Summary

In accordance with the Department's 2006 HOME Rule and with TDHCA Board approval, a biennial funding cycle was conducted for the 2006-2007 Single Family HOME Program application competition. Approximately $23.3 million was made available in 2006 Program Year funds. 2007 Program Year funds were not yet available, but applications were accepted for both year's worth of funds. Eligible applicants included: units of general local government, public housing authorities, and nonprofit organizations. A total of 183 Single Family HOME applications were received for funding for the following activities: Homebuyer Assistance (HBA), Owner Occupied Housing Assistance (OCC) and Tenant Based Rental Assistance (TBRA). The 2006 HOME Single Family awards totaling $24,031,280, which included $686,326 of deobligated funds, were approved by the Board on August 30, 2006. All 2006 Program Year funds for single family activities were awarded. Because of the biennial funding cycle, all eligible applicants from the 2006-07 applicant pool that were not awarded funds from the 2006 HOME allocation are eligible for funding from the 2007 Program Year allocation.

The 2007 U.S. Department of Housing and Urban Development (HUD) HOME Funding Agreement was fully executed on May 21, 2007 with $19,928,465 available for single family activities. The 2007 application recommendations were re-reviewed for eligibility and are consistent with the 2005-2009 State of Texas Consolidated Plan, the 2007 Consolidated Plan One Year Action Plan, and the 2007 State of Texas Low Income Housing Plan.

Below is a summary of the 2006-07 applications:

Total 2006/2007 HOME Applications

Activity	Total Project Funds Requested	Total Administrative Funds Requested	Number of Applications Received	Number of Disqualified Applications
HBA	$ 5,213,600	$ 208,544	22 Applications	8 Applications
OCC	$39,362,050	$1,574,482	148 Applications	25 Applications
TBRA	$ 2,753,078	$ 110,123	13 Applications	7 Applications
Total	**$47,328,728**	**$1,893,149**	**183 Applications**	**40 Applications**

2006 Recommendations approved by the Board on August 30, 2006

Activity	Total Project Funds Recommended	Total Administrative Funds Recommended	Number of Applications Recommended
HBA	$ 3,178,600	$127,144	13 Applications
OCC	$19,438,600	$777,544	72 Applications
TBRA	$ 1,414,080	$ 56,563	6 Applications
Total	**$24,031,280**	**$961,251**	**91 Applications**

2007 Recommendations

Activity	Total Project Funds Requested	Total Administrative Funds Requested	Total Project Funds Recommended	Total Administrative Funds Recommended	Number of Applications Received and Recommended
HBA	$ 120,000	$ 4,800	$ 120,000	$ 4,800	1 Application
OCC	$13,511,450	$540,458	$14,739,763	$589,591	51 Applications
TBRA	$ 0	$ 0	$ 0	$ 0	0 Applications
Total	**$13,631,450**	**$545,258**	**$14,859,763**	**$594,391**	**52 Applications**

Funding Recommendation Methodology

Recommendations for the 2006 Program Year funds were made based on the highest-scoring applicants until all funds were depleted. Recommendations for the 2007 Program Year funds are now being made based on the remaining highest-scoring applicants that met threshold.

Compliance with the Regional Allocation Formula was maintained as a priority throughout the preparation of the funding recommendations. Applicants were allowed to apply for funding either in an Urban/Exurban or Rural area type per Uniform State Service Region. Recommendations were prepared by first, ranking applicants by score per Service Region, then by activity and lastly, by Urban/Exurban or Rural area type. In area types where an insufficient number of applicants were received for an activity type, recommendations are being made to fund applicants in the same region in the area type for the activity with the most eligible applications. In regions where an insufficient number of applicants were received, recommendations are being made to fund applicants in other regions with the highest number of qualified applicants, in accordance with Section 53.59(b)(4) of the Department's HOME Rule. In four of the Uniform State Service Regions, partial funds remained within a region and funding was not sufficient within the region to fully fund the next eligible applicant's request with 2007 funds. In nine of the Uniform State Service Regions, an excess amount of funds remained after all eligible applicants were funded. The excess funds these nine regions totaled $12,474,604 of which $8,079,763 was utilized to fully fund all 2007 applicants, leaving a balance in the amount of $4,394,841. The remaining funds from the nine regions are sufficient to fully fund all of the eligible 2007 HOME Applicants.

In accordance with Section 2306.111 of the Government Code, the Department may allocate no less than ninety-five percent (95%) of the HOME Program funds to applicants that serve households in a non-participating jurisdiction (non-PJ). HOME Program funds under this five percent (5%) set aside may be used to serve households in participating jurisdictions (PJs). In 2006 in accordance with the 2006 State of Texas Consolidated Plan One Year Action Plan (Con Plan), single family HOME funds were not allowed to be awarded in a PJ. Therefore, all of the 2006 recommended and approved applications exclusively serve non-PJs. The 2007 Con Plan allowed 5% of the annual HOME allocation to be utilized in a PJ if the funds served persons with disabilities. In accordance with the 2007 Con Plan, a separate NOFA totaling $4 million, for HBA and TBRA to serve persons with disabilities was released with a deadline for application by June 16, 2007. In addition, and in accordance with the 2006 HOME Program rules, the 2006-07 applicants applying for OCC and TBRA activities were required to propose targeting at least 5% of the number of units proposed to persons with disabilities.

Additional Considerations

The Department's HOME Rule includes minimum threshold score requirement for the respective activity (HBA, OCC, and TBRA) to be considered eligible for a funding recommendation. These minimum scores are 55 points for the HBA activity, 65 points for the OCC activity and 56 points for the TBRA activity. Applicants that did not pass the minimum score requirement were not eligible for recommendations for either funding year. Before scoring begins for each application cycle, applicants are reviewed for eligibility requirements. If an Applicant does not meet the eligibility requirements, the applicant is disqualified and receives a score of zero.

With this action, staff is requesting the Board waive Section 53.54(1) of the Department's HOME Rules which establishes the maximum amount of award to an applicant of $275,000. As a result of increased construction costs statewide, and in order to be consistent with the increases approved for 2005 and 2006 OCC contracts, staff recommends that the award amount reflect an increase in the cost per unit for OCC contracts from $55,000 to $60,000 per unit. This increase per unit would cause the award amount per contract to exceed the maximum award amount allowed in the rule. In anticipation of Board approval, each OCC award recommendation has been increased by 9.09% (percentage used on past Board-approved contract increases) or $5,000 per unit, whichever is less. Sufficient 2007 Program Year funds are available to account for the increase.

Applications recommended for funding were submitted to the Portfolio Management and Compliance Division for review and approval and entry into the Application Evaluation System. No awardees were identified to have non-compliance problems. However, four potential awardees have weak performance on prior contracts and staff recommends that their awards today, be conditioned on the resolution of these issues to the Department's satisfaction. These awardees are the Cities of DeKalb, Hillsboro, Mineola, and Odem.

Attached are the:

- 2007 HOME Funding Recommendation Summary
- 2007 HOME Funding Plan
- 2007 HOME Funding Recommendations by Region
- Uniform State Service Regions Map

Recommendation

Staff recommends approval of the 2007 HOME single family funding recommendations and recommends approval of 4% administrative funds for all applicants based on the amount of project dollars awarded. These administrative funds do not come from the HOME project dollars, but rather from the Department's HOME administrative funds. Staff also recommends a waiver of 10 TAC 53.54(1) in order to allow the increase of each award. These awards are contingent upon any unresolved audit findings, questioned or disallowed costs, and performance issues on prior awards.

App. Number	Applicant	Score	Activity	Reg.	Rural or U/E	Project Funds Requested	Units Req.	Project Funds Rec'd	Units Rec'd	Population Served
2006-0091	City of Olton	74.00	OCC	1	Rural	275,000	5	300,000	5	General
2006-0118	City of Roaring Springs	73.00	OCC	1	Rural	275,000	5	300,000	5	General
2006-0157	City of Morton	71.00	OCC	1	Rural	275,000	5	300,000	5	General
2006-0035	City of Muleshoe	71.00	OCC	1	Rural	220,000	4	240,000	4	General
2006-0179	City of Slaton	70.00	OCC	1	Rural	275,000	5	300,000	5	General
2006-0104	Azteca Economic Dev. Corp.	69.00	OCC	1	Rural	256,450	8	279,763	8	General
2006-0174	City of Plainview	69.00	OCC	1	Rural	275,000	5	300,000	5	General
2006-0147	City of Littlefield	68.00	OCC	1	Rural	275,000	5	300,000	5	General
2006-0053	City of Floydada	65.00	OCC	1	Rural	275,000	5	300,000	5	General
2006-0124	City of Gainesville	65.00	OCC	3	Rural	275,000	5	300,000	5	General
2006-0115	City of Palmer	65.00	OCC	3	Rural	275,000	5	300,000	5	General
2006-0171	City of Jefferson	77.00	OCC	4	Rural	220,000	4	240,000	4	General
2006-0189	City of Point	77.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0162	City of Alton	76.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0137	City of Hallsville	76.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0158	City of New Summerfield	76.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0032	City of Domino	75.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0169	City of Gladewater	74.00	OCC	4	Rural	220,000	4	240,000	4	General
2006-0181	City of Mineola	73.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0025	City of Hughes Springs	72.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0173	City of Kilgore	72.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0023	City of Lone Star	72.00	OCC	4	Rural	165,000	3	180,000	3	General
2006-0029	City of Maud	72.00	OCC	4	Rural	165,000	3	180,000	3	General
2006-0183	Lamar County	72.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0088	City of Athens	71.00	OCC	4	Rural	220,000	4	240,000	4	General
2006-0138	City of Emory	71.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0057	City of Naples	71.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0063	Cass County	70.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0120	City of Rusk	69.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0187	City of Avery	68.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0022	City of Clarksville	68.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0027	City of DeKalb	66.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0065	City of Omaha	66.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0031	Morris County	66.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0038	Red River County	65.00	OCC	4	Rural	275,000	5	300,000	5	General
2006-0067	City of San Augustine	67.00	OCC	5	Rural	275,000	5	300,000	5	General
2006-0113	City of Palacios	66.00	OCC	6	Rural	275,000	5	300,000	5	General
2006-0178	Economic Action Comm. Gulf Coast	66.00	OCC	6	Rural	275,000	5	300,000	5	General
2006-0072	City of Hempstead	65.00	OCC	6	Rural	275,000	5	300,000	5	General
2006-0168	City of Gatesville	75.00	OCC	8	Rural	275,000	5	300,000	5	General
2006-0080	City of Hubbard	75.00	OCC	8	Rural	220,000	4	240,000	4	General
2006-0149	City of Mart	75.00	OCC	8	Rural	275,000	5	300,000	5	General
2006-0060	City of Rosebud	75.00	OCC	8	Rural	275,000	5	300,000	5	General
2006-0073	Falls County	72.00	OCC	8	Rural	275,000	5	300,000	5	General
2006-0081	City of Marlin	70.00	OCC	8	Rural	275,000	5	300,000	5	General
2006-0037	City of Hillsboro	68.00	OCC	8	Rural	275,000	5	300,000	5	General
2006-0136	City of Gregory	70.00	OCC	10	Rural	275,000	5	300,000	5	General
2006-0144	City of Bishop	68.00	OCC	10	Rural	275,000	5	300,000	5	General
2006-0122	City of Freer	68.00	OCC	10	Rural	275,000	5	300,000	5	General
2006-0127	City of Sinton	67.00	OCC	10	Rural	275,000	5	300,000	5	General
2006-0160	City of Odem	65.00	OCC	10	Rural	275,000	5	300,000	5	General
	TOTAL OCC					$13,511,450	249	$14,739,763	249	
2006-0059	City of Queen City	56.00	HBA	4	Rural	$120,000	12	$120,000	12	
52	**TOTAL HBA**					$120,000	12	$120,000	12	General
	Total ALL Activities					**$13,631,450**	273	**$14,859,763**	273	

I. ALLOCATION*

Total HOME Allocation for PY 2007	$ 40,746,942
less Administration Funds (10% of PY 2007)	$ 4,074,694
less CHDO Project Funds Set Aside (15% of PY 2007)	$ 6,112,041 **1**
less CHDO Operating Expenses Set Aside (5% of CHDO Set Aside)	$ 305,602
less Housing Programs for Persons with Disabilities	$ 4,000,000
less Set Aside for Contract for Deed Conversion Program	$ 2,000,000
less Set Aside for Rental Housing Preservation Program	$ 2,000,000
less Set Aside for Rental Housing Development Program	$ 3,000,000
Remaining Project Funds **subject to Regional Allocation Formula**	**$ 19,254,604**
plus ADDI Allocation PY 2007	$ 673,861
Total Project Funds	**$ 19,928,465**

1 $1,000,000 will be reserved from this set aside for the Colonia Model Subdivision Program. If sufficient applications are not received for this activity, the remaining funds will be used for other CHDO eligible activities.

II. ACTIVITY PROJECTS (Project Funds Available)*

Homebuyer Assistance (15% of funds subject to RAF)	$2,888,191
Owner -Occupied Housing Assistance (70% of funds subject to RAF)	$13,478,223
Tenant Based Rental Assistance (15% of funds subject to RAF)	$2,888,191
	$19,254,604
2007 ADDI Allocation	**$673,861**

III. REGIONAL ALLOCATION FORMULA ANALYSIS *

		Owner-Occupied Housing Assistance (OCC)			Tenant Based Rental Assistance (TBRA)			Homebuyer Assistance (HBA)							
Region	% Overall Regional Funding Distribution	Total Funds Available for OCC	Urban/ Exurban	Rural	Total Funds Available for TBRA	Urban/ Exurban	Rural	Total Funds Available for HBA	Urban/ Exurban	Rural	Overall Regional Funding	Rural Funding Amount	Rural Funding %	Urban/ Exurban Funding Amount	Urban/ Exurban Funding %
1	6.05%	$ 815,452	$ 145	$ 815,308	$ 174,740	$ 31	$ 174,709	$ 174,740	$ 31	$ 174,709	**$ 1,164,932**	**$ 1,164,725**	**99.98%**	**$ 207**	**0.02%**
2	4.52%	$ 608,755	$ 14,236	$ 594,519	$ 130,448	$ 3,051	$ 127,397	$ 130,448	$ 3,051	$ 127,397	**$ 869,650**	**$ 849,313**	**97.66%**	**$ 20,338**	**2.34%**
3	17.77%	$ 2,395,524	$ 1,735,336	$ 660,187	$ 513,326	$ 371,858	$ 141,469	$ 513,326	$ 371,858	$ 141,469	**$ 3,422,177**	**$ 943,125**	**27.56%**	**$ 2,479,052**	**72.44%**
4	12.15%	$ 1,637,397	$ 194,601	$ 1,442,796	$ 350,871	$ 41,700	$ 309,171	$ 350,871	$ 41,700	$ 309,171	**$ 2,339,138**	**$ 2,061,137**	**88.12%**	**$ 278,001**	**11.88%**
5	6.02%	$ 811,976	$ 122,903	$ 689,074	$ 173,995	$ 26,336	$ 147,659	$ 173,995	$ 26,336	$ 147,659	**$ 1,159,966**	**$ 984,391**	**84.86%**	**$ 175,575**	**15.14%**
6	6.90%	$ 929,976	$ 511,153	$ 418,823	$ 199,281	$ 109,533	$ 89,748	$ 199,281	$ 109,533	$ 89,748	**$ 1,328,537**	**$ 598,319**	**45.04%**	**$ 730,218**	**54.96%**
7	4.13%	$ 557,157	$ 253,320	$ 303,837	$ 119,391	$ 54,283	$ 65,108	$ 119,391	$ 54,283	$ 65,108	**$ 795,938**	**$ 434,053**	**54.53%**	**$ 361,886**	**45.47%**
8	3.36%	$ 452,570	$ 173,448	$ 279,123	$ 96,979	$ 37,167	$ 59,812	$ 96,979	$ 37,167	$ 59,812	**$ 646,529**	**$ 398,747**	**61.67%**	**$ 247,782**	**38.33%**
9	5.60%	$ 755,229	$ 168,963	$ 586,265	$ 161,835	$ 36,206	$ 125,628	$ 161,835	$ 36,206	$ 125,628	**$ 1,078,898**	**$ 837,521**	**77.63%**	**$ 241,376**	**22.37%**
10	7.33%	$ 987,415	$ 181,672	$ 805,744	$ 211,589	$ 38,930	$ 172,659	$ 211,589	$ 38,930	$ 172,659	**$ 1,410,593**	**$ 1,151,063**	**81.60%**	**$ 259,531**	**18.40%**
11	18.03%	$ 2,429,576	$ 830,406	$ 1,599,170	$ 520,623	$ 177,944	$ 342,679	$ 520,623	$ 177,944	$ 342,679	**$ 3,470,823**	**$ 2,284,528**	**65.82%**	**$ 1,186,295**	**34.18%**
12	5.40%	$ 727,960	$ 453,660	$ 274,300	$ 155,991	$ 97,213	$ 58,779	$ 155,991	$ 97,213	$ 58,779	**$ 1,039,943**	**$ 391,857**	**37.68%**	**$ 648,085**	**62.32%**
13	2.74%	$ 369,236	$ 132,005	$ 237,231	$ 79,122	$ 28,287	$ 50,835	$ 79,122	$ 28,287	$ 50,835	**$ 527,480**	**$ 338,901**	**64.25%**	**$ 188,579**	**35.75%**
	100.00%	**$ 13,478,223**			**$ 2,888,191**			**$ 2,888,191**			**$ 19,254,604**	**$ 12,437,680**	**64.60%**	**$ 6,816,924**	**35.40%**

