

TSAHC 2005 Private Activity Bond Program Questions and Answers

1. What was the date the Requests for Proposals were released?

The Requests for Proposals were released on January 31, 2005.

2. What amount of funding was set-aside for each of the target areas? Will only one award be made per target area?

The Corporation by statute has 10 percent of the Private Activity Bond cap for multifamily housing. The Bond Review Board shows that the Corporation has \$40,322,439 in Private Activity Bond financing to award for the 2005 program year, which includes some carryforward from the 2004 program year. If we divide the amount available by the number of target areas, currently 3 areas, the Corporation has funds available to provide up to \$13,440,813 to each target area. If a target area receives no proposals, or no acceptable proposals, the funds available to that target area would flow equally to the other two target areas, and so forth. It would be possible under this scenario for more than one award to be made per target area. In addition, if the board approved a proposal for one target area for less than \$13,440,813, the remaining funds would flow to the other target areas, if needed.

3. I know that leveraging funds are required, but is there a certain percentage that the developers must offer? Must it be either cash or in-kind or are both acceptable?

This is a competitive RFP process, so there is not a certain percentage of funds that must be offered, but the proposal that offers the most funds will receive the most points on that scoring criteria. Both in-kind or cash funds are acceptable, although any in-kind contribution would need to be assessed at fair market value.

4. Are developers who are based in other Texas cities, not the target cities, eligible to apply?

Yes.

5. Is there a pre-proposal meeting for these RFPs?

A pre-proposal meeting has not been scheduled, but Respondents are encouraged to contact the City representative listed in the RFP for more information.

6. Please verify the deadline for submission of proposals to the RFPs.

The deadline for submission of proposals is 2:00 p.m. (CST) on Monday, March 28, 2005.

7. **[From 2004 Program Year, But Still Applicable]** Will the bond allocation issued by TSAHC be required to meet the Bond Review Boards rent and income guidelines of Priority 1, Priority 2 and Priority 3? If so, how can a development with market rate units be allocated reservation?

The Legislature by statute has exempted the TSAHC Private Activity Bond program from the restrictions set forth in Section 1372.0321, which is the section of legislation that creates the Bond Review Board priority system. See Government Code Section 2306.565(j).

8. **[From 2004 Program Year, But Still Applicable]** If tax credits are not received, does TSAHC plan to continue with this project?

TSAHC has determined that to make the developments financially feasible 4% tax credits will be necessary. As a result, the Requests for Proposals require that the Respondent secure 4% tax credits through TDHCA. A Response that does not contemplate using the 4% tax credits would not be considered.

If the Respondent applies for tax credits and does not receive them, we would only give final approval for the Development if the Respondent could provide sufficient evidence to show that the financial feasibility of the Development could be maintained without the tax credits. TSAHC could not give final approval on a transaction that is not financially feasible.

9. **[From 2004 Program Year, But Still Applicable]** The Scoring Criteria indicates a Respondent will receive 20 points for the lowest per unit construction cost. Is this referring to the "all in cost" including land, development fees, soft cost and hard cost or just the hard cost? If it is just the hard cost, are you including the contingency, contractor fee and site work cost? Also, how will you determine if the per unit cost is realistic? Isn't it possible that a respondent will low ball their cost estimate to receive the 20 points and then increase their cost estimate during the closing once they have received the allocation?

The lowest cost per unit should be calculated using the “all in cost” method, which would include total debt plus equity in the Development, divided by the number of units. The Respondent should use any actual costs already incurred, and any projected costs should be clearly stated as projected costs, with an explanation of the assumptions used to make those projections. The Corporation may hire a third party consultant to review underlying documentation and assumptions used to calculate the cost per unit. Any assumptions or projections that the Corporation believes are unreasonable will be thrown out of the calculation or a more reasonable projection will be substituted. If the Corporation determines that the Respondent has “low balled” the estimate intentionally and changes its numbers significantly after being selected, the Corporation reserves the right to discontinue the financing and to induce the alternate selected Development at that time.

10. [From 2004 Program Year, But Still Applicable] Scoring Criteria L provides points for a strong debt service coverage ratio. What is included in the debt service coverage calculation? Do we include the on-going fees due to the corporation in that calculation (annual asset oversight fee, annual compliance fee, ongoing obligations of the corporation, etc)?

The debt service coverage ratio means, for any fiscal year, the ratio of stabilized income minus stabilized expenses (stabilized NOI) to the sum of the total annual debt service requirements for all bonds and any other project-related debt. To determine stabilized income, respondents should assume an economic occupancy rate of 90%, proportionate across unit types, and should include other income (laundry, cable, etc.) only if such income from any individual source exceeds 1% of gross rental income. All sources of additional income should be well explained. Respondents should not assume any income from earnings on funds and accounts held under the trust indenture expected in conjunction with the bond issuance.

To determine stabilized expenses, respondents should include all operating expenses incurred in the operation and maintenance of the properties (as would typically be included under generally accepted accounting principles consistently applied). Such expenses should include at a minimum the following expenses: salaries, plus all salary and related expenses such as insurance and bonuses; advertising and promotion costs; maintenance, excluding replacement reserves; administrative expenses; utilities; management fee; all taxes, and, insurance costs (explain briefly the coverage). Replacement reserves should be included and assumed at \$250 per unit. Respondents should also include in the expense analysis the Corporations’ annual compliance and asset oversight fees, and the Corporation’s annual administrative fee.

11. [From 2004 Program Year, But Still Applicable] Given that TSAHC is exempt from the Private Activity Bond restrictions, does the financing have to

close within the 150 day time frame established by the Bond Review Board?
What is the required closing time frame by the Corporation as required by the RFP (see last paragraph before II in Appendix B)?

Although TSAHC is exempt from the priority system, we are not exempt from the other Bond Review Board rules governing the private activity bond program. As such, the financing does need to close within the 150 days after the reservation date for the allocation, as established by the Bond Review Board.

12. [From 2004 Program Year, But Still Applicable] Is the Respondent subject to the \$15 million maximum tax exempt bond allocation set by the BRB?

Although TSAHC is exempt from the priority system, we are not exempt from the other Bond Review Board rules governing the private activity bond program. As such, the financing is subject to the \$15 million maximum tax exempt bond allocation set by the BRB.