

Official Board Packet



Texas State Affordable Housing Corporation

Board Meeting

To be held at the offices of

Texas State Affordable Housing Corporation

1005 Congress Avenue – Suite B-10 Conference Room

Austin Texas 78701

Friday, October 14, 2005

10:30 a.m.

BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
To be held at the offices of
Texas State Affordable Housing Corporation
1005 Congress Avenue – Suite B-10 Conference Room
Austin Texas 78701
October 14, 2005 at 10:30 am

AGENDA

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

Jerry Romero
Chair

The Board of Directors of Texas State Affordable Housing Corporation will meet to consider and possibly act on the following:

PUBLIC COMMENT

REPORTS

- | | |
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| <ul style="list-style-type: none">◆ President's Report◆ Executive Vice President's Report◆ Single Family Lending Report◆ Multifamily Lending Report◆ Financial Report<ul style="list-style-type: none">◆ Presentation of Financial Statements◆ Presentation of Budget Report | <p>David Long
Katherine Closmann
Cathleen Dean
Cari Garcia
Melinda Smith</p> |
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ACTION ITEMS IN OPEN MEETING

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| <p>Tab 1</p> <p>Tab 2</p> <p>Tab 3</p> <p>Tab 4</p> <p>Tab 5</p> <p>Tab 6</p> <p>Tab 7</p> | <p>Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on September 9, 2005.</p> <p>Presentation, Discussion and Possible Approval of Final Guidelines and Criteria Relating to the 2006 Multifamily Private Activity Bond Program.</p> <p>Presentation, Discussion and Possible Approval for Public Comment of the Draft Scoring Criteria Governing the Method by which the Corporation Scores and Ranks Applications for an Allocation Under the Corporation's 2006 Multifamily Private Activity Bond Program.</p> <p>Presentation, Discussion and Possible Approval of Target Areas of Housing Need for the 2006 Multifamily Private Activity Bond Program.</p> <p>Presentation and Discussion of the Texas State Affordable Housing Corporation Draft 2006 Annual Action Plan.</p> <p>Presentation, Discussion and Possible Approval of the Corporation's 2005-2007 Business Plan.</p> <p>Presentation, Discussion and Possible Ratification of Settlement of Litigation styled Texas State Affordable Housing Corporation v. WestEnd Properties, Inc.</p> |
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CLOSED MEETING

Consultation with legal counsel on legal matters – Texas Government Code § 551.071, including litigation styled Texas State Affordable Housing Corporation v. WestEnd Properties, Inc.
Deliberation regarding purchase, exchange, lease, or value of real property – Texas Government Code § 551.072
Deliberation regarding prospective gift or donation to the state or Texas State Affordable Housing Corporation – Texas Government Code § 551.073
Personnel Matters – Texas Government Code § 551.074
Implementation of security personnel or devices – Texas Government Code § 551.076
Other matters authorized under the Texas Government Code

OPEN MEETING

Action in Open Meeting on Items Discussed in Closed Meeting

ADJOURN

Individuals who require auxiliary aids or services for this meeting should contact Laura Smith, ADA Responsible Employee, at 512-477-3555, x 400 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that the appropriate arrangements can be made.

Texas State Affordable Housing Corporation reserves the right to recess this meeting (without adjourning) and convene at a later stated time, if and to the extent allowed by law. If Texas State Affordable Housing Corporation adjourns this meeting and reconvenes at a later time, the later meeting will be held in the same location as this meeting. Texas State Affordable Housing Corporation also reserves the right to proceed into a closed meeting during the meeting in accordance with the Open Meetings Act, Chapter 551 of the Texas Government Code. If permitted by the Open Meetings Act, Chapter 551 of the Texas Government Code, any item on this Agenda to be discussed in open meeting may also be discussed by the Board (and any other authorized persons) in closed meeting.