HOME DIVISION
2007 HOME PROGRAM
Region 1 Funding Recommendations

(Subject to the regional Allocation Formula)*

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA = Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 1 $ 1,164,932

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

AVAILABLE REGION 1 TBRA FUNDS $174,740

Total Amount available for TBRA Urban/Exurban $31

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	1							

Total TBRA U/E Funds Recommended **$0**
Remaining TBRA U/E funds moved to TBRA Rural **$31**

Total Amount available for TBRA Rural $174,709
Add remaining TBRA Urban/Exurban $31
$174,740

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

Total TBRA Rural Funds Recommended **$0**
Remaining TBRA funds moved to OCC Rural **$174,740**

HOME DIVISION
2007 HOME PROGRAM
Region 1 Funding Recommendations

(Subject to the regional Allocation Formula)*

AVAILABLE REGION 1 HBA FUNDS	**$174,740**

Total Amount available for HBA Urban/Exurban **$ 31**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		HBA	1							
						$0		**$0**			

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$31**

Total Amount available for HBA Rural **$174,709**
Add remaining HBA U/E **$31**
$174,740

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		HBA	1							
						$0		**$0**			

Total HBA Funds Recommended **$0**
Remaining HBA funds moved to OCC Rural **$174,740**

AVAILABLE REGION 1 OCC FUNDS	**$815,452**

Total Amount available for OCC Urban/Exurban **$145**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	1	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended **$0**
Remaining OCC U/E funds **moved to OCC Rural** **$145**

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

(Subject to the regional Allocation Formula)*

Total Amount available for OCC Rural	**$815,308**
Add remaining TBRA	**$174,740**
Add remaining HBA	**$174,740**
Add remaining OCC U/E	**$145**
Total for OCC rural	**$1,164,932**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
2006-0091	City of Olton	74.00	OCC	1	Rural	$275,000	5	$300,000	5	Gen.	
2006-0118	City of Roaring Springs	73.00	OCC	1	Rural	$275,000	5	$300,000	5	Gen.	
2006-0035	City of Muleshoe	71.00	OCC	1	Rural	$220,000	4	$240,000	4	Gen.	
2006-0157	City of Morton	71.00	OCC	1	Rural	$275,000	5	$300,000	5	Gen.	
2006-0179	City of Slaton	70.00	OCC	1	Rural	$275,000	5	$300,000	5	Gen.	
2006-0104	Azteca Economic Dev. Corp.	69.00	OCC	1	Rural	$256,450	8	$279,763	8	Gen.	
2006-0174	City of Plainview	69.00	OCC	1	Rural	$275,000	5	$300,000	5	Gen.	
2006-0147	City of Littlefield	68.00	OCC	1	Rural	$275,000	5	$300,000	5	Gen.	
2006-0053	City of Floydada	65.00	OCC	1	Rural	$275,000	5	$300,000	5	Gen.	
						$2,401,450		**$2,619,763**			

Total OCC Rural Funds Recommended	**$2,619,763**
OCC Rural Funds Balance	**-$1,454,831**
Add from remaining 07 funds	1,454,831
Total Funds Reg. 1 Recommended	$2,619,763

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

HOME DIVISION
2007 HOME PROGRAM
Region 2 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA = Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 2 $ 869,650

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

AVAILABLE REGION 2 TBRA FUNDS **$130,448**

Total Amount available for TBRA Urban/Exurban **$3,051**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	2	U/E						

Total TBRA U/E Funds Recommended **$0**
Remaining TBRA U/E funds moved to TBRA Rural **$3,051**

Total Amount available for TBRA Rural **$127,397**
Add remaining TBRA U/E **$3,051**
$130,448

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	2	Rural						

Total TBRA Rural Funds Recommended **$0**
Remaining TBRA funds moved to OCC Rural **$130,448**

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

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 2 HBA FUNDS	$130,448

Total Amount available for HBA Urban/Exurban **$ 3,051**

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

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$3,051**

Total Amount available for HBA Rural **$127,397**
Add remaining HBA U/E **$3,051**
$130,448

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

Total HBA Rural Funds Recommended **$0**
Remaining HBA funds **moved to OCC Rural** **$130,448**

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

AVAILABLE REGION 2 OCC FUNDS	**$608,755**

Total Amount available for OCC Urban/Exurban **$14,236**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	2	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended **$0**
Remaining OCC U/E funds moved to OCC Rural **$14,236**

Total Amount available for OCC Rural	**$594,519**
add remaining TBRA	**$130,448**
Add remaining HBA	**$130,448**
Add remaining OCC U/E	**$14,236**
	$869,650

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	2	Rural						
						$0		**$0**			

Total OCC Rural Funds Recommended **$0**
Remaining OCC Rural Funds **$869,650** Available to fund other 07 apps

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

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA = Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 3 $ 3,422,177

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

AVAILABLE REGION 3 TBRA FUNDS **$513,326**

Total Amount available for TBRA Urban/Exurban **$371,858**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	3	U/E						

Total TBRA U/E Funds Recommended **$0**
Remaining TBRA U/E funds moved to TBRA Rural **$371,858**

Total Amount available for TBRA Rural **$141,469**
Add remaining TBRA U/E **$371,858**
$513,326

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	3	Rural						
						$0		**$0**			

Total TBRA Rural Funds Recommended **$0**
Remaining TBRA funds **moved to OCC Rural** **$513,326**

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

HOME DIVISION
2007 HOME PROGRAM
Region 3 Funding Recommendations

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 3 HBA FUNDS	**$513,326**

Total Amount available for HBA Urban/Exurban $ 371,858

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		HBA	3	U/E						
						$0		**$0**			

Total HBA U/E Funds Recommended	**$0**
Remaining HBA U/E funds moved to HBA Rural	**$371,858**

Total Amount available for HBA Rural	**$141,469**
Add remaining HBA U/E	**$371,858**
	$513,326

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		HBA	3	Rural						
						$0		**$0**			

Total HBA Rural Funds Recommended	**$0**
Remaining HBA funds **moved to OCC Rural**	**$513,326**

AVAILABLE REGION 3 OCC FUNDS	**$2,395,524**

Total Amount available for OCC Urban/Exurban **$1,735,336**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	3	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended **$0**
Remaining OCC U/E funds moved to OCC Rural **$1,735,336**

Total Amount available for OCC Rural	**$660,187**
add remaining TBRA	**$513,326**
Add remaining HBA	**$513,326**
Add remaining OCC U/E	**$1,735,336**
	$3,422,177

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
2006-0115	City of Palmer	65.00	OCC	3	Rural	$275,000	5	$300,000	5	Gen	
2006-0124	City of Gainesville	65.00	OCC	3	Rural	$275,000	5	$300,000	5	Gen	
						$550,000		**$600,000**			

Total OCC Rural Funds Recommended **$600,000**
OCC Rural Funds Balance **$2,822,177** Available to fund other 07 apps

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

HOME DIVISION
2007 HOME PROGRAM
Region 4 Funding Recommendations (Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA =Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 4 **$ 2,339,138**

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

AVAILABLE REGION 4 TBRA FUNDS **$350,871**

Total Amount available for TBRA Urban/Exurban **$41,700**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	4	U/E						

Total TBRA U/E Funds Recommended **$0**
Remaining TBRA U/E funds moved to TBRA Rural **$41,700**

Total Amount available for TBRA Rural **$309,171**
Add remaining TBRA U/E **$41,700**
$350,871

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	4	Rural						
						$0		**$0**			

Total TBRA Rural Funds Recommended **$0**
Remaining TBRA funds **moved to OCC Rural** **$350,871**

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

HOME DIVISION
2007 HOME PROGRAM
Region 4 Funding Recommendations

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 4 HBA FUNDS	**$350,871**

Total Amount available for HBA Urban/Exurban $ 41,700

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

Total HBA U/E Funds Recommended **$0**
Remaining HBA funds moved to HBA Rural **$41,700**

Total Amount available for HBA Rural **$309,171**
Add Remaining HBA U/E **$41,700**
$350,871

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
2006-0059	City of Queen City	56.00	HBA	4	Rural	$120,000	12	$120,000		Gen	
						$120,000		**$120,000**			

Total HBA Rural Funds Recommended **$120,000**
Remaining HBA Rural funds **moved to OCC Rural** **$230,871**

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

AVAILABLE REGION 4 OCC FUNDS	**$1,637,397**

Total Amount available for OCC Urban/Exurban **$194,601**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	4	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended **$0**
Remaining OCC U/E funds **moved to OCC Rural** **$194,601**

Total Amount available for OCC Rural	**$1,442,796**
Add remaining OCC U/E	**$194,601**
Add remaining TBRA	**$350,871**
Add remaining HBA Rural	**$230,871**
	$2,219,138

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
2006-0171	City of Jefferson	77.00	OCC	4	Rural	$220,000	4	$240,000	4		
2006-0189	City of Point	77.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0137	City of Hallsville	76.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0158	City of New Summerfield	76.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0162	City of Alton	76.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0032	City of Domino	75.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0169	City of Gladewater	74.00	OCC	4	Rural	$220,000	4	$240,000	4		
2006-0181	City of Mineola	73.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0023	City of Lone Star	72.00	OCC	4	Rural	$165,000	3	$180,000	3		
2006-0025	City of Hughes Springs	72.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0029	City of Maud	72.00	OCC	4	Rural	$165,000	3	$180,000	3		
2006-0173	City of Kilgore	72.00	OCC	4	Rural	$275,000	5	$300,000	5		

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

REGION 4 CONTINUED

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
2006-0183	Lamar County	72.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0057	City of Naples	71.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0088	City of Athens	71.00	OCC	4	Rural	$220,000	4	$240,000	4		
2006-0138	City of Emory	71.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0063	Cass County	70.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0120	City of Rusk	69.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0022	City of Clarksville	68.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0187	City of Avery	68.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0027	City of DeKalb	66.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0031	Morris County	66.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0065	City of Omaha	66.00	OCC	4	Rural	$275,000	5	$300,000	5		
2006-0038	Red River County	65.00	OCC	4	Rural	$275,000	5	$300,000	5		
						$6,215,000		**$6,780,000**			

Total OCC Rural Funds Recommended	**$6,780,000**
OCC Rural Funds Balance	**-$4,560,862**
Add from 07 remaining funds	$4,560,862
Total OCC Rural Funds Recommended	**$6,780,000**

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

HOME DIVISION
2007 HOME PROGRAM
Region 5 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA = Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 5 $ 1,159,966

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

AVAILABLE REGION 5 TBRA FUNDS **$173,995**

Total Amount available for TBRA Urban/Exurba **$26,336**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	5							

Total TBRA U/E Funds Recommended **$0**
Remaining TBRA U/E funds moved to TBRA Rural **$26,336**

Total Amount available for TBRA Rural **$147,659**
Add remaining TBRA U/E **$26,336**
$173,995

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	5	Rural						
						$0		**$0**			

Total TBRA Rural Funds Recommended **$0**
Remaining TBRA Rural funds **moved to OCC Rural** **$173,995**

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

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 5 HBA FUNDS	**$173,995**

Total Amount available for HBA Urban/Exurban $ 26,336

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		HBA	5							
						$0		**$0**			

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$26,336**

Total Amount available for HBA Rural **$147,659**
Add remaining HBA U/E **$26,336**
$173,995

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		HBA	5							
						$0		**$0**			

Total HBA Rural Funds Recommended **$0**
Remaining HBA Rural funds **moved to OCC Rural** **$173,995**

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

HOME DIVISION
2007 HOME PROGRAM
Region 5 Funding Recommendations

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 5 OCC FUNDS	**$811,976**

Total Amount available for OCC Urban/Exurban	**$122,903**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	5	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended	**$0**
Remaining OCC U/E funds moved to OCC Rural	**$122,903**

Total Amount available for OCC Rural	**$689,074**
Add remaining TBRA	**$173,995**
Add Remaining HBA	**$173,995**
Add remaining OCC U/E	**$122,903**
	$1,159,966

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
2006-0067	City of San Augustine	67.00	OCC	5	Rural	$275,000	5	$300,000	5		
						$275,000		**$300,000**			

Total OCC Rural Funds Recommended	**$300,000**	
Remaining OCC Rural funds Balance	**$859,966**	Available to fund other 07 apps

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

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA = Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 6 $ 1,328,537

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

AVAILABLE REGION 6 TBRA FUNDS $199,281

Total Amount available for TBRA Urban/Exurban $109,533

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS	0.00	TBRA	6	U/E						
						$0		**$0**			

Total TBRA U/E Funds Recommended **$0**

Remaining TBRA U/E funds moved to TBRA Rural **$109,533**

Total Amount available for TBRA Rural $89,748

Add remaining TBRA U/E $109,533

$199,281

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	6	Rural						
						$0					

Total TBRA Rural Funds Recommended **$0**

Remaining TBRA Rural funds **moved to OCC Rural** **$199,281**

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

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 6 HBA FUNDS	**$199,281**

Total Amount available for HBA Urban/Exurban $ 109,533

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		HBA	6	U/E						
						$0		**$0**			

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$109,533**

Total Amount available for HBA Rural $89,748
Add remaining HBA U/E $109,533
$199,281

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		HBA	6							
						$0		**$0**			

Total HBA Rural Funds Recommended **$0**
Remaining HBA Rural funds **moved to OCC Rural** **$199,281**

HOME DIVISION
2007 HOME PROGRAM
Region 6 Funding Recommendations

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 6 OCC FUNDS	**$929,976**

Total Amount available for OCC Urban/Exurban **$511,153**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	6	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended **$0**
Remaining OCC U/E funds **moved to OCC Rural** **$511,153**

Total Amount available for OCC Rural	**$418,823**
Add remaining TBRA	**$199,281**
Add remaining HBA	**$199,281**
Add remaining OCC U/E	**$511,153**
	$1,328,537

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
2006-0113	City of Palacios	66.00	OCC	6	Rural	$275,000	5	$300,000	5		
2006-0178	Economic Action Committee Gulf Coast	66.00	OCC	6	Rural	$275,000	5	$300,000	5		
2006-0072	City of Hempstead	65.00	OCC	6	Rural	$275,000	5	$300,000	5		
						$825,000		**$900,000**			

Total OCC Rural Funds Recommended **$900,000**
OCC Rural Funds Balance **428,537** Available to fund other 07 Aps.

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA = Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 7 $ 795,938

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

AVAILABLE REGION 7 TBRA FUNDS **$119,391**

Total Amount available for TBRA Urban/Exurban **$54,283**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANT		TBRA	7	U/E						
						$0		**$0**			

Total TBRA U/E Funds Recommended **$0**
Remaining TBRA U/E funds moved to TBRA Rural **$54,283**

Total Amount available for TBRA Rural **$65,108**
Add remaining TBRA U/E **$54,283**
$119,391

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

Total TBRA Rural Funds Recommended **$0**
Remaining TBRA Rural funds **moved to OCC Rural** **$119,391**

AVAILABLE REGION 7 HBA FUNDS	**$119,391**

Total Amount available for HBA Urban/Exurban **$ 54,283**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		HBA	7	U/E						
						$0		**$0**			

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds Balance moved to HBA Rural **$54,283**

Total Amount available for HBA Rural **$65,108**
Add remaining HBA U/E **$54,283**
Total for HBA Rural **$119,391**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		HBA	7							
						$0		**$0**			

Total HBA Rural Funds Recommended **$0**
Remaining HBA Rural funds **moved to OCC Rura**l **$119,391**

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

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 7 OCC FUNDS	**$557,157**

Total Amount available for OCC Urban/Exurban **$253,320**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	7	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended **$0**
Remaining OCC U/E funds **moved to OCC Rural** **$253,320**

Total Amount available for OCC Rural	**$303,837**
Add remaining TBRA	**$119,391**
Add remaining HBA	**$119,391**
Add remaining OCC U/E	**$253,320**
	$795,938

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	7	Rural						
						$0		**$0**			

Total OCC Rural Funds Recommended **$0**
Remaining OCC Rural Funds Balance **$795,938** Available to fund other 07 apps

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

Region 8 Funding Recommendations

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA = Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 8 $ 646,529

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

AVAILABLE REGION 8 TBRA FUNDS $96,979

Total Amount available for TBRA Urban/Exurban $37,167

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

Total TBRA U/E Funds Recommended **$0**

Remaining TBRA U/E funds moved to TBRA Rural **$37,167**

Total Amount available for TBRA Rural $59,812

Add remaining TBRA U/E $37,167

$96,979

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

Total TBRA Rural Funds Recommended **$0**

Remaining TBRA Rural funds **moved to OCC Rural** **$96,979**

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

HOME DIVISION
2007 HOME PROGRAM
Region 8 Funding Recommendations

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 8 HBA FUNDS	**$96,979**

Total Amount available for HBA Urban/Exurban **$ 37,167**

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

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$37,167**

Total Amount available for HBA Rural **$59,812**
Add remaining HBA U/E **$37,167**
$96,979

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

Total HBA Rural Funds Recommended **$0**
HBA Rural funds Balance **Moved to OCC Rural** **$96,979**

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

HOME DIVISION
2007 HOME PROGRAM
Region 8 Funding Recommendations

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 8 OCC FUNDS	**$452,570**

Total Amount available for OCC Urban/Exurban **$173,448**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	8	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended **$0**
OCC U/E funds Balance **moved to OCC Rural** **$173,448**

Total Amount available for OCC Rural	**$279,123**
Add remaining TBRA	**$96,979**
Add remaining HBA	**$96,979**
Add remaining OCC U/E	**$173,448**
	$646,529

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
2006-0060	City of Rosebud	75.00	OCC	8	Rural	$275,000	5	300,000	5		
2006-0080	City of Hubbard	75.00	OCC	8	Rural	$220,000	4	240,000	4		
2006-0149	City of Mart	75.00	OCC	8	Rural	$275,000	5	300,000	5		
2006-0168	City of Gatesville	75.00	OCC	8	Rural	$275,000	5	300,000	5		
2006-0073	Falls County	72.00	OCC	8	Rural	$275,000	5	300,000	5		
2006-0081	City of Marlin	70.00	OCC	8	Rural	$275,000	5	300,000	5		
2006-0037	City of Hillsboro	68.00	OCC	8	Rural	$275,000	5	300,000	5		
						$1,870,000		**$2,040,000**			

Total OCC Rural Funds Recommended	**$2,040,000**
OCC Rural Funds Balance	**-$1,393,471**
Add from 07 remaining funds	**$1,393,471**
Total OCC Rural funds Recommended	**$2,040,000**

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA = Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 9 $ 1,078,898

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

AVAILABLE REGION 9 TBRA FUNDS **$161,835**

Total Amount available for TBRA Urban/Exurbar **$36,206**

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

Total TBRA U/E Funds Recommended **$0**
Remaining TBRA U/E funds moved to TBRA Rural **$36,206**

Total Amount available for TBRA Rural **$125,628**
Add remaining TBRA U/E **$36,206**
$161,835

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

Total TBRA Rural Funds Recommended **$0**
TBRA Rural funds Balance **moved to OCC Rural** **$161,835**

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

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 9 HBA FUNDS	**$161,835**

Total Amount available for HBA Urban/Exurban $ 36,206

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

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$36,206**

Total Amount available for HBA Rural **$125,628**
Add remaining HBA U/E **$36,206**
$161,835

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

Total HBA Rural Funds Recommended **$0**
Remaining HBA Rural funds **moved to OCC Rural** **$161,835**

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

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 9 OCC FUNDS **$755,229**

Total Amount available for OCC Urban/Exurban **$168,963**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	9	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended **$0**
Remaining OCC U/E funds **moved to OCC Rural** **$168,963**

Total Amount available for OCC Rural **$586,265**
Add Remaining TBRA **$161,835**
Add remaining HBA **$161,835**
Add remaining OCC U/E **$168,963**
$1,078,898

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	9	Rural						
						$0		**$0**			

Total OCC Rural Funds Recommended **$0**
Remaining OCC Rural Funds **$1,078,898** Available to fund other 07 apps

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

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA = Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 10 $ 1,410,593

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

AVAILABLE REGION 10 TBRA FUNDS **$211,589**

Total Amount available for TBRA Urban/Exurbar **$38,930**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANT		TBRA	10	U/E						
						$0		**$0**			

Total TBRA U/E Funds Recommended **$0**
Remaining TBRA U/E funds moved to TBRA Rural **$38,930**

Total Amount available for TBRA Rural **$172,659**
Add remaining TBRA U/E **$38,930**
$211,589

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	10	Rural						
						$0		**$0**			

Total TBRA Rural Funds Recommended **$0**
Remaining TBRA Rural funds **moved to OCC Rural** **$211,589**

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

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 10 HBA FUNDS	**$211,589**

Total Amount available for HBA Urban/Exurban $ 38,930

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

Total HBA U/E Funds Recommended	**$0**
Remaining HBA U/E funds moved to HBA Rural	**$38,930**

Total Amount available for HBA Rural	**$172,659**
Add remaining HBA U/E	**$38,930**
	$211,589

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

Total HBA Rural Funds Recommended	**$0**
Remaining HBA Rural funds **moved to OCC Rural**	**$211,589**

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

HOME DIVISION
2007 HOME PROGRAM
Region 10 Funding Recommendations

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 10 OCC FUNDS	**$987,415**

Total Amount available for OCC Urban/Exurban **$181,672**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	10	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended **$0**

Remaining OCC U/E funds **moved to OCC Rural** **$181,672**

Total Amount available for OCC Rural	**$805,744**
Add remaining TBRA	**$211,589**
Add remaining HBA	**$211,589**
Add remaining OCC U/E	**$181,672**
	$1,410,594

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
2006-0136	City of Gregory	70.00	OCC	10	Rural	$275,000	5	$300,000	5		
2006-0122	City of Freer	68.00	OCC	10	Rural	$275,000	5	$300,000	5		
2006-0144	City of Bishop	68.00	OCC	10	Rural	$275,000	5	$300,000	5		
2006-0127	City of Sinton	67.00	OCC	10	Rural	$275,000	5	$300,000	5		
2006-0160	City of Odem	65.00	OCC	10	Rural	$275,000	5	$300,000	5		
						$1,375,000		**$1,500,000**			

Total OCC Rural Funds Recommended	**$1,500,000**
OCC Rural Funds Balance	**-$89,406**
Add from 07 remaining funds	**$89,406**
Total OCC Rural Funds Recommended	**$1,500,000**

HOME DIVISION
2007 HOME PROGRAM
Region 11 Funding Recommendation

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA = Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 11 $ 3,470,823

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

AVAILABLE REGION 11 TBRA FUNDS **$520,623**

Total Amount available for TBRA Urban/Exurban $177,944

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANT		TBRA	11	U/E						
						$0		**$0**			

Total TBRA U/E Funds Recommended **$0**
Remaining TBRA U/E funds moved to TBRA Rural **$177,944**

Total Amount available for TBRA Rural $342,679
Add remaining TBRA U/E $177,944
$520,623

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

Total TBRA Rural Funds Recommended **$0**
Remaining TBRA Rural funds **moved to OCC Rural** **$520,623**

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

HOME DIVISION
2007 HOME PROGRAM
Region 11 Funding Recommendation

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 11 HBA FUNDS	**$520,623**

Total Amount available for HBA Urban/Exurban $ 177,944

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

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$177,944**

Total Amount available for HBA Rural **$342,679**
Add HBA U/E **$177,944**
$520,623

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

Total HBA Rural Funds Recommended **$0**
Remaining HBA Rural funds **moved to OCC Rural** **$520,623**

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

HOME DIVISION
2007 HOME PROGRAM
Region 11 Funding Recommendation

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 11 OCC FUNDS	**$2,429,576**

Total Amount available for OCC Urban/Exurban **$830,406**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	11	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended **$0**
Remaining OCC U/E funds moved to OCC Rural **$830,406**

Total Amount available for OCC Rural	**$1,599,170**
Add remaining TBRA	**$520,623**
Add remaining HBA	**$520,623**
Add remaining OCC U/E	**$830,406**
	$3,470,823

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	11	Rural						
						$0		**$0**			

Total OCC Rural Funds Recommended **$0**
Remaining OCC Rural Funds **$3,470,823** Available to fund other 07 apps

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA = Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 12 $ 1,039,943

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

AVAILABLE REGION 12 TBRA FUNDS **$155,991**

Total Amount available for TBRA Urban/Exurban **$97,213**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	12	U/E						
						$0		**$0**			

Total TBRA U/E Funds Recommended **$0**
Remaining TBRA U/E funds moved to TBRA Rural **$97,213**

Total Amount available for TBRA Rural **$58,779**
Add remaining TBRA U/E **$97,213**
$155,991

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	12	Rural						
						$0		**$0**			

Total TBRA Rural Funds Recommended **$0**
Remaining TBRA Rural funds **moved to OCC Rural** **$155,991**

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 12 HBA FUNDS	**$155,991**

Total Amount available for HBA Urban/Exurban **$ 97,213**

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

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$97,213**

Total Amount available for HBA Rural **$58,779**
Add remaining HBA U/E **$97,213**
$155,991

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

Total HBA Rural Funds Recommended **$0**
Remaining HBA Rural funds **moved to OCC Rural** **$155,991**

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

HOME DIVISION
2007 HOME PROGRAM
Region 12 Funding Recommendations

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 12 OCC FUNDS	**$727,960**

Total Amount available for OCC Urban/Exurban **$453,660**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	12	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended **$0**
Remaining OCC U/E funds **moved to OCC Rural** **$453,660**

Total Amount available for OCC Rural **$274,300**
Add remaining TBRA **$155,991**
Add remaining HBA **$155,991**
Add remaining OCC U/E **$453,660**
$1,039,943

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	12	Rural						
						$0		**$0**			

Total OCC Rural Funds Recommended **$0**
OCC Rural Funds Balance **$1,039,943** Available to fund other 07 apps

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

(Subject to the Regional Allocation Formula*)

U/E = Urban / Exurban	**PWD = Persons with Disabilities**	**OCC = Owner Occupied Asst.**
R = Rural	**SN = Special Needs**	**HBA = Homebuyer Asst.**
	Gen. = General	**TBRA = Tenant-Based Rental Asst.**

TOTAL AMOUNT AVAILABLE TO REGION 13 $ 527,480

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

AVAILABLE REGION 13 TBRA FUNDS **$79,122**

Total Amount available for TBRA Urban/Exurban **$28,287**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	13	U/E						
						$0		**$0**			

Total TBRA U/E Funds Recommended **$0**

Remaining TBRA U/E funds moved to TBRA Rural **$28,287**

Total Amount available for TBRA Rural **$50,835**

Add remaining TBRA U/E **$28,287**

$79,122

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		TBRA	13	Rural						
						$0		**$0**			

Total TBRA Rural Funds Recommended **$0**

Remaining TBRA Rural funds **moved to OCC Rural** **$79,122**

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

(Subject to the Regional Allocation Formula*)

AVAILABLE REGION 13 HBA FUNDS	**$79,122**

Total Amount available for HBA Urban/Exurban $ 28,287

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		HBA	13	U/E						
						$0		**$0**			

Total HBA U/E Funds Recommended **$0**
Remaining HBA U/E funds moved to HBA Rural **$28,287**

Total Amount available for HBA Rural $50,835
Add remaining HBA U/E **$28,287**
$79,122

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		HBA	13	Rural						
						$0		**$0**			

Total HBA Rural Funds Recommended **$0**
Remaining HBA Rural funds **moved to OCC Rural** **$79,122**

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

AVAILABLE REGION 13 OCC FUNDS	**$369,236**

Total Amount available for OCC Urban/Exurban **$132,005**

Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	13	U/E						
						$0		**$0**			

Total OCC U/E Funds Recommended **$0**
Remaining OCC U/E funds moved to OCC Rural **$132,005**

Total Amount available for OCC Rural	**$237,231**
Add remaining TBRA	**$79,122**
Add remaining HBA	**$79,122**
Add remaining OCC U/E	**$132,005**
	$527,480

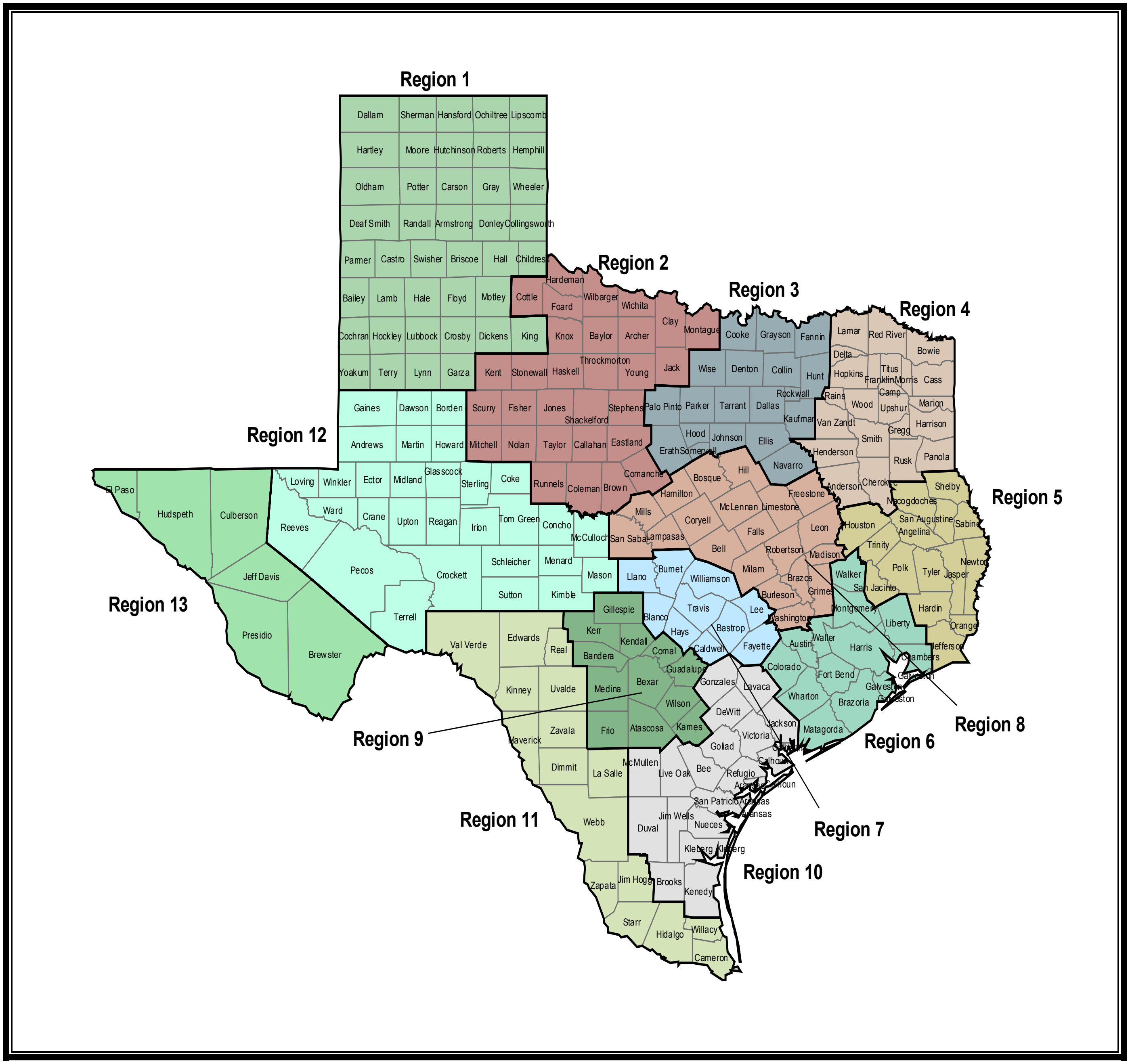
Application Number	Applicant	Score	Activity	Region	Rural or U/E	Project Funds Requested	Units Requested	Project Funds Rec'd	Units Rec'd	Population Served	Notes:
	NO APPLICANTS		OCC	13	Rural						
						$0		**$0**			

Total OCC Rural Funds Recommended **$0**
Remaining OCC Rural Funds **$527,480** Available to Fund other 07 apps

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

STATE OF TEXAS

UNIFORM STATE SERVICE REGIONS MAP



OFFICE OF COLONIA INITIATIVES

BOARD ACTION REQUEST
July 12, 2007

Action Items

Presentation, discussion and possible approval of the Texas Department of Housing and Community Affairs (TDHCA) Texas Bootstrap Loan Program Reservation System.

Required Action

Approve, deny or approve with amendments the TDHCA Texas Bootstrap Loan Program Reservation System.

Background

The Texas Department of Housing and Community Affairs (TDHCA), through its Office of Colonia Initiatives (OCI), is pleased to announce the availability of approximately **Six Million Five Hundred Thousand Dollars ($6,500,000)** from the State of Texas Housing Trust Fund to purchase or refinance real property on which to build new residential or improve existing residential housing through self-help construction for very low and extremely low income individuals and/or families (owner-builders), including persons with special needs.

TDHCA is required under Section 2306.7581 (a-1) of the Texas Government Code, to make available each state fiscal year $3,000,000 for mortgage loans to very low-income families (60% Area Median Family Income) not to exceed $30,000 per unit. In addition to the 2008 Fiscal Year allocation of $3,000,000, the TDHCA's Governing Board set-aside $3,500,000 for this program under the 2007 Housing Trust Fund Plan. This program is a self-help construction program, which is designed to provide very low-income families an opportunity to help themselves attain homeownership or repair their existing home through sweat equity. All participants under this program are required to provide at least 60 percent of the labor that is necessary to construct or rehabilitate the home. All applicable building codes and housing standards are adhered to under this program. In addition, nonprofit organizations can combine these funds with other sources such as private lending institutions, local governments, or any other sources. However, according to statute, all combined repayable loans cannot exceed $60,000 per unit.

TDHCA is also required under Section 2306.753 (d) of the Texas Government Code, to set aside at least two-thirds ($4,300,000) of the available funds for owner-builders whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, of the Water Code. The majority of the set-aside counties are located along the Texas-Mexico border region and East Texas. The remainder of the funding, one-third ($2,200,000), will be available statewide.

Reservation System

The Office of Colonia Initiatives (OCI) is requesting to prepare a Notice of Funding Availability (NOFA) for the Texas Bootstrap Loan Program utilizing a reservation system program. The OCI believes it can improve the current funding method and expend funds more rapidly, ultimately serving Texans more quickly, by implementing this reservation system. If this program is successful, the OCI envisions possible applications of the idea to other programs administered by TDHCA. Under Issue 10 of the HOME Investment Partnerships Program Advisory Task Force Report a Reservation System was one of the recommendations listed in the report. It is anticipated that this program will reduce the time between the award of a contract to a nonprofit and the actual production of housing units as well as enable TDHCA staff to more efficiently manage the program by reducing or eliminating the amount of time needed to prepare and release a NOFA, prepare application packages, review applications for completeness, score and rank applications, prepare board write-ups and finally award the contracts.

Many nonprofit organizations that utilize the Texas Bootstrap Loan Program will apply to several different funding sources simply hoping to get awarded, as many of the nonprofit organizations do not have sufficient funding sources to financially maintain their organization. The contract activities of the actual contract awards may become secondary in importance to securing additional funding. Contracts are often shelved until milestones, thresholds or the possibility of contract termination by the funding agency spurs the nonprofit organization into action. Furthermore, the competition among nonprofit organizations to secure and shelve limited funding can hurt a smaller nonprofit organization that is able to work well in their communities and produce units, but fails to write a high scoring application.

The Texas Bootstrap Loan Program primarily utilizes Housing Trust Funds (General Revenue) which allow for a biennial award of funding. As opposed to an annual award of funding, the biennial award allows TDHCA to work strategically towards expending all of its funds. It also avoids the trap of an annual NOFA which further favors larger, more sophisticated nonprofit organizations and professional grant writers who would get funded every year; smaller nonprofit organizations tend to compete better when there is a larger pie to be divided (with award maximums). However, the drawback is that if a nonprofit organization is not awarded a contract following a biennial NOFA, it will need to wait approximately two years for another shot at Texas Bootstrap Loan Program funding. This practice does not build a large, diverse population seeking Bootstrap funding or develop the capacities of smaller nonprofit organizations in more geographically diverse areas to produce housing utilizing TDHCA funding.

The OCI would like to create a reservation system for the Texas Bootstrap Loan Program similar to the TDHCA First Time Homebuyer Bond Program and USDA Rural Development Single Family Mortgage Lending Programs. Under the reservation system the nonprofit organizations must be certified by TDHCA as a Nonprofit Owner-Builder Housing Programs (NOHP) in accordance to Section 2306.755 of the Texas Government Code and must execute a Loan Origination Agreement in order to ensure compliance with the Texas Bootstrap Loan Program Rules and Guidelines. Once the nonprofit organization has been certified as an NOHP and has executed the Loan Origination Agreement, they will be allowed to submit individual loan applications to the TDHCA on a first-come, first-served basis. The OCI staff will review the Owner-Builder Loan Applications to ensure the applications meet the program's income and credit worthiness requirements. In other words, instead of awarding a contract to a nonprofit organization to deliver a certain amount of units within a two-year contract period, the nonprofit organization will be required to submit upfront to TDHCA all of the required forms and documentation for a specific Owner-Builder Applicant to receive their reservations. A nonprofit organization will only be allowed to have up to ten reservations at any given time.

The proposed reservation system will allow all nonprofit organizations, such as Habitat for Humanity Affiliates as well as smaller, grass-roots nonprofit organizations, to participate in this program as long as funds continue to be available. This method of awarding funding will promote readiness to proceed among nonprofit organizations and encourage the timely expenditure of funding awards in order for the same nonprofit organizations to get back in line to reserve additional funding. Furthermore, if a nonprofit organization can be assured that it will be funded as long as it meets the requirements of the program and as long as funds continue to be available, then that nonprofit will be better able to formulate business plans, keep the doors open and focus on producing housing units.

If the Owner-Builder Applicant qualifies for the Texas Bootstrap Loan Program, the OCI will issue a deemed eligible letter (pre-approval) which reserves the funds (up to $30,000) for 12 months. The

NOHP, in accordance with the Texas Bootstrap Loan Program Rules, will be given a six percent (6%) administration fee upon completion of the house and closing of each mortgage loan. The OCI anticipates that the entire amount of the NOFA will be expended much more rapidly than through the traditional application and award process and that a waiting list will likely be created for the next NOFA.

In an effort to expedite expenditures, the NOHP will be required to meet specific performance benchmarks on that home within 12 months of the reservation. If the NOHP fails to meet the required benchmarks, the reservation will be subject to cancellation in accordance with the Loan Origination Agreement. TDHCA may choose to provide one 45-day extension due to extenuating circumstances that were beyond the Owner-Builder's and/or the NOHP's control. If the NOHP cannot meet the required benchmarks after the 45-day extension, the reservation will be cancelled. In order to receive another reservation on the same Owner-Builder Applicant the NOHP will be instructed to submit an updated application to ensure that the Owner-Builder Applicant still meets all program guidelines and rules.

Performance Benchmarks:

Note: The nonprofit organization has already been certified as an NOHP and has executed the Loan Origination Agreement with TDHCA. In addition, the nonprofit organization has submitted Owner-Builder individual applications to TDHCA on a first-come, first-served basis. The nonprofit organization has received a reservation from TDHCA for which the Owner-Builder individual application submitted met all program income and credit worthiness requirements. Depending on the financing structure the nonprofit organization must meet the following performance benchmarks after receiving the reservation.

Purchase Money Loan:

- Within 90 days of the respective reservation date the organization must have initiated the preconstruction process which includes the homeownership education and counseling programs of the organization.
- Within 180 days of the respective reservation date construction must have started on the unit; and
- Within one year of the respective reservation date the unit must be 100% complete and the purchase money loan must have closed with the Owner-Builder Applicant.

Interim and Residential Construction Loans:

- Within 90 days of the respective reservation date the organization must have initiated the preconstruction process which includes the homeownership education and counseling programs of the organization.
- Within 120 days of the respective reservation date, the loan must close and construction must have begun;
- Within 180 days of the respective reservation date, the unit must be at 40% completion;
- Within 270 days of the respective reservation date, the unit must be at 80% completion; and
- Within one year of the respective reservation date, the unit must be 100% complete and the purchase money loan must have closed with the Owner-Builder Applicant.

OCI staff has shared the reservation concept with some of the top producing nonprofit organizations that participate in the Texas Bootstrap Loan Program. While the concept was very well received, one concern expressed was the fact that this reservation system might have an impact on a nonprofit's ability to leverage additional funding if TDHCA funds are not awarded through a contract due to methods of operation that have proven successful for some nonprofit organizations. Some nonprofit organizations that participate in the Texas Bootstrap Loan Program utilize contracts as evidence of a commitment of funding from TDHCA in order to secure additional financing for development and/or construction. This particular concern when applied to the reservation concept, however, only hinders organizations that are extremely proactive in residential development and/or those that rely on the full two-year time period of the contract in order to seek matching funds and produce the deliverables. All other nonprofits can utilize the reservations to leverage additional funding in much the same way that they previously utilized the contacts. In order to resolve this concern for some nonprofits, OCI staff recommends that upon request from the nonprofit, TDHCA issue a letter of commitment to the organization that would allow nonprofits to seek leveraged funding in advance of the actual reservation of funds but after the organization is designated as a NOHP and a Loan Orientation Agreement is fully executed. The letter would contain the conditions that the commitment is subject to the availability of funds and the fulfillment of the nonprofit organization's obligation to adhere to all program rules and guidelines.

TDHCA will reevaluate this program on March 31, 2008 to determine its progress. If this program is not deemed successful, TDHCA will publish a traditional NOFA in May 2008 to commit the remaining funds. Any evaluation of this program, however, must take into account the principal limiting factor included in statute that all combined repayable loans cannot exceed $60,000 per unit. This cap has not been adjusted for inflation or other economic factors that have sharply driven up the cost of land and materials since the program's inception in 1999. Many top producers of this program have expressed concerns over the difficulty to purchase land, build the home and cover closing costs for under $60,000. Land prices state-wide and especially in major urban centers such as Austin, Dallas and Houston force nonprofit organizations to spend up to half of the allotment on lots alone. This leaves these nonprofit organizations with as little as $30,000 to purchase materials and construct the home. Many nonprofit organizations have been participating in the program at a deficit and take a loss with each home constructed that includes acquisition costs. One possible solution to this unsustainable situation is to allow up to a $30,000 Bootstrap loan, a $30,000 loan as match from other sources and a grant from the Housing Trust Fund to assist with the high cost of land acquisition under the same Notice of Funding Availability (NOFA). The applicability and amount of the proposed grant component will be subject to a formula that will be presented with the NOFA.

Recommendation

Staff recommends that the TDHCA Governing Board approve or approve with modifications the TDHCA Texas Bootstrap Loan Program Reservation System with the specific NOFA and program guidelines to be brought to the Board at a subsequent Board meeting.

OFFICE OF COLONIA INITIATIVES

BOARD ACTION REQUEST
July 12, 2007

Action Items

Presentation, discussion and possible approval of the Texas Department of Housing and Community Affairs (TDHCA) Texas Bootstrap Loan Program Reservation System.

Required Action

Approve, deny or approve with amendments the TDHCA Texas Bootstrap Loan Program Reservation System.

Background

The Texas Department of Housing and Community Affairs (TDHCA), through its Office of Colonia Initiatives (OCI), is pleased to announce the availability of approximately **Six Million Five Hundred Thousand Dollars ($6,500,000)** from the State of Texas Housing Trust Fund to purchase or refinance real property on which to build new residential or improve existing residential housing through self-help construction for very low and extremely low income individuals and/or families (owner-builders), including persons with special needs.

TDHCA is required under Section 2306.7581 (a-1) of the Texas Government Code, to make available each state fiscal year $3,000,000 for mortgage loans to very low-income families (60% Area Median Family Income) not to exceed $30,000 per unit. In addition to the 2008 Fiscal Year allocation of $3,000,000, the TDHCA's Governing Board set-aside $3,500,000 for this program under the 2007 Housing Trust Fund Plan. This program is a self-help construction program, which is designed to provide very low-income families an opportunity to help themselves attain homeownership or repair their existing home through sweat equity. All participants under this program are required to provide at least 60 percent of the labor that is necessary to construct or rehabilitate the home. All applicable building codes and housing standards are adhered to under this program. In addition, nonprofit organizations can combine these funds with other sources such as private lending institutions, local governments, or any other sources. However, according to statute, all combined repayable loans cannot exceed $60,000 per unit.

TDHCA is also required under Section 2306.753 (d) of the Texas Government Code, to set aside at least two-thirds ($4,300,000) of the available funds for owner-builders whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, of the Water Code. The majority of the set-aside counties are located along the Texas-Mexico border region and East Texas. The remainder of the funding, one-third ($2,200,000), will be available statewide.

Reservation System

The Office of Colonia Initiatives (OCI) is requesting to prepare a Notice of Funding Availability (NOFA) for the Texas Bootstrap Loan Program utilizing a reservation system program. The OCI believes it can improve the current funding method and expend funds more rapidly, ultimately serving Texans more quickly, by implementing this reservation system. If this program is successful, the OCI envisions possible applications of the idea to other programs administered by TDHCA. Under Issue 10 of the HOME Investment Partnerships Program Advisory Task Force Report a Reservation System was one of the recommendations listed in the report. It is anticipated that this program will reduce the time between the award of a contract to a nonprofit and the actual production of housing units as well as enable TDHCA staff to more efficiently manage the program by reducing or eliminating the amount of time needed to prepare and release a NOFA, prepare application packages, review applications for completeness, score and rank applications, prepare board write-ups and finally award the contracts.

Many nonprofit organizations that utilize the Texas Bootstrap Loan Program will apply to several different funding sources simply hoping to get awarded, as many of the nonprofit organizations do not have sufficient funding sources to financially maintain their organization. The contract activities of the actual contract awards may become secondary in importance to securing additional funding. Contracts are often shelved until milestones, thresholds or the possibility of contract termination by the funding agency spurs the nonprofit organization into action. Furthermore, the competition among nonprofit organizations to secure and shelve limited funding can hurt a smaller nonprofit organization that is able to work well in their communities and produce units, but fails to write a high scoring application.

The Texas Bootstrap Loan Program primarily utilizes Housing Trust Funds (General Revenue) which allow for a biennial award of funding. As opposed to an annual award of funding, the biennial award allows TDHCA to work strategically towards expending all of its funds. It also avoids the trap of an annual NOFA which further favors larger, more sophisticated nonprofit organizations and professional grant writers who would get funded every year; smaller nonprofit organizations tend to compete better when there is a larger pie to be divided (with award maximums). However, the drawback is that if a nonprofit organization is not awarded a contract following a biennial NOFA, it will need to wait approximately two years for another shot at Texas Bootstrap Loan Program funding. This practice does not build a large, diverse population seeking Bootstrap funding or develop the capacities of smaller nonprofit organizations in more geographically diverse areas to produce housing utilizing TDHCA funding.

The OCI would like to create a reservation system for the Texas Bootstrap Loan Program similar to the TDHCA First Time Homebuyer Bond Program and USDA Rural Development Single Family Mortgage Lending Programs. Under the reservation system the nonprofit organizations must be certified by TDHCA as a Nonprofit Owner-Builder Housing Programs (NOHP) in accordance to Section 2306.755 of the Texas Government Code and must execute a Loan Origination Agreement in order to ensure compliance with the Texas Bootstrap Loan Program Rules and Guidelines. Once the nonprofit organization has been certified as an NOHP and has executed the Loan Origination Agreement, they will be allowed to submit individual loan applications to the TDHCA on a first-come, first-served basis. The OCI staff will review the Owner-Builder Loan Applications to ensure the applications meet the program's income and credit worthiness requirements. In other words, instead of awarding a contract to a nonprofit organization to deliver a certain amount of units within a two-year contract period, the nonprofit organization will be required to submit upfront to TDHCA all of the required forms and documentation for a specific Owner-Builder Applicant to receive their reservations. A nonprofit organization will only be allowed to have up to ten reservations at any given time.

The proposed reservation system will allow all nonprofit organizations, such as Habitat for Humanity Affiliates as well as smaller, grass-roots nonprofit organizations, to participate in this program as long as funds continue to be available. This method of awarding funding will promote readiness to proceed among nonprofit organizations and encourage the timely expenditure of funding awards in order for the same nonprofit organizations to get back in line to reserve additional funding. Furthermore, if a nonprofit organization can be assured that it will be funded as long as it meets the requirements of the program and as long as funds continue to be available, then that nonprofit will be better able to formulate business plans, keep the doors open and focus on producing housing units.

If the Owner-Builder Applicant qualifies for the Texas Bootstrap Loan Program, the OCI will issue a deemed eligible letter (pre-approval) which reserves the funds (up to $30,000) for 12 months. The

NOHP, in accordance with the Texas Bootstrap Loan Program Rules, will be given a six percent (6%) administration fee upon completion of the house and closing of each mortgage loan. The OCI anticipates that the entire amount of the NOFA will be expended much more rapidly than through the traditional application and award process and that a waiting list will likely be created for the next NOFA.

In an effort to expedite expenditures, the NOHP will be required to meet specific performance benchmarks on that home within 12 months of the reservation. If the NOHP fails to meet the required benchmarks, the reservation will be subject to cancellation in accordance with the Loan Origination Agreement. TDHCA may choose to provide one 45-day extension due to extenuating circumstances that were beyond the Owner-Builder's and/or the NOHP's control. If the NOHP cannot meet the required benchmarks after the 45-day extension, the reservation will be cancelled. In order to receive another reservation on the same Owner-Builder Applicant the NOHP will be instructed to submit an updated application to ensure that the Owner-Builder Applicant still meets all program guidelines and rules.

Performance Benchmarks:

Note: The nonprofit organization has already been certified as an NOHP and has executed the Loan Origination Agreement with TDHCA. In addition, the nonprofit organization has submitted Owner-Builder individual applications to TDHCA on a first-come, first-served basis. The nonprofit organization has received a reservation from TDHCA for which the Owner-Builder individual application submitted met all program income and credit worthiness requirements. Depending on the financing structure the nonprofit organization must meet the following performance benchmarks after receiving the reservation.

Purchase Money Loan:

- Within 90 days of the respective reservation date the organization must have initiated the preconstruction process which includes the homeownership education and counseling programs of the organization.
- Within 180 days of the respective reservation date construction must have started on the unit; and
- Within one year of the respective reservation date the unit must be 100% complete and the purchase money loan must have closed with the Owner-Builder Applicant.

Interim and Residential Construction Loans:

- Within 90 days of the respective reservation date the organization must have initiated the preconstruction process which includes the homeownership education and counseling programs of the organization.
- Within 120 days of the respective reservation date, the loan must close and construction must have begun;
- Within 180 days of the respective reservation date, the unit must be at 40% completion;
- Within 270 days of the respective reservation date, the unit must be at 80% completion; and
- Within one year of the respective reservation date, the unit must be 100% complete and the purchase money loan must have closed with the Owner-Builder Applicant.

OCI staff has shared the reservation concept with some of the top producing nonprofit organizations that participate in the Texas Bootstrap Loan Program. While the concept was very well received, one concern expressed was the fact that this reservation system might have an impact on a nonprofit's ability to leverage additional funding if TDHCA funds are not awarded through a contract due to methods of operation that have proven successful for some nonprofit organizations. Some nonprofit organizations that participate in the Texas Bootstrap Loan Program utilize contracts as evidence of a commitment of funding from TDHCA in order to secure additional financing for development and/or construction. This particular concern when applied to the reservation concept, however, only hinders organizations that are extremely proactive in residential development and/or those that rely on the full two-year time period of the contract in order to seek matching funds and produce the deliverables. All other nonprofits can utilize the reservations to leverage additional funding in much the same way that they previously utilized the contacts. In order to resolve this concern for some nonprofits, OCI staff recommends that upon request from the nonprofit, TDHCA issue a letter of commitment to the organization that would allow nonprofits to seek leveraged funding in advance of the actual reservation of funds but after the organization is designated as a NOHP and a Loan Orientation Agreement is fully executed. The letter would contain the conditions that the commitment is subject to the availability of funds and the fulfillment of the nonprofit organization's obligation to adhere to all program rules and guidelines.

TDHCA will reevaluate this program on March 31, 2008 to determine its progress. If this program is not deemed successful, TDHCA will publish a traditional NOFA in May 2008 to commit the remaining funds. Any evaluation of this program, however, must take into account the principal limiting factor included in statute that all combined repayable loans cannot exceed $60,000 per unit. This cap has not been adjusted for inflation or other economic factors that have sharply driven up the cost of land and materials since the program's inception in 1999. Many top producers of this program have expressed concerns over the difficulty to purchase land, build the home and cover closing costs for under $60,000. Land prices state-wide and especially in major urban centers such as Austin, Dallas and Houston force nonprofit organizations to spend up to half of the allotment on lots alone. This leaves these nonprofit organizations with as little as $30,000 to purchase materials and construct the home. Many nonprofit organizations have been participating in the program at a deficit and take a loss with each home constructed that includes acquisition costs. One possible solution to this unsustainable situation is to allow up to a $30,000 Bootstrap loan, a $30,000 loan as match from other sources and a grant from the Housing Trust Fund to assist with the high cost of land acquisition under the same Notice of Funding Availability (NOFA). The applicability and amount of the proposed grant component will be subject to a formula that will be presented with the NOFA.

Recommendation

Staff recommends that the TDHCA Governing Board approve or approve with modifications the TDHCA Texas Bootstrap Loan Program Reservation System with the specific NOFA and program guidelines to be brought to the Board at a subsequent Board meeting.

BOND FINANCE DIVISION

BOARD ACTION REQUEST
July 12, 2007

Action Items

Presentation, Discussion and Possible Approval of Resolution No. 07-020 authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, 2005 Series A (Program 62A).

Required Action

Approval of Resolution No. 07-020 authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, 2005 Series A (Program 62A).

Background

The mortgage loan origination period related to TDHCA's Single Family Mortgage Revenue Bonds, 2005 Series A (Program 62A) will terminate on September 1, 2007. If the origination period is not extended, any unspent proceeds will be used to redeem bonds. Staff recommends extending the certificate purchase date for Program 62A to March 1, 2008. The table below reflects Program 62A's balances, per the master servicer's records, as of June 25, 2007.

Total Lendable Bond Proceeds		$ 101.8 million
Assisted Funds Unreserved Balance (1)	$ 0.0 million	
+ Unassisted Funds Unreserved Balance	$ 0.1 million	
+ Loans in Mortgage Pipeline	$ 2.2 million	
= Total Unspent Proceeds Balance		$ 2.3 million
Mortgages Closed and Funded		$ 99.5 million

(1) Program 62A did not include any assisted funds.

A significant amount of the mortgage funds have been reserved. Additional time is being requested to complete the processing of funds reserved in the pipeline. The 4.99% mortgage loans in the pipeline are primarily for new construction which have up to 180 days for closing. Should any of these loans fall-out, the extension of the certificate purchase period would allow ample time to close and fund new loans.

Recommendation

Approve Resolution No. 07-020 authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, 2005 Series A (Program 62A).

Resolution No. 07-020

RESOLUTION AUTHORIZING THE EXTENSION OF THE CERTIFICATE PURCHASE PERIOD FOR SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE REFUNDING BONDS, 2005 SERIES A; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS RELATING THERETO; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

WHEREAS, the Act authorizes the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire, finance or acquire participating interests in such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, in order to implement its Bond Program No. 62A, the Department issued its Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2005 Series A in the aggregate principal amount of $100,000,000 (the "2005 Series A Bonds") pursuant to a Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 between the Department, as successor to the Texas Housing Agency, and The Bank of New York Trust Company, N.A., as successor trustee (the "Trustee"), as supplemented and amended (collectively, the "Single Family Indenture"), and the Forty-Second Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of April 1, 2005 (the "Forty-Second Supplement") with respect to the 2005 Series A Bonds, between the Department and the Trustee, for the purpose, among others, of providing funds to make and acquire qualified mortgage loans (including participating interests therein) during the Certificate Purchase Period (as described in the Forty-Second Supplement); and

WHEREAS, pursuant to Resolution No. 06-015 adopted on May 4, 2006, the Department extended the Certificate Purchase Period with respect to the 2005 Series A Bonds to September 1, 2007, or the first business day thereafter; and

WHEREAS, the Department desires to approve and authorize (i) the extension of the Certificate Purchase Period for the 2005 Series A Bonds to March 1, 2008 in accordance with the terms of the Forty-Second Supplement, (ii) all actions to be taken with respect thereto, and (iii) the execution and delivery of all documents and instruments in connection therewith;

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

ARTICLE I

EXTENSION OF CERTIFICATE PURCHASE PERIOD; APPROVAL OF DOCUMENTS

Section 1.1--Approval of Extension of the Certificate Purchase Period. The extension of the Certificate Purchase Period to March 1, 2008, or the first business day thereafter, is hereby authorized, subject to advice of any financial advisor, bond counsel or other advisor to the Department, such extension to be effectuated under and in accordance with the Single Family Indenture and the Forty-Second Supplement, and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all documents and instruments in connection therewith and to request and deliver all certificates as may be required by the terms of the Forty-Second Supplement in connection therewith.

Section 1.2--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.3--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chair of the Board; the Vice Chairman of the Board; the Secretary to the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

ARTICLE II

GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the acquisition of mortgage loans or the purchase of Mortgage Certificates resulting from the extension of the Certificate Purchase Period will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 2.2--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.3--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 12th day of July, 2007.

Chair, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
July 12, 2007

Action Item

Presentation, Discussion, and Possible Approval of Resolution 07-018 authorizing the extension of TDHCA's Single Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes Program to December 31, 2010 and the authorization to issue notes for the purpose of recycling repayments and prepayments of mortgage loans.

Required Action

Approval of Resolution 07-018 authorizing the extension of TDHCA's Single Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes Program to December 31, 2010 and the authorization to issue notes for the purpose of recycling repayments and prepayments of mortgage loans.

Background

TDHCA's Single Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes Program ("CP Notes Program") was developed in 1994 in order to provide more money for new below market rate mortgages. Currently, TDHCA has approval to use the CP Notes Program to recycle prepayments on mortgages financed with proceeds from single family bonds issued by TDHCA in prior years. However, Internal Revenue Code also allows scheduled repayments on mortgages to be recycled in the commercial paper program. Staff recommends expanding the CP Notes Program's authorized uses to include scheduled mortgage repayments. Bond Finance estimates recycling mortgage repayments in addition to mortgage prepayments would produce an additional $3 million to $4 million annually in additional mortgage volume and thus increase funds beyond the limits of our volume cap.

Since the inception of the CP Notes Program, the Texas Bond Review Board has granted the extension of the program in three year intervals. The current maturity for the CP Notes Program is December 31, 2007. Bond Finance recommends extending the CP Notes Program's expiration date to December 31, 2010.

Recommendation

Approval of Resolution 07-018 authorizing the extension of TDHCA's Single Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes Program to December 31, 2010 and the authorization to issue notes for the purpose of recycling repayments and prepayments of mortgage loans.

Resolution No. 07-018

RESOLUTION AMENDING CERTAIN PROVISIONS OF RESOLUTION NO. 96-60, ADOPTED JUNE 10, 1996, AS PREVIOUSLY AMENDED BY RESOLUTION NO. 96-133, ADOPTED NOVEMBER 4, 1996, RESOLUTION NO. 97-50 ADOPTED SEPTEMBER 15, 1997, AND RESOLUTION NO. 00-26 ADOPTED AUGUST 11, 2000, RESOLUTION NO. 03-061 ADOPTED JULY 30, 2003, AND RESOLUTION NO. 03-081 ADOPTED NOVEMBER 14, 2003 RELATING TO THE DEPARTMENT'S SINGLE-FAMILY MORTGAGE REVENUE REFUNDING TAX-EXEMPT COMMERCIAL PAPER NOTES, SERIES A AND SERIES B (NON-AMT) AND SINGLE-FAMILY MORTGAGE REVENUE TAX-EXEMPT COMMERCIAL PAPER NOTES, SERIES C WITH RESPECT TO THE EXTENSION OF THE MATURITY DATE FOR THE NOTES AND THE AUTHORIZATION TO ISSUE NOTES FOR THE PURPOSE OF RECYCLING REPAYMENTS OF MORTGAGE LOANS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code (the "Act"), for the purpose of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide safe and sanitary housing for persons and families of low and very low income and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (i) to make and acquire, and to enter into advance commitments to make and acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State of Texas (the "State"); (ii) to issue its bonds for the purpose of obtaining funds to make and acquire such mortgage loans or participations therein, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (iii) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or participations therein or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, pursuant to Resolution No. 94-31, as amended and restated by Resolution No. 96-60, as further amended by Resolution No. 96-133, Resolution No. 97-50, Resolution No. 98-71, Resolution No. 00-26, Resolution 03-061 and Resolution 03-081 (collectively, the "Commercial Paper Resolution"), the Department has heretofore authorized the issuance and delivery of its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A, its Single Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series B (NON-AMT) and its Single-Family Mortgage Revenue Tax-Exempt Mortgage Revenue Notes, Series C (collectively, the "Notes") in a combined aggregate principal amount not to exceed $75,000,000 for the purposes provided in the Commercial Paper Resolution; and

WHEREAS, the Commercial Paper Resolution provides that the Maximum Maturity Date (as defined in the Commercial Paper Resolution) of the Notes is December 31, 2016; provided that the Department will not issue Notes with a maturity date later than December 31, 2007, without the approval of the Texas Bond Review Board; and

WHEREAS, the investment agreement pursuant to which proceeds of the Series A Notes and the Series B Notes are invested expires on December 29, 2007; and

WHEREAS, the Department authorized a Commercial Paper Offering Memorandum (the "Offering Memorandum") to be circulated in connection with the offering of the Notes; and

WHEREAS, the Department desires to authorize and approve (i) the amendment to the Commercial Paper Resolution to modify the definition of "Maximum Maturity Date" set forth therein to provide for the extension of the maturity date for Notes through December 31, 2010; (ii) arrangements to obtain a new investment agreement to provide for the investment of Note proceeds prior to the expiration of the existing investment agreement; (iii) an update to the Offering Memorandum to reflect the changes authorized hereby and the circulation of the Offering Memorandum; (iv) the issuance of Notes for the purpose of redeeming certain of the Department's single family mortgage revenue bonds which are subject to redemption as a result of the receipt by the Department of repayments of principal of related underlying mortgage loans; (v) all actions to be taken with respect thereto; and (vi) the execution and delivery of all documents and instruments in connection therewith;

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

Section 1 -- Amendments to Commercial Paper Resolution.

(a) The definition of "Maximum Maturity Date" set forth in Section 1.01 of the Commercial Paper Resolution shall be amended in its entirety to read as follows:

> "Maximum Maturity Date" means December 31, 2016; provided, that the Department will not issue Notes with a maturity date later than December 31, 2010, without the approval of the Texas Bond Review Board."

(b) The purposes for which Notes may be issued shall be expanded to authorize the issuance of Notes for the purpose of redeeming certain of the Department's single family mortgage revenue bonds which are subject to redemption as a result of the receipt by the Department of repayments of principal of related underlying mortgage loans.

Section 2 -- Investment Agreement and Investment Agreement Broker. The investment of Note proceeds is hereby approved and the Executive Director and the Director of Bond Finance are each hereby authorized to complete arrangements prior to expiration of the existing investment agreement for investment in an investment agreement including, without limitation, selection of the investment agreement broker, if any.

Section 3 -- Authorization of Investment Agreement. The execution and delivery of an investment agreement is hereby authorized and approved and the authorized representatives named in this Resolution are each hereby authorized to execute and deliver such investment agreement and all documents and instruments in connection therewith.

Section 4 -- Offering Memorandum. Each authorized representative is hereby authorized to approve an update to the Offering Memorandum to reflect changes authorized hereby and to take other action necessary in connection therewith and the circulation of such updated Offering Memorandum is hereby authorized.

Section 5 -- Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments to carry out the purposes of this Resolution: the Chair of the Board; the Vice Chairman of the Board; the Secretary to the Board; the Executive Director of the Department; the Director of Financial Administration of the Department; and the Director of Bond Finance of the Department.

Section 6 -- Authorization of Certain Actions. The Board authorizes the Executive Director, the staff of the Department and bond counsel to take such actions on its behalf as may be necessary to carry out the purposes of this Resolution.

Section 7 -- Ratifying Other Actions. All other actions taken or to be taken by the Executive Director, the staff of the Department and bond counsel in order to carry out the purposes of this Resolution are hereby ratified and confirmed, including the submission to the Texas Bond Review Board of the request for approval of matters included in this Resolution.

Section 8 -- Purposes of Resolution. The Board has expressly determined and hereby confirms that the amendment of the Commercial Paper Resolution as herein provided and the extension of the maturity date for the Notes will accomplish a valid public purpose of the Department by assisting persons and families of low and very low income and families of moderate income in the State to obtain decent, safe and sanitary housing, thereby helping to eliminate slums and blighted areas, to relieve unemployment and depressed economic conditions in the home construction industry, to expand the tax base of the State, and to reduce public expenditures for crime prevention and control, public health, welfare and safety and for other valid public purposes.

Section 9 -- Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 10 -- Notice of Meeting. Written notice of the date, hour and place of the meeting of the Governing Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Governing Board as required by Section 2306.032, Texas Government Code, as amended.

[Execution page follows]

PASSED AND APPROVED this 12th day of July, 2007.

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Chairman, Governing Board

ATTEST:

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Secretary

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
July 12, 2007

Action Items

Presentation, Discussion and Possible Approval of Resolution No. 07-024 authorizing application to request a reservation from the collapse of the 2007 Texas Bond Review Board state issuance authority for the Single Family Mortgage Revenue Bond Program in the amount of $80,000,000.

Required Action

Approval of Resolution No. 07-024 authorizing application to request a reservation from the collapse of the 2007 Texas Bond Review Board state issuance authority for the Single Family Mortgage Revenue Bond Program in the amount of $80,000,000.

Background

An application for reservation of additional TDHCA annual private activity bond authority ("volume cap") must be made with the Texas Bond Review Board prior to the filing deadline of August 15, 2007. TDHCA's 2007 single family annual private activity bond authority totals $186,495,078. Of this amount, TDHCA used $106,405,000 million in authority for its 2007 Single Family Mortgage Revenue Bonds, Series A on June 5, 2007 and expects to use the remaining of $80,090,078 authority mid September or early October 2007. This application for reservation is for an additional $80,000,000 in 2007 single family private activity bond authority. This additional capacity is expected to originate from the August 15, 2007 collapse of the 2007 state issuance authority.

Current demand for TDHCA's First Time Homebuyer Program is extremely high. As of June 25, 2007, 73% or $70.5 million of the $97.1 million lendable proceeds released on June 5 have been purchased, or are in the pipeline to be purchased leaving an available balance of $26.7 million in lendable proceeds. Of that amount, $23.8 million is set aside for one year for families earning 60% of the Area Family Medium Income (AMFI) or below with the balance of $2.9 million for borrowers purchasing homes in targeted areas outside of the Rita Gulf Opportunity (GO) Zone. To say it another way, on June 22, 2007, just eighteen days after the release of Program 69, all statewide unassisted non-targeted bond proceeds have been allocated to First Time Homebuyers. Within hours on June 5, 2007, all $15,000,000 released in the Hurricane Rita Gulf Opportunity (GO) Zone was reserved. Additionally, TDHCA's previous two programs have been fully reserved except for the required set aside funds for families with income earning 60% AMFI and below.

TDHCA anticipates using the remaining 2007 volume cap of $80,090,078 with its next structure tentatively scheduled to close September 20 or early October 2007. Along with that volume cap, TDHCA would like to **add the $80 million of additional requested volume cap** from the collapse on August 15 for a total structure of $160 million.

Originations have continued at unprecedented levels over the past year. A review of 2006 and 2007 mortgage originations indicates TDHCA is securitizing an average of $24 million per month as compared to $16 million in 2004 and $17 million in 2005. In 2006 TDHCA issued lendable proceeds totaling $373.3 million of which only $36.4 million remain which are set aside for families with income earning 60% AMFI or below. This request for additional volume cap will allow the Department to continue to serve the demand of Texas First Time Homebuyers with available funds throughout the remainder of the year.

Recommendation

Approval of Resolution No. 07-024 authorizing application to request a reservation from the collapse of the 2007 Texas Bond Review Board state issuance authority for the Single Family Mortgage Revenue Bond Program in the amount of $80,000,000.

Resolution No. 07-024

RESOLUTION AUTHORIZING THE FILING OF AN ADDITIONAL APPLICATION FOR RESERVATION WITH TEXAS BOND REVIEW BOARD WITH RESPECT TO QUALIFIED MORTGAGE BONDS; 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 from time to time (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to make, acquire and finance, and to enter into advance commitments to make, acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire or finance such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, Section 103 and Section 143 of the Internal Revenue Code of 1986, as amended (the "Code"), provide that the interest on obligations issued by or on behalf of a state or a political subdivision thereof the proceeds of which are to be used to finance owner-occupied residences shall be excludable from gross income of the owners thereof for federal income tax purposes if such issue meets certain requirements set forth in Section 143 of the Code; and

WHEREAS, Section 146(a) of the Code requires that certain "private activity bonds" (as defined in Section 141(a) of the Code) must come within the issuing authority's private activity bond limit for the applicable calendar year in order to be treated as obligations the interest on which is excludable from the gross income of the holders thereof for federal income tax purposes; and

WHEREAS, the private activity bond "State Ceiling" (as defined in Section 146(d) of the Code) applicable to the State is subject to allocation, in the manner authorized by Section 146(e) of the Code, pursuant to Chapter 1372, Texas Government Code, as amended (the "Allocation Act"); and

WHEREAS, the Allocation Act requires the Department, in order to reserve a portion of the State Ceiling for qualified mortgage bonds (the "Reservation") and satisfy the requirements of Section 146(a) of the Code, to file an application for reservation (the "Application for Reservation") with the Texas Bond Review Board (the "Bond Review Board"), stating the maximum amount of the bonds requiring an allocation, the purpose of the bonds and the section of the Code applicable to the bonds; and

WHEREAS, the Allocation Act and the rules promulgated thereunder by the Bond Review Board (the "Allocation Rules") require that an Application for Reservation be accompanied by a copy of the certified resolution of the issuer authorizing the filing of the Application for Reservation; and

WHEREAS, the Board has determined to authorize the filing of the Application for Reservation with respect to qualified mortgage bonds;

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

Section 1 - Application for Reservation. The Board hereby authorizes Vinson & Elkins L.L.P., as Bond Counsel to the Department, to file on its behalf with the Bond Review Board the Application for Reservation for qualified mortgage bonds to be issued and delivered within 180 days after receipt of a "reservation date," as defined in the Allocation Rules, in the amount of $80,000,000, together with any other documents and opinions required by the Bond Review Board as a condition to the granting of the Reservation.

Section 2 - Authorization of Certain Actions. The Board authorizes the Executive Director, the staff of the Department, as designated by the Executive Director, and Bond Counsel to take such actions on its behalf as may be necessary to carry out the purposes of this Resolution.

Section 3 - Purposes of Resolution. The Board has expressly determined and hereby confirms that the issuance of the qualified mortgage bonds will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 4 - Mortgage Credit Certificate Authority. The Department reserves the right, upon receipt of a Reservation, to convert all or any part of its authority to issue qualified mortgage bonds to mortgage credit certificates.

Section 5 - Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 6 - Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 12th day of July, 2007.

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Chair, Governing Board

ATTEST:

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Secretary to the Governing Board

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
July 12, 2007

Action Items

Presentation, Discussion and Possible Approval of Resolution No. 07-019 authorizing application to the Texas Bond Review Board for reservation of single family private activity bond authority and presentation, discussion and possible preliminary approval of Single Family Mortgage Revenue Bonds, 2007 Series B and Approval of Underwriting Team for Program 70.

Required Action

Approval of Resolution No. 07-019 authorizing application to the Texas Bond Review Board for reservation of single family private activity bond authority and preliminary approval of Single Family Mortgage Revenue Bonds, 2007 Series B and Approval of Underwriting Team for Program 70.

Background

TDHCA's 2007 volume cap allocation for single family bonds is $186,495,078 of which TDHCA has utilized $106,405,000 with Program 69, leaving $80,090,078 for Program 70. The Bond Finance Division has evaluated available proceeds from our most recent bond issue. As of June 25, 2007, 73% or $70.5 million of the $97.1 million lendable proceeds released on June 5 have been originated, or are in the pipeline to be purchased leaving an available balance of $26.7 million in lendable proceeds. Of that amount, $23.8 million is set aside for one year for families earning 60% of the Area Family Medium Income (AMFI) or below with the balance of $2.9 million for borrowers purchasing homes in targeted areas outside the Rita Gulf Opportunity (GO) Zone. All statewide non-targeted funds of Program 69 were reserved by June 22, 2007. Staff is coming to you today to insure lendable proceeds will be available in the Fall of 2007.

Funds remain available under older programs in the Rita GO Zone that are restricted to families with income at 60% Area Medium Family Income (AMFI) or below. If funds are not registered, the one-year restriction will be removed so families in the Rita GO Zone with income up to 140% AMFI will benefit in 2007. At the February 1, 2007 TDHCA Board meeting, Staff informed the Board that $53 million will be made available to the families in the Rita GO Zone in 2007. On June 29, 2007 approximately $16.7 million was made available from Program 66 for families in the Rita GO Zone and was registered within an hour primarily in Harris and Fort Bend Counties. On November 16, 2007, approximately $13.0 million will become available from Program 68. TDHCA made available on June 5, 2007 $15 million for the Rita GO Zone with assisted mortgages under Program 69 for families with income up to 140% AMFI. This $15 million was registered through the Master Servicer's online first come first serve registration system within several hours on June 5, 2007, again primarily in Harris and Fort Bend Counties. While it appears these funds are being originated very quickly, the trend has been that they are not being utilized in areas impacted by Hurricane Rita, but are primarily being used by the city of Houston and Harris and Fort Bend Counties. Staff is not recommending additional funds for the Rita GO Zone under Program 70.

Originations have continued at unprecedented levels over the past year. A review of 2006 and 2007 mortgage originations indicates TDHCA is securitizing an average of $24 million per month as compared to $17 million in 2004 and $18 million in 2005. In 2006, TDHCA issued lendable proceeds totaling $373.3 million of which only $36.4 million remain which are set aside for families with income earning 60% AMFI or below.

The high volume of TDHCA's single family loan demand can be attributed to the competitive rates created under the Department's 2006 and 2007 Series of Bonds and the down payment assistance offered to Rita GO Zone and statewide borrowers. As the Texas housing market continues to be stronger and TDHCA continues to see record volume purchases of its loan products, TDHCA would like to continue offering mortgage products for first time homebuyers that will enable TDHCA to generate mortgage demand at recent levels. The rates and assistance offered by the Department in 2007, in addition to achieving the primary goal of being very attractive to first time homebuyers and borrowers in need of assistance, were also the maximum rates allowable under the Federal Tax Code (referred to as "full spread rates"). These were all achievable through a combination of interest rates available in the market and subsidies in the form of 0% funds that were available to the Department from previous bond financings.

The TDHCA Board, on March 20, 2007, approved a structure that generated $9.3 million in zero percent funds that can be used in part with this proposed bond structure as well as future programs to blend down the mortgage rate to achieve Department goals.

The Department is recommending issuing the balance of its Single Family $80.1 million volume cap, approximately $25 million in commercial paper (CP) along with $80 million in additional volume cap from the collapse of the 2007 state issuance authority for our next structure, Program 70. Using a portion of its just created 0% funds, staff believes that mortgage interest rates created under this structure will be competitive enough with the conventional market for the Department to continue to generate demand for its lending products.

The Bond Finance Division and the Texas Homeownership Division analyzed the current mortgage market and found mortgage rates with approximately 2 points in Texas to be 6.375% and moving upward. Because mortgage rates have increased 50 basis points over the past four weeks, staff is recommending a target unassisted mortgage rate at 5.80% while offering an assisted mortgage rate at 6.55%. TDHCA will provide approximately $73.5 million of unassisted mortgages and $31.5 million of assisted mortgages with this structure.

The table below reflects two structuring options available under current market conditions. Both scenarios 1 and 2 utilize $4.5 million in 0% funds from our last program along with creating over $1 million in 0% funds for future programs. Also, at this time both structures are not able to take advantage of any refunding opportunities. Scenarios 1 and 2 are at full spread and are basic fixed rate mortgage bond structures.

If the Texas Bond Review Board approves the additional $80 million in volume cap on or after August 15, staff will recommend scenario 2, a fixed rate bond structure for $160 million using $4.5 million in 0% funds to achieve similar mortgage rates as scenario 1 but will follow an aggressive transaction timetable to close on September 20, 2007.

Scenario *	1	2
Bond Structure	**100% Fixed Rate Bonds (2007 Cap & Commercial Paper)**	**100% Fixed Rate Bonds (2007 Cap & Collapse)**
Approximate Structure Amount	**$105 million**	**$160 million**
Unassisted Mortgage Rate	5.80%	5.88%
Assisted Mortgage Rate (5% Statewide)	6.55%	6.63%

* Preliminary, subject to change.

Staff will present to the TDHCA Board at its August 2007 meeting a final structure for approval. As Staff proceeds, Bond Finance will i) monitor the capital markets for any changes to make adjustments that we feel are appropriate, and, ii) explain any proposed deviations from the current structure to the Board at the time.

Program 70's mortgages will be securitized and will be marketed to very low, low and moderate income residents of Texas. If authorized, and depending on the structure, the bonds are expected to be priced in late August 2007 and the bond closing will occur approximately four weeks subsequent to the bond pricing.

Continuing with the senior manager rotation plan, Bond Finance recommends Citigroup Global Markets, Inc. as senior manager for this issuance of TDHCA's proposed 2007 Series B bonds. In keeping with TDHCA's policy of rotating firms in the co-senior and co-manager pool, Bond Finance recommends the following firms and roles for this transaction:

Firm	Role
Goldman, Sachs & Co.	Co-Senior
A.G. Edwards (Wachovia Securities)	Co-Manager
First Southwest Company	Co-Manager
Samuel A. Ramirez & Co.	Co-Manager
Siebert Brandford Shank	Co-Manager

In the bond market, a syndicate of bankers is needed to market the structure. The number of bonds available for sale typically dictates the size of the syndicate needed at the time of pricing. With TDHCA's structures over $100 million, a pool of bankers including the senior underwriter, co-senior and four co-managers have previously been successfully used to market the bonds.

Recommendation

Approve Resolution No. 07-019 authorizing application to the Texas Bond Review Board for reservation of single family private activity bond authority and preliminary approval of Single Family Mortgage Revenue Bonds, 2007 Series B and Approval of Underwriting Team for Program 70.

Transaction Overview

Program Designation	Program 70
Bond Indenture	Single Family Mortgage Revenue Bond Indenture
2007 Private Activity Bond Authority	$ 80,090,000
Commercial Paper	$ 25,000,000
2007 Additional Cap *(if approved by BRB)*	$ 80,000,000
Total Program 70 Issuance	$105,090,000 to $160,000,000
2007 Single Family Series B and C	$105,090,000 to $160,000,000
Statewide Assisted Funds	$ 31,527,000 to $ 48,000,000 (Very Low Income Reservation 60% AMFI for One Year)
Statewide Unassisted Funds	$ 52,545,500 to $ 80,000,000
Statewide Unassisted Funds (Targeted Area)	$ 21,018,000 to $ 32,000,000
Down Payment Assistance (%)	5% (For Very Low Income Reservation)

Transaction Timetable *

Activity	Key Dates	Key Dates
	Scenario 1 $105 million	Scenario 2 $160 million
TDHCA Preliminary Approval	July 12, 2007	July 12, 2007
Bond Review Board Planning Session	August 7, 2007	August 7, 2007
TDHCA Approval Date	August 23, 2007	August 23, 2007
Bond Review Board Approval	August 23, 2007**	August 23, 2007**
Pricing Window	August 29, 2007	August 29, 2007
Pre-Closing/Closing Dates	October 4-5, 2007	September 19-20, 2007

* Timetable preliminary and subject to change.

** Special called meeting of the Texas Bond Review Board

Mortgage Pipeline Information

Current lendable proceeds in existing programs as of June 25, 2007

Program Number	Current Allocation	Rate	Committed/ In Pipeline	Loans Purchased	Uncommitted Allocation
61	176,928,983	4.99%- 5.50%	841,392	175,930,549	157,042
62A	101,764,092	4.99%	2,231,963	99,376,383	155,746
66	241,384,533	5.625% 5.875% 6.125%	41,609,240	182,287,028	17,488,265*
68	131,680,000	5.65% 5.99% 6.20%	44,753,980	66,449,693	20,476,327**
69	97,154,796	5.25% 5.99%	70,350,199	148,500	26,656,097***
TOTAL:	$748,912,404		$159,786,774	$524,192,153	$64,933,477

* Of the $17.5 million uncommitted under Program 66, $17.3 million are for families with income 60% AMFI or below. This restriction was lifted on June 29, 2007 and mortgage loans with down payment assistance will be made available to families with income up to 140% AMFI within the Rita GO Zone.

** Of the $20.5 million uncommitted under Program 68, $19.1 million are for families with income 60% AMFI or below. This restriction will be lifted on November 16, 2007 and mortgage loans with down payment assistance will be made available to families with income up to 140% AMFI statewide.

*** Of the $26.7 million uncommitted under Program 69, $23.8 million are for families with income 60% AMFI or below. This restriction will be lifted on June 5, 2008 and mortgage loans with down payment assistance will be made available to families with income up to 140% AMFI statewide.

Resolution No. 07-019

RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION FOR RESERVATION WITH TEXAS BOND REVIEW BOARD WITH RESPECT TO QUALIFIED MORTGAGE BONDS; 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 from time to time (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to make, acquire and finance, and to enter into advance commitments to make, acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire or finance such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, Section 103 and Section 143 of the Internal Revenue Code of 1986, as amended (the "Code"), provide that the interest on obligations issued by or on behalf of a state or a political subdivision thereof the proceeds of which are to be used to finance owner-occupied residences shall be excludable from gross income of the owners thereof for federal income tax purposes if such issue meets certain requirements set forth in Section 143 of the Code; and

WHEREAS, Section 146(a) of the Code requires that certain "private activity bonds" (as defined in Section 141(a) of the Code) must come within the issuing authority's private activity bond limit for the applicable calendar year in order to be treated as obligations the interest on which is excludable from the gross income of the holders thereof for federal income tax purposes; and

WHEREAS, the private activity bond "State Ceiling" (as defined in Section 146(d) of the Code) applicable to the State for calendar year 2007 is subject to allocation, in the manner authorized by Section 146(e) of the Code, pursuant to Chapter 1372, Texas Government Code, as amended (the "Allocation Act"); and

WHEREAS, the Allocation Act requires the Department, in order to reserve a portion of the State Ceiling for qualified mortgage bonds (the "Reservation") and satisfy the requirements of Section 146(a) of the Code, to file an application for reservation (the "Application for Reservation") with the Texas Bond Review Board (the "Bond Review Board"), stating the maximum amount of the bonds requiring an allocation, the purpose of the bonds and the section of the Code applicable to the bonds; and

WHEREAS, the Allocation Act and the rules promulgated thereunder by the Bond Review Board (the "Allocation Rules") require that an Application for Reservation be accompanied by a copy of the certified resolution of the issuer authorizing the filing of the Application for Reservation; and

WHEREAS, the Board has determined to authorize the filing of the Application for Reservation with respect to qualified mortgage bonds in calendar year 2007;

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

Section 1 - Application for Reservation. The Board hereby authorizes Vinson & Elkins L.L.P., as Bond Counsel to the Department, to file on its behalf with the Bond Review Board the Application for Reservation for qualified mortgage bonds to be issued and delivered within 180 days after receipt of a "reservation date," as defined in the Allocation Rules, in the maximum amount of $80,090,078, together with any other documents and opinions required by the Bond Review Board as a condition to the granting of the Reservation.

Section 2 - Authorization of Certain Actions. The Board authorizes the Executive Director, the staff of the Department, as designated by the Executive Director, and Bond Counsel to take such actions on its behalf as may be necessary to carry out the purposes of this Resolution.

Section 3 - Purposes of Resolution. The Board has expressly determined and hereby confirms that the issuance of the qualified mortgage bonds will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 4 - Mortgage Credit Certificate Authority. The Department reserves the right, upon receipt of a Reservation, to convert all or any part of its authority to issue qualified mortgage bonds to mortgage credit certificates.

Section 5 - Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 6 - Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 12th day of July, 2007.

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Chair, Governing Board

ATTEST:

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Secretary to the Governing Board

(SEAL)

REPORT ITEMS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Michael Gerber

From: Gordon Anderson

cc: Brooke Boston, Michael Lyttle

Date: June 29, 2007

Re: TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for June 2007. The information provided focuses primarily on activities Executive and staff has taken on voluntarily, as opposed to those mandated by the Legislature (i.e., tax credit hearings, TEFRA hearings, etc.). This list may not account for every activity undertaken by staff, as there may be a limited number of events not brought to my attention.

For brevity sake, the chart provides the name of the event, its location, the date of the event, division(s) participating in the event, and an explanation of what role staff played in the event. Should you wish to obtain additional details regarding these events, I will be happy to provide you with this information.

TDHCA Outreach Activities, June 2007

A compilation of activities designed to increase the awareness of TDHCA programs and services or increase the visibility of the Department among key stakeholder groups and the general public

Event	Location	Date	Division	Purpose
Money Follows the Person Advisory Meeting	Austin	June 1	Policy & Public Affairs	Participant
Annual Convention of the Texas Association of Tax Assessor-Collectors	Galveston	June 4	Manufactured Housing	Presentation
Mental Health Transformation Work Group Retreat	Austin	June 4-5	Policy & Public Affairs	Participant
TSHEP Train the Trainer Workshop	Corpus Christi	June 4-8	Homeownership	Training
Realtor Training	Amarillo	June 5	Homeownership	Training
Media Event for First Time Homebuyer Program	Brownsville	June 6	Executive, Homeownership, Policy & Public Affairs	News Conference
Media Event for First Time Homebuyer Program	San Antonio	June 7	Executive, Homeownership, Policy & Public Affairs	News Conference
First Thursday Income Eligibility Training	Austin	June 7	Portfolio Management & Compliance	Training
Information Tour with HUD officials	Burleson	June 11	Manufactured Housing	Participant
Media Event for First Time Homebuyer Program	Laredo	June 12	Executive, Homeownership, Policy & Public Affairs	News Conference
Level I CDBG Disaster Recovery Multifamily Rental Application Workshop	Beaumont	June 12	Disaster Recovery	Training
Media Event for First Time Homebuyer Program	Dallas	June 13	Executive, Homeownership, Policy & Public Affairs	News Conference
Level I CDBG Disaster Recovery Multifamily Rental Application Workshop	Houston	June 13	Disaster Recovery	Training
PM&C Round Table	Austin	June 13	Portfolio Management & Compliance	Stakeholder Comment
Money Follows the Person Workgroup	Austin	June 13	Policy & Public Affairs	Participant
Mental Health Transformation Workgroup	Austin	June 13	Policy & Public Affairs	Participant
Mental Health Transformation Workgroup	Austin	June 14	Policy & Public Affairs	Participant
Rebuilding Together Southeast Texas Board Meeting	Port Arthur	June 14	Disaster Recovery	Presentation, Participant
Meeting with Bechtel representatives on Housing needs of SE Texas	Port Arthur	June 14	Disaster Recovery	Participant
Meeting with ORCA and HUD OIG	Jasper	June 15	Disaster Recovery	Participant
Money Follows the Person Workgroup	Austin	June 15	Policy & Public Affairs	Participant

National Association of Hispanic Real Estate Professionals Conference	Austin	June 16	Homeownership	Exhibitor
Meeting with ORCA and HUD OIG	Houston	June 18	Disaster Recovery	Participant
National Council of State Housing Agencies conference	San Francisco	June 19-22	Executive, Portfolio Management & Compliance, Multifamily	Presentation, Participant
Meeting with ORCA and HUD OIG	Beaumont	June 20	Disaster Recovery	Participant
Ribbon Cutting Ceremony for HOME Disaster Recovery Development	Village Mills	June 22	Disaster Recovery	Participant
Money Follows the Person Work Group Meeting	Austin	June 27	Policy & Public Affairs	Participant
Disability/Managed Care Symposium	Austin	June 28	Policy & Public Affairs	Participant

$143,005,000
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Single Family Variable Rate Mortgage Revenue Bonds
2007 Series A
Program 69

Program Highlights

Funds released on June 5, 2007

5.25% Unassisted Rate
5.99% Assisted Rate with 5% Assistance

$30 million statewide assisted (60 % AMFI and below) reserved for one year
$46 million statewide unassisted
$6 million statewide unassisted (targeted area)
$15 million Rita GO Zone assisted

Because mortgage rates have increased 50 basis points from mid May to mid June, demand for the First Time Homebuyer Program has been extremely high. By June 22, 2007, all statewide unassisted funds were reserved. All Rita GO Zone funds were reserved within several hours of release. Seventy six percent of Rita GO Zone funds were reserved by large homebuilders in the City of Houston and Harris and Ft. Bend Counties. As of June 27, $8.3 million of statewide assisted funds were reserved and $3.6 million of targeted area statewide unassisted funds have been reserved.

Bond Structure Highlights

$143 million total proceeds
$97.1 million lendable proceeds
$36.6 million refunded Single Family MRB 1997 Series A, D and E
$15 million Rita GO Zone
$9.3 million zero percent funds created for use with future bond structures

100% Variable Rate Demand Bonds with Swap

Bond Pricing and Yields 4.08%

The incorporation of variable rate demand bonds with a swap and the refunding of the 1997 bonds allowed the Department to achieve very competitive below market rates. Synthetic fixed rate bond structures involve pricing a swap followed by the formal variable rate bond pricing. The swap was priced on April 23, 2007 which produced a bond yield of 4.08%, while the Series A variable rate bonds were priced on June 4, 2007. While tax restrictions would not permit us to close this transaction until June 5, the working group accelerated all documents and approvals in order to exploit the exceptionally strong market in the early

Spring. Delaying the pricing of the swap until early June rather than late April, would have produced rates 14 basis points higher, resulting in approximately $3.575 million less of zero % funds.

In a very shaky market, Vanguard Funds purchased $3 million of the bonds while Bear Stearns purchased the $140 million balance.

MULTIFAMILY FINANCE PRODUCTION DIVISION

EXECUTIVE DIRECTOR'S REPORT ITEM

July 12, 2007

Background

Report on Challenges Made in Accordance with §49.(17)(c) of the 2007 Qualified Allocation Plan and Rules ("QAP") Concerning 2007 Housing Tax Credit ("HTC") Applications.

Summary

The attached table titled, **Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007** ("Status Log"**)**, summarizes status of the challenges received on or before July 5, 2007. The challenges were made against Applications in the 2007 Application Round. Behind the Status Log, all imaged challenges are provided in project number order. New challenges and determinations regarding challenges have been highlighted in yellow to indicate an update from the June 28, 2007 Board materials.

All challenges are addressed pursuant to §49.17(c) of the 2007 Qualified Allocation Plan and Rules ("QAP"), which states, "the Department will address information or challenges received from unrelated entities to a specific 2007 active Application, utilizing a preponderance of the evidence standard, in the following manner, provided the information or challenge includes a contact name, telephone number, fax number and e-mail address of the person providing the information or challenge:

(1) Within 14 business days of the receipt of the information or challenge, the Department will post all information and challenges received (including any identifying information) to the Department's website.
(2) Within seven business days of the receipt of the information or challenge, the Department will notify the Applicant related to the information or challenge. The Applicant will then have seven business days to respond to all information and challenges provided to the Department.
(3) Within 14 business days of the receipt of the response from the Applicant, the Department will evaluate all information submitted and other relevant documentation related to the investigation. This information may include information requested by the Department relating to this evaluation. The Department will post its determination summary to its website. Any determinations made by the Department cannot be appealed by any party unrelated to the Applicant."

Please note that a challenge is not eligible pursuant to this section if it is not made against a specific active 2007 HTC Application. If an Application is no longer active because the Development has been awarded tax credits by the Texas Department of Housing and Community Affairs' (the "Department") Board, challenges relating to the awarded/inactive Application are not eligible under this section.

To the extent that the Applicant related to the challenge responds to the eligible challenge(s), point reductions and/or terminations could possibly be made administratively. In these cases, the Applicant will be been given an opportunity to appeal pursuant to §49.17(b) of the 2007 QAP, as is the case with all point reductions and terminations. To the extent that the evidence does not confirm a challenge, a memo will be written to the file for that Application relating to the challenge. The table attached reflects a summary of all such challenges received and determinations made as of July 5, 2007.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
4/10/07	07109	Elrod Place	Kathi Zollinger and Katrina Thornhill	Two challenges regarding inconsistencies between information presented to the community and information contained in the 2007 HTC Application, and regarding the Development's location in a particular Municipal Utility District ("MUD"). The basis of the challenges as reflected in the challenge documentation is: information presented to the community by a representative of the Applicant in three separate meetings was different than, or incomplete when compared to, the Application; the role of the Harris County Housing Authority was not disclosed to the public; the right of first refusal provision was not disclosed to the public; the Development site may have negative site features such as chlorine gas and close proximity to power lines; the area in which the Development will be located already has a high concentration of low income individuals; and the Applicant represented in the Application that the Development is located in a MUD that it is not actually located in.	**Analysis:** The meetings with the public referred to in the challenges were not required by the Department, nor were they attended by any representative of the Department; therefore, assertions made with regard to discrepancies between the information presented in the meetings and in the Application cannot be evaluated by the Department. In holding three meetings not required by the Department, however, it appears that the Applicant made a good faith effort to meet with and inform the public about the proposed Development. Regarding negative site features, an Environmental Site Assessment is required and has been performed for the Development site; in the event that this Application is chosen to receive a feasibility analysis, the report will be evaluated by the Department. The Department has a policy regarding concentration of low income individuals; the census tract in which the site is located is not an ineligible tract under the concentration policy. Finally, the land seller is in the process of annexing the site into a new MUD; this process is currently not under the control of the Applicant. **Resolution:** The Department has evaluated the challenges pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to these challenges.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
5/2/07	07118	Lakeside Apartments	Eric Hartzell, BETCO Development	Challenge regarding eligibility for points under §49.9(i)(26) of the 2007 QAP, Third-Party Funding Commitment Outside of Qualified Census Tracts. The challenge asserts that the funding source is not a Third Party, and that the Application is, therefore, not eligible for points. The basis of the challenge as reflected in the challenge documentation is: the provider of funds and the Applicant are Related Parties and/or Affiliates because the Applicant holds the broker license under which the provider of funds operates.	**Analysis:** The provider of funds controls his own schedule, chooses his own sales terms, selects his own clients, and provides a percentage of his commissions to offset his operational costs, thus in essence buying his own supplies and space. This would seem to meet several of the tests for determining whether the Person in question is an employee or an independent contractor. The provider of funds, despite the broker/agent relationship, is not the Applicant, or an Affiliate thereof, a consultant, the Developer, or, because there does not appear to be any family relationship or ownership interest, a Related Party. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to this challenge.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
4/26/07	07175	Austin Place	Eric Hartzell, BETCO Development	Challenge regarding eligibility for points under §49.9(i)(17) of the 2007 QAP, Developments in Census Tracts with No Other Existing Developments Supported by Tax Credits. The challenge asserts that the Development is located in a census tract in which there are existing Developments supported by Tax Credits and that the Application is, therefore, not eligible for points. The basis of the challenge as reflected in the challenge documentation is: the Applicant represented that the Development is located in a different census tract than the census tract in which it is actually located.	**Analysis:** The Applicant has confirmed the challenge assertions. The Application is not eligible for points under §49.9(i)(17). **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP. The Application will not be awarded points under §49.9(i)(17) of the 2007 QAP.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
3/5/07, 3/15/07, and 3/16/07	07177	Hamilton Senior Village	Andy J. McMullen, Mark C. Henkes, Jesse T. Christopher, Lola Christopher, and Paula Patrick	Three challenges regarding fulfillment of signage requirements under §49.9(h)(8)(B) of the 2007 QAP. The challenges assert that the signage requirements have not been met. The basis of the challenges as reflected in the challenge documentation is: the signage is not posted within twenty feet of, and facing, the main road adjacent to the site, and is obstructed by trees.	**Analysis:** The Development site is located at the intersection of two public streets; the majority of the site fronts Elm Street, with only a small portion, used for ingress and egress, fronting Williams Street. The current property owner requested that the sign not be located on the portion of the site that fronts Williams Street, in order to allow the current owner continued access to the property. The Applicant does not have permission, or authority under the contract, to clear trees from the property. The Applicant placed the sign in an opening between trees on Elm Street in order to meet the requirements of the 2007 QAP, while acting within its authority under the land contract. **Resolution:** The Department has evaluated the challenges pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to these challenges.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
6/26/07	07199	Kingsville LULAC Manor Apartments	Ino Alvarez, Kingsville Affordable Housing, Inc.	Challenge regarding eligibility for points under §49.9(i)(5) of the 2007 QAP, Commitment of Development Funding by Local Political Subdivisions. The challenge asserts that proper documentation was not submitted to the Department and that the Application is ineligible for these points. The basis of the challenge as reflected in the challenge documentation is: the Application received points for a contribution of HOME funds; a resolution from the City must be submitted to the Department if HOME funds are used for points; and the Applicant did not submit the required resolution from the City of Kingsville.	**Analysis:** Posted to the Department's website. Challenge being processed pursuant to §49.17(c) of the 2007 QAP. **Resolution:** Pending.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
6/28/07	07220	San Gabriel Crossing	Laura Waller, LH Residents for Responsible Growth	Challenge regarding eligibility for points under §49.9(i)(16) of the 2007 QAP, Demonstration of Community Support Other Than Quantifiable Community Participation, the validity of the market study, errors and inconsistencies within the Application, and the suitability of the Development site. The basis of the challenges as reflected in the challenge documentation is: letters submitted under §49.9(i)(16) of the 2007 QAP were submitted by parties related to the real estate agent, local officials, and the land seller; the market study incorrectly focuses on surrounding, larger communities, rather than the community in which the Development will be located; the community does not contain many of the amenities listed in the market study; the land is being sold for four times the appraised value; relationships between some of the parties involved in the Development are not properly disclosed; some costs listed in the Application are inconsistent between exhibits; the Development is not located within a Qualified Census Tracts (“QCT”); and the Development is not consistent with the local consolidated plan.	**Analysis:** Posted to the Department’s website. Challenge being processed pursuant to §49.17(c) of the 2007 QAP. **Resolution:** Pending.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
4/16/07	07227	Champion Homes at La Joya	Don Pace	Challenge regarding eligibility for points under §49.9(i)(2) of the 2007 QAP, Quantifiable Community Participation, §49.9(i)(5) of the 2007 QAP, Commitment of Development Funding by Local Political Subdivisions, §49.9(i)(8), Cost of the Development by Square Foot, §49.9(i)(12) of the 2007 QAP, Development Includes the Use of Existing Housing as Part of a Community Revitalization Plan, §49.9(i)(25) of the 2007 QAP, Leveraging of Private, State, and Federal Resources, and §49.9(i)(26) of the 2007 QAP, Third-Party Funding Commitment Outside of Qualified Census Tracts.	**Analysis:** The items identified in the challenge were already identified by the Department in the scope of the review process and have already been resolved through the Administrative Deficiency process. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to this challenge.
4/16/07	07228	Las Palmas Homes	Don Pace	Challenge regarding the fulfillment of notification requirements under §49.9(h)(8)(A) of the 2007 QAP, and eligibility for points under §49.9(i)(2) of the 2007 QAP, Quantifiable Community Participation, §49.9(i)(5) of the 2007 QAP, Commitment of Development Funding by Local Political Subdivisions, §49.9(i)(12) of the 2007 QAP, Development Includes the Use of Existing Housing as Part of a Community Revitalization Plan, §49.9(i)(25) of the 2007 QAP, Leveraging of Private, State, and Federal Resources, and §49.9(i)(26) of the 2007 QAP, Third-Party Funding Commitment Outside of Qualified Census Tracts.	**Analysis:** The items identified in the challenge were already identified by the Department in the scope of the review process and have already been resolved through the Administrative Deficiency process. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to this challenge.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
5/25/07	07249	Bluffs Landing Senior Village	Ebby Green, Round Rock Housing Authority	Challenge regarding eligibility for points under §49.9(i)(2) of the 2007 QAP, Quantifiable Community Participation (“QCP”). The challenge asserts that the QCP letter of support from RR Vista Neighborhood Association (the “Association”) is ineligible. The basis of the challenge as reflected in the challenge documentation is: the Association was formed for the sole purpose of supporting the Development; the Association was formed one day prior to the deadline to be on record with the state or county; none of the Association’s officers live within the boundaries of the Association; the Association’s bylaws grant the power of taxation; membership is open to those with an economic interest in the area; the Association’s boundaries are inconsistent with industry standards for development; and the Association is not recognized by the City as a neighborhood organization.	**Analysis:** The letter of support from the Association was originally found by the Department to meet all requirements for points under §49.9(i)(2) of the 2007 QAP. The Association was formed before the deadline required by §49.9(i)(2)(A)(5) of the 2007 QAP; the QAP does not require an explanation of the reason for formation. A certification from the Association, as well as the Association’s Bylaws provide evidence that the organization is one of persons living near one another; the QAP does not require that an organization’s membership be exclusively comprised of persons that live within the boundaries of the organization. The QAP does not specify what the purpose of an organization must be, except that it includes “working to maintain or improve the general welfare of the neighborhood”; the Association met this requirement, both by certification and in its Bylaws. Finally, the QAP does not require an organization to be recognized by the city; rather, an organization must be on record with the state or county, which the Association is. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to this challenge.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
6/1/07	07257	Orange Palm Garden Apartment Homes	Robert Crow, Nacogdoches Housing Authority	Challenge regarding the eligibility for penalty points under §49.9(i)(27)(A) of the 2007 QAP, Scoring Criteria Imposing Penalties. The challenge asserts that a member of the Development team for the Applicant is affiliated with a 2006 Housing Tax Credit ("HTC") Development for which an extension was requested, and that the Application should therefore be awarded penalty points. The basis of the challenge as reflected in the challenge documentation is: the Applicant for TDHCA # 060132 failed to meet a Department deadline; the Development team for 07257 for construction, management, and social services is the same as for 060132; and the Applicant contact for 07257 is an Affiliate of the Applicant for 060132.	**Analysis:** Penalty points under §49.9(i)(27)(A) of the 2007 QAP apply to the Applicant for an Application, and do not apply to other members of the Development team. The Applicant for TDHCA #060132 is completely different from the Applicant for TDHCA #07257; the two do not share any common entities or individuals. Although the individuals listed in the Applicant structure for each Development have partnered on Applications in the past, this partnership does not exist for either TDHCA #060132 or 07257. Despite past partnership relationships between members of each Applicant, the Applicants for TDHCA #060132 and 07257 are not the same, nor do they appear to be Affiliates. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to this challenge.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
4/20/07	07282	Palermo	Janine Sisak, DMA Development Company, LLC	Challenge regarding eligibility for points under §49.9(i)(2) of the 2007 QAP, Quantifiable Community Participation ("QCP"), and §49.9(i)(22) of the 2007 QAP, Qualified Census Tracts with Revitalization. The challenge asserts that the QCP letter of support from Comunidad in Action is ineligible, and that the Application is not eligible for points based on the Development Site's location in an area targeted by a Community Revitalization Plan. The basis of the challenge as reflected in the challenge documentation is: Comunidad in Action is not a neighborhood organization, but rather a broader-based community organization, and; the Development Site is not located in the areas that target specific geographic areas for revitalization and development of residential developments under the Community Revitalization Plan.	**Analysis:** The items identified in the challenge were already identified by the Department in the scope of the review process and have already been resolved through the Administrative Deficiency process. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to this challenge.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
5/4/07	07295	The Bluestone	Paul Holden, Wilhoit Properties, Inc.	Challenge regarding eligibility for points under §49.9(i)(16) of the 2007 QAP, Demonstration of Community Support other than Quantifiable Community Participation. The challenge asserts that the letters of support from The American Legion Cedar Creek Post 310 ("American Legion"), Friends of the Tri-County Library, and Mabank Fire Department are ineligible, and that the Application is not eligible for these points. The basis of the challenge as reflected in the challenge documentation is: the American Legion is not located within the city limits of Mabank, the letter from the Friends of the Tri-County Library was on the library's letterhead, and the library conducts educational activities, and; the Mabank Fire Department is a part of the City of Mabank.	**Analysis:** Pursuant to §49.9(i)(16) of the 2007 QAP, the Development must receive letters of support from civic or community organizations that are active in and serve the community in which the Development is located. Letters from governmental entities, taxing entities or educational activities are not eligible for points. The American Legion Cedar Creek Post 310 provided sufficient evidence at the time of Application to show that the organization serves the community in which the Development is located. The QAP does not require that an organization be physically located within the city limits of the same municipality as the Development. The Friends of the Tri-County Library operates under separate bylaws and leadership from the Tri-County Library. The Friends of the Tri-County Library secures funding through fundraisers and membership dues, not through the Tri-County Library, and does not conduct educational activities. The letter from the Mabank Fire Department was not originally counted for points by the Department because adequate documentation was not pursuant to §49.9(i)(16) of the 2007 QAP. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to this challenge.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of July 5, 2007

Challenge Received Date	TDHCA #	Development Name	Challenger	Nature and Basis of Challenge	Status
5/23/07	07302	Casa Alton	Alyssa Carpenter	Challenge regarding eligibility for points under §49.9(i)(11) of the 2007 QAP, Housing Needs Characteristics. The challenge asserts that the Application is eligible for fewer points than requested based on Development location. The basis of the challenge as reflected in the challenge documentation is: the Development is located in the City of Alton; the Application requested points based on the Development's location in Alton North; and the Affordable Housing Need Score for the City of Alton is lower than that of Alton North.	**Analysis:** The proposed Development Site is currently located within the City of Alton. At the time of the 2000 Decennial Census the proposed Development Site was located within the Alton North CDP; however, the Development Site has since been annexed into the City of Alton, as confirmed by the City's Planning Director and the Applicant. The current location of a Development, not its location as of the most recent Decennial Census, is used to evaluate eligibility for points based on demographic information from the most recent Decennial Census. **Resolution:** The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP. The Application score will be reduced from six points to four points for §49.9(i)(11) of the 2007 QAP based on the proposed Development's location within the City of Alton.
6/19/07	07306	Zion Village Apartments	George Vaults	Challenge regarding the validity of site control under §49.9(h)(7)(A) of the 2007 QAP. The challenge asserts that the land seller entered into an illegal contract for the sale of the land. The basis of the challenge as reflected in the challenge documentation is: the land seller did not have the approval of the church's membership to enter into the sale.	**Analysis:** Posted to the Department's website. Challenge being processed pursuant to §49.17(c) of the 2007 QAP. **Resolution:** Pending.