President's Report

Discussion

Executive Vice President's Report

Discussion

Single Family Lending Report

Handouts will be provided at the meeting

Multifamily Lending Report

Discussion

Financial Report

Handouts will be provided at the meeting

BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Held at the Offices of
Texas State Affordable Housing Corporation
1005 Congress Avenue – Suite B-10 Conference Room
Austin Texas 78701
September 9, 2005 at 10:30 am

Summary of Minutes

Call to Order, Roll Call
Certification of Quorum

The Board Meeting of the Texas State Affordable Housing Corporation (the Corporation”) was called to order by Jerry Romero, Chair, at 10:30 a.m., on September 9, 2005, at the offices of Texas State Affordable Housing Corporation, 1005 Congress Avenue – Suite B-10 Conference Room, Austin, TX 78701. Roll Call certified that a quorum was present.

Members Present

Jerry Romero, Chair
Thomas A. Leeper, Vice Chair
Charles G. Rencher, Member

Members Absent

Jo Van Hovel, Member

Staff Present

David Long, President
Melinda Smith, Chief Financial Officer
Katherine Closmann, Executive Vice President
Cari Garcia, Manager of Multifamily Finance
Emily Lah, Asset Oversight and Compliance Manager
Laura Smith, Corporate Secretary

Public Comment

Special Guests

Steve Schottman, Texas Department of Housing and Urban Affairs
Steve Coma, B B & T
Glenda David, American Housing Foundation
Robert Dransfield, Fulbright & Jaworski
Craig Ferguson, Citimortgage
Kathy Garner, Andrews Kurth LLP
Robert Johnson, First Southwest Company
Gary Machak, RBC Dain Rauscher
Brad Patterson, Citimortgage
Jeff Richards, American Housing Foundation

Susan Sallenberger, Chapman Cutler
Kent Smith, Jackson Walker LLP

Reports

President Report

Mr. Long began by informing the Board that several staff members had attended and maintained a booth at the Texas Association of Affordable Housing Providers (TAAHP) Conference that was held in Austin at the end of August.

Mr. Long thanked both Citimortgage and RBC Dain Rauscher for sponsoring a portion of the food costs associated with the Corporation's Board Meeting and Retreat at Barton Creek Resort and Spa.

Mr. Long referred the Board to a handout regarding the consolidated public hearing times and dates in relation to the 2006 Annual Action Plan. Mr. Long stated that Ms. Closmann was putting together the final draft of the Corporation's Action Plan. Mr. Long stated that it would be posted for comment on the Corporation's website September 19, 2005 which Mr. Long noted was the first day of the public comment period. Ms. Closmann and Mr. Long explained that the hearings would be held September 27, 2005, thru October 4, 2005. Ms. Closmann stated that the draft of the Action Plan would be brought before the Board in October for approval and the final Action Plan would be brought before the Board in November for approval. Ms. Closmann explained that this would allow the Corporation to get the Annual Plan to the Texas Department of Housing and Community Affairs (TDHCA) to be included in the final State Low Income Housing Plan, which would be submitted to the Governor in December.

Single Family Report

Mr. Long referred the Board's attention to a handout containing recently updated information on the progress of each bond program. Mr. Long explained the statistics included in the document, specifically pointing out that the 2004 Professional Educators Program was fully originated and the 2004 Firefighters and Law Enforcement or Security Officers Program ('Homes for Heroes') would be refunded. Mr. Long explained that this would be discussed further at a later point in the meeting. Mr. Long pointed out to the Board that the number of loans closed in the 2004 'Homes for Heroes' Program spiked once the definitions were changed to those adopted during the past legislative session.

Mr. Long stated that the Corporation continued to work with Ameriquest to get the Affordable Homeownership Program off the ground. Mr. Long stated his hope that next month there would be a more formal marketing plan and list of lenders that could be posted on the website.

Discussion followed regarding the statistics included in the handouts that were provided to the Board regarding the bond programs.

Mr. Long turned the Board's attention to advertisements by lenders for the Bond programs that were provided at the first of the meeting. Mr. Long showed the Board an advertisement that was included in the Texas Municipal Police Officers Association (TMPA) newsletter, as well as an advertisement created by a lender with CTX Mortgage.

General Multifamily Lending Report

Ms. Closmann began by informing the Board that the HUD Rural Housing and Economic Development grant the Corporation had applied for on behalf of an apartment complex in Goliad, Texas, called Fenner Square, was not received. Ms. Closmann refreshed the Board's memory, stating that Mr. Driggers had made a presentation to them regarding the project a couple of months prior. Ms. Closmann stated that the development would still be going forward, however the Corporation would not be able to help.

Ms. Closmann then turned the Board's attention to a packet containing default notices on the 501(c)(3) portfolio that was provided the Board. Ms. Closmann proceeded to go through the default notices and explain the circumstances to the Board. Ms. Closmann noted that with the assistance of Ms. Lah, she was able to determine that occupancy in most of the affected properties is going up.

Ms. Closmann stated that as a follow-up to discussion at the Board Retreat, she and Ms. Garcia had been gathering information on needs assessment for the Private Activity Bond Program. Ms. Closmann acknowledged Mr. Schottman with TDHCA, and noted that he was coordinating with the Corporation on the needs assessment. Ms. Closmann stated that they were able to gather important information on specific areas of housing need.

Ms. Closmann turned the Board's attention to the Corporation's efforts regarding the Grant and Fundraising program. Ms. Closmann stated that she and Mr. Long continued to meet with Greenlights for Nonprofit Success and would be putting together an action plan next month for finding grants for the Corporation's programs.

Ms. Closmann then made the Board aware of the tireless efforts on the part of Ms. Lah to help victims of Hurricane Katrina find housing in the State of Texas.

Asset Oversight and Compliance Report

Ms. Lah began by reviewing the Compliance update included in the board packet. Ms. Lah stated that those out of compliance at the end of the 2nd quarter regarding the set-aside requirement of 75 percent, were back in compliance when they reported in July. Ms. Lah informed the Board that following an audit on American Housing Foundation (AHF) properties, it was found that three were not in compliance with the set-aside requirement. Ms. Lah stated that a follow-up audit would be conducted to check the corrections, and an additional 20 percent of their files would be reviewed. Ms. Lah stated that she expected them to be in compliance due to the number of hurricane victims they were able to take into their communities.

Ms. Lah brought to the Board's attention that American Opportunity for Housing (AOH) had been notified that they were in default on their Compliance Agreement because of their failure to provide resident services at their five properties financed by the Corporation. Ms. Lah stated that they would have 30 days to cure the default before an event of default notice would be issued.

Ms. Lah then turned the Board's attention to the Corporation's response to housing needs caused by Hurricane Katrina. Ms. Lah stated that a notice was posted on the Corporation's website the previous week stating that if anyone was in need of housing assistance to please contact the Corporation. Ms. Lah informed the Board that a family came to the Corporation's offices that next day and staff was able to help them. Ms. Lah stated that the staff had brought food, clothes,

supplies, etc. to donate to the people affected by the hurricane, so in affect the staff was able to give some of these items to the family. Ms. Lah informed the Board that to date the Corporation was able to assist 30 families, 110 people total, in finding new homes in the state of Texas. Ms. Lah gave a brief summary of all that had been done to find these individuals homes.

Ms. Lah stated that the Corporation was considering helping with rental assistance. Ms. Lah stated that while it was by no means finalized, the Corporation was looking into how it could step in, take donations, and then disperse those to the people.

Ms. Lah stated that all information being sent out by the National Apartment Association and other organizations of the like, was filtered through to the owners and management companies so as to ensure that they had the most current information. Ms. Lah stated that staff had met with TDHCA just that week to ensure that services were not being duplicated and that the Corporation and the Department were continuing to work together.

Ms. Lah asked for any comments or ideas that the Board might have over the next month regarding how the Corporation could help with the housing efforts.

Ms. Lah informed the Board that the IRS had temporarily suspended income limit requirements and non-transient requirements for tax credit properties to allow hurricane victims to move in. Ms. Lah stated that these exceptions did not extend to the bond properties, however the Corporation was able to work within the requirements of bond financed properties without needing a waiver. Ms. Lah then shared a few stories of the families the Corporation has been able to help.

Mr. Romero thanked Ms. Lah for her efforts. He inquired whether staff had thought of developing a resource center that could put developers in touch with those properties in need of changes for accessibility. Mr. Long stated that the staff had been considering options that would help with the housing need, but had not pursued any other avenues. Mr. Long stated that when one of the Corporation's partners had wanted to make a donation, Mr. Rencher had located a piece of property for them. Mr. Long stated that staff could certainly look into pursuing a resource center. Mr. Romero also suggested establishing a system where families can communicate with loved ones located in other areas. Mr. Long and Ms. Closmann stated that those options would definitely be looked into in the coming weeks.

Mr. Rencher stated that this situation would be with us for a long time, and encouraged Ms. Lah to hang in there. Mr. Rencher suggested that a situation where some of the property owners could receive financing to make their properties livable in a more expeditious manner might be helpful. Mr. Romero suggested creating a development division of the Corporation whereby a special relief lending program could be put in place to help these owners bring their properties up to speed and ready for living.

Financial Report

Ms. Smith began by turning the Board's attention to the recent year to date financial statements through the end of July that were included in the Board packets. Ms. Smith proceeded to explain the statistics in detail.

Ms. Smith informed the Board that staff was preparing for the audit that would be conducted during the months of October and November and would be completed by November 20, 2005.

Ms. Smith stated that staff was also gathering information to submit to the IRS regarding the Corporation's 501(c)(3) advanced ruling period. Mr. Long explained that this information would support the Corporation's activities as a 501(c)(3) and would ideally lead to the Corporation's permanent status as a 501(c)(3) non-profit. Ms. Smith stated that she anticipated the information would be submitted at the first of October.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on August 11, 2005.

Mr. Rencher made a motion to approve the Minutes of the Board Meeting held on August 11, 2005. Mr. Leeper seconded the motion. Motion passed.

Tab 2 Presentation, Discussion and Possible Approval of a Resolution Approving Amendments to the Trust Indenture Executed in Connection with the Corporation's Multifamily Housing Revenue Bonds (American Housing Foundation Portfolio) Series 2002; and Other Matters Related Thereto

Ms. Closmann began by giving a brief summary of the American Housing Foundation (AHF) portfolio and the possible transaction that would take place with the approval of the Board. Ms. Closmann explained that transaction in more detail. Ms. Closmann stated that the resolution before the Board was for approval of the Indenture Amendments and the Distribution Agreement. Ms. Closmann informed the Board of the other documents required to allow this transaction to move forward.

Mr. Coma with B B & T further explained what the transaction would entail and how it would affect the distribution of funds. Mr. Coma explained how the transaction would affect the Series B bonds.

Mr. Richards, Chief Financial Officer of AHF, introduced himself to the Board. Mr. Richards informed the Board that as of the previous day 196 families that were victims of Hurricane Katrina had been placed in AHF properties. Mr. Richards stated that 268 units were still available, but that he anticipated those being filled by the end of the following week. Mr. Romero inquired whether Mr. Richards knew of the long-term impact this would have on the properties. Mr. Richards stated that the impact would be significant.

Ms. Closmann pointed out to the Board that the Second Amendment to the Trust Indenture, Distribution Agreement and Tax Agreement were all included in the board packet. Ms. Closmann noted that they were close to final form. Ms. Closmann stated that the resolution before the Board today would authorize staff to work on and execute these documents. Ms. Closmann referred the Board's attention to the Distribution Agreement, which included a schedule for payment of the Asset Oversight and Compliance fees due September 1, 2005 and March 1, 2006.

Mr. Leeper inquired as to what would happen if one of the pieces fell through on the deal. Ms. Garner with Andrews Kurth introduced herself to the Board. Ms. Garner stated that the transaction was contingent on all the specific elements going through.

Mr. Coma briefly went over the timeline for the transaction.

Mr. Leeper made a motion to approve the amendments to the Trust Indenture executed in connection with the Corporation's Multifamily Housing Revenue Bonds, American Housing Foundation Portfolio, Series 2002, and the other matters related thereto. Mr. Rencher seconded the motion. Motion passed unanimously.

Tab 3 Presentation, Discussion and Possible Approval of a Resolution Authorizing the Issuance, Sale and Delivery of Single Family Mortgage Revenue Bonds (Fire Fighter and Law Enforcement or Security Officer Home Loan Program) Series 2005B; Authorizing a Trust Indenture, an Origination, Sale and Servicing Agreement, Purchase Contract and Continuing Disclosure Agreement, Making Certain Findings and Determinations; Authorizing the Execution of Documents and Instruments Necessary or Convenient to Carry Out a 2005 Texas State Affordable Housing Corporation Fire Fighter and Law Enforcement or Security Officer Home Loan Program; and Containing Other Matters Incident and Related Thereto.

Mr. Long stated that the resolution before the Board was for approval to move forward with the 2005 Fire Fighter and Law Enforcement or Security Officer Home Loan Program. Mr. Long informed the Board that after the inducement resolution was approved at the August meeting, an application for the transaction was submitted to the Bond Review Board (BRB). Mr. Long stated that this resolution was the final piece for that application. Mr. Long explained that the resolution incorporated the ability to take the 2005 funding and the partial refunding of the 2004 money and combining them to generate one 2005 transaction.

Mr. Long stated that Mr. Dransfield with Fulbright & Jaworski, Robert Johnson with First Southwest, Gary Machak with RBC Dain Rauscher, and Craig Ferguson with Citimortgage, all professionals involved with the Single Family bond programs, were in attendance at the meeting.

Mr. Dransfield briefly went over the resolution and what it would authorize. Mr. Dransfield discussed the transaction and when monies would be made available to the public. Mr. Dransfield explained the process by which this transaction would take place. Mr. Long further talked about the timing of the transaction, and how it was done this way in an effort to avoid a gap of time where monies were not available. Discussion followed regarding the Program.

Mr. Leeper informed the Board that a way to play a role in the hurricane relief might be through this program. Mr. Leeper stated that the Department of Criminal Justice (TDCJ) had expedited the hiring process to recruit and hire those from Louisiana in need of jobs. Mr. Leeper explained that this program might benefit those victims of the Hurricane that find jobs with TDCJ. Mr. Long stated that this would work out very well. Mr. long stated that Ms. Dean had been meeting with TDCJ and getting the word out about the program. Mr. Long stated that Ms. Dean had been invited to different sites across the state to make presentations on the program.

Mr. Romero inquired about whether the program had a residency requirement. Mr. Long stated that the person must be a resident of Texas, however by purchasing a home that requirement would be fulfilled. Discussion followed.

Mr. Rencher made a motion to approve the resolution authorizing the issuance, sale and delivery of Single Family Mortgage Revenue Bonds (Fire Fighter and Law Enforcement or Security Officer Home Loan Program) Series 2005B; authorizing a Trust Indenture, an Origination, Sale and Servicing Agreement, Purchase Contract and Continuing Disclosure Agreement, making

certain findings and determinations; authorizing the execution of documents and instruments necessary or convenient to carry out a 2005 Texas State Affordable Housing Corporation Fire Fighter and Law Enforcement or Security Officer Home Loan Program. Mr. Leeper seconded the motion. Motion passed unanimously.

Tab 4 Presentation, Discussion and Possible Approval for Publication and Comment Proposed Guidelines and Criteria Relating to the 2006 Multifamily Private Activity Bond Program.

Ms. Garcia referred the Board to the proposed Guidelines that were included behind Tab 4 in the board packet. Ms. Garcia explained that staff was asking for approval to post the proposed guidelines for public comment. Ms. Garcia then stated that staff would be asking the Board for approval of the final guidelines at the October meeting. Ms. Garcia proceeded to go through and highlight everything that was changed. Ms. Closmann explained how the Request for Proposals (RFP) process would work.

Mr. Romero made a motion to approve the proposed guidelines for the Texas State Affordable Housing Corporation's 2006 Multifamily Private Activity Bond Program. Mr. Rencher seconded the motion. Motion passed unanimously.

Tab 5 Presentation, Discussion and Possible Approval of Operating Budget for Fiscal Year 2006.

Ms. Smith began by reviewing the budgeted total revenue and total expenditure for FY 2006. Ms. Smith referred the Board to the last exhibit within the budget that broke down the Furniture, Equipment and Software line item. Ms. Smith explained this line item to the Board in detail. Ms. Smith stated that as a follow-up to the Retreat, a reserve account had been established to help with future need for equipment replacement. Ms. Smith clarified that the line item amount also included funds to replace the Corporation's phone system. Mr. Romero stated that in relation to this item, the Board found it important to keep technology at the forefront. Discussion followed.

Mr. Rencher moved to approve the FY 2006 Budget. Mr. Leeper seconded the motion. Motion passed unanimously.

Tab 6 Presentation, Discussion and Possible Approval of the FY 2006 Business Plan.

Mr. Long and Ms. Closmann stated that the Business Plan put before the Board was content based and feedback was welcome. Ms. Closmann stated that a fully formatted plan would be brought before the Board at the October meeting.

Ms. Closmann reminded the Board that at the Retreat there was a question as to whether the Multifamily Direct Lending Program should be included because there had not been any activity in that Program since 2004. Ms. Garcia gave a brief historical description of the Multifamily Direct Lending Program. Ms. Garcia recommended that the Corporation continue with the Direct Lending Program. Ms. Garcia stated that from a production standpoint, issuing loans under the CDT program would be most productive. Discussion followed. Mr. Romero stated that based on the staff's recommendation, the Board would be interested in seeing the staff move

forward with the least expensive version. The Board was in agreement to keep the Multifamily Direct Lending Program in the Business Plan.

Tab 7 Presentation, Discussion and Possible Approval of Amendments to Articles of Incorporation and/or Bylaws of the Corporation.

Mr. Long began by explaining that the Articles of Incorporation and Bylaws had been altered as per discussion at the Board Meeting and Retreat.

Mr. Smith with Jackson Walker introduced himself to the Board. Mr. Smith proceeded to point out the changes that were made to both the Articles of Incorporation and the Bylaws.

Mr. Rencher commented that he hoped Mr. Smith, as the Corporation's General Council, had an opportunity to review documents and procedures before the Corporation took action on them. Mr. Long responded that the Corporation did call on Mr. Smith's legal services as well as other council to provide feedback and advice. Mr. Romero followed up by stating he believed that Mr. Smith was called on any time there was an issue that proper legal steps needed to be taken on.

Mr. Rencher made a motion to approve the Amendments to the Articles of Incorporation and Bylaws of the Corporation. Mr. Leeper seconded the motion. Motion passed unanimously.

Tab 8 Presentation, Discussion and Possible Approval of a Resolution Appointing Hearing Officers for the Corporation

Mr. Long explained that in the past, when a TEFRA hearing was held for a specific transaction, a resolution was drafted to designate a Hearings Officer. Mr. Long stated that the resolution before the Board today would incorporate and simplify that process by designating the Corporation President, Executive Vice President and any other officer, as well as the Managers of the Single and Multifamily programs as being eligible to represent the Corporation at the hearings.

Mr. Romero made a motion to approve the resolution appointing hearings officers. Mr. Rencher seconded the motion. Motion passed unanimously.

Closed Meeting

Board Chair Mr. Jerry Romero called the Board into Executive Session at 12:25 p.m.

Mr. Romero resumed the Board Meeting at 12:30 p.m.

Open Meeting

Following discussion, it was decided that the next Board meeting would be held October 14, 2005, at 10:30 am.

Adjournment

Mr. Rencher made a motion to adjourn the meeting. Mr. Romero seconded the motion. Motion passed unanimously.

The Texas State Affordable Housing Corporation Board Meeting was officially adjourned at 12:31 p.m.

Respectfully submitted by _____
Laura Smith, Corporate Secretary

Guidelines for the Texas State Affordable Housing Corporation 2006 Private Activity Bond Program

INTRODUCTION

The Texas State Affordable Housing Corporation (the “Corporation”) will be soliciting proposals for multifamily housing properties seeking to use private activity bond cap in the calendar year 2006. All potential Respondents (“Respondents”) are urged to submit complete proposals as early during the acceptance period as possible to ensure adequate review time.

Background – Private activity bonds to finance qualified residential rental facilities are subject to the limitations imposed by federal and state regulations pertaining to private activity bond cap (“volume cap”). In the 78th Regular Session (2003), the Texas Legislature passed S.B. 284, which, among other purposes, awarded 10 percent (10%) of the State’s multifamily volume cap to the Corporation. For 2006, that amount is estimated to be approximately \$40 million.

Although volume cap is limited, the Corporation encourages proposals from developers of new and existing multifamily properties and will use its best efforts to provide bond financing to as many qualified properties as reasonably feasible in target areas identified by the Corporation. A Request for Proposals (“RFP”) procedure has been designed to establish a process for inviting, evaluating, and selecting qualified tax exempt residential rental facilities seeking allocations of volume cap in 2006.

PROGRAM OUTLINE

Research and Identification of Targeted Areas– The Corporation’s Board of Directors (“Board”) will identify specific areas of housing need across the state where the allocations will be targeted. The Corporation must be able to identify specific affordable housing needs and verify local community support for any potential affordable housing development. This will be achieved by:

1. Coordinating with the Texas Department of Housing and Community Affairs (“TDHCA”) and other state and federal agencies and reviewing relevant needs assessment;
2. Soliciting information regarding housing needs from local and regional housing organizations;
3. Researching information on a statewide and national level to identify affordable housing trends and solutions to meeting the needs of targeted areas in Texas;
4. Consulting with the appropriate local political entities and their representatives (e.g. city council, mayor, county commissioner, county judge, etc.);
5. Meeting with experienced affordable housing developers in the state and recognized professionals in the industry to determine target areas of housing need in their areas of expertise

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The Corporation may also specify the most appropriate development characteristics for each targeted area. This may include, but is not limited to, income levels, special needs population served, project amenities, and social services.

Request for Proposals – Once the Corporation has identified targeted areas of housing need and development characteristics, an RFP will be issued for each targeted area. The required development characteristics, or technical specifications, and submission deadline for each targeted area will be set forth in its respective RFP. RFP’s may be issued at different times during the year with the last response deadline being no later than April 1, 2006.

Evaluation and Allocation – The Corporation will accept proposals in response to the RFPs during a specified submission period. Each proposal will be evaluated and scored, with the highest ranking proposals being presented to the Corporation’s Board for approval. There is no assurance that the Corporation will select a proposal in each targeted area, even if the Corporation receives proposals for housing developments in each targeted area. The Corporation may approve more than one proposal in a particular targeted area. If there is more than one RFP issued by the Corporation, the available amount of PAB allocation will initially be divided equally among each RFP. If one targeted area is oversubscribed a waiting list will be determined based upon highest score. After the final RFP submission deadline, if no responses have been received or the recommended amount of allocation does not use all the money in that specific RFP, the Corporation will reallocate any remaining funds to the next highest scoring response in any of the targeted areas of need. This may result in a disproportionate amount of funds being allocated in one area depending upon RFP response.

PROGRAM DEADLINES

Time deadlines (as and if amended) for the proposal evaluation and selection process will be strictly adhered to by the Corporation. Respondents are advised to evaluate their financing goals and development preparedness **prior to** applying for private activity bond volume cap. The Corporation will reject proposals not meeting the minimum technical specifications or otherwise failing to evidence an ability to meet each of the deadlines set forth below. **The current schedule for the process is shown below. The Corporation may amend this schedule by posting the revised schedule on its website (www.tsahc.org).**

August/October 2005	The Corporation’s Staff conducts research to determine specific areas of housing need.
September 2005	The Corporation’s Board publishes the 2006 PAB Guidelines for comment.
October 2005	The Corporation’s Board adopts the 2006 PAB Guidelines, designates the target areas for the 2006 program year and approves the issuance of RFP’s for each targeted area.
October 05/January 06	The Corporation issues RFP’s for specific targeted areas.

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January/April 2006	Proposals must be received by the Corporation according to the deadline set out in each respective RFP.
January/April 2006	Proposals are evaluated, scored, and ranked by the Corporation's Staff. High Scoring Respondents will be notified to appear at the Corporation's next scheduled Board meeting. Respondents with the highest ranking proposals make oral presentations to the Corporation's Board;
April 2006	Corporation selects Developments that it intends to fund in 2006 (if any), plus one (1) alternate for each targeted area (where possible).
April/May 2006	Respondents and Corporation conduct public hearings.
June 2006	Corporation provides public comment to the Board and requests inducement resolutions for the selected developments that it intends to fund in 2006.
July/August 2006	Corporation staff submits list of inducements to the Texas Bond Review Board.
August 15, 2006	Last date to procure volume cap from the Texas Bond Review Board; Texas Bond Review Board recaptures any unreserved allocations

Once the Corporation provides a preliminary allocation of volume cap for a housing development, the Respondent must work with the Corporation to issue bonds within the time frames set forth above and in Appendix B to the Corporation's RFP. Failure to finalize all aspects of development and bond financings within this time period and to submit all required pre-closing and closing documentation to the Corporation will result in recapture of the allocation. Respondents are advised to review funding sources, commitments and financing structures to ensure they can meet these deadlines for year 2006 submissions. In addition to meeting all requirements relating to private activity bonds set forth in the Internal Revenue Code, as amended, developments using federal Low Income Housing Tax Credits ("LIHTC") in their financing plan must also meet all requirements of Section 42 of the Code, as amended, the United States Fair Housing Act, and all applicable State of Texas laws pertaining to multifamily housing.

While the amount of volume cap available from the Corporation for multifamily developments is limited, the Corporation does encourage applications from multifamily developers and will use its best efforts to fund as many qualified projects as are reasonably feasible. Respondents are advised that the allocation of funds will be competitive and otherwise qualified developments may not receive funding due to the limited amount of available volume

Proposed 09-9-05

cap. Any and all costs incurred in this RFP process are the sole responsibility of the Respondent. **Fees charged by the Corporation and its financing team for review of applications are nonrefundable.**

Bond allocations made available under this program are limited to residential rental facilities that meet all relevant qualifications of the Code. Such facilities may involve the rehabilitation of existing rental facilities, new construction of facilities, modernization of public housing facilities, and construction of qualified ‘assisted living’ housing.

SUBMISSION OF PROPOSALS

The following is a list of the information and documents that must be submitted to the Corporation with a proposal in response to one of the Corporation’s Request for Proposals (“RFP”). Additional information will be required. This additional information will be specified in each respective RFP, and as may be required by the Corporation’s Board of Directors, staff, Bond Counsel, or the Financial Advisor.

1. Title page.
2. A summary of the proposed transaction. Describe the proposed Development in detail, including how the Development will meet the specifications set forth in the Detailed Development Description in the RFP and how the Development will meet the Income Structure and Use Restrictions set forth in the RFP. Respondents should also submit cost per unit calculations, including the assumptions that were made to make those calculations.
3. A location map showing the location and approximate outline of the tracts involved.
4. A zoning map showing the existing zoning of the property and surrounding areas, demonstrating that the project, as proposed, is zoned for the intended use.
5. If already submitted, a copy of the application to the Texas Department of Housing and Community Affairs for LIHTC.
6. Evidence that the Respondent either (i) owns the site for the proposed Development or (ii) has a contract or an option to purchase the Development site covering the time period that the application is under review or that has an “option to extend” clause covering the same time period .
7. Audited financial statements of the Respondent for the last three years. These statements should demonstrate the financial capacity of the Respondent, or the entity that would most likely be responsible for executing all applicable guarantees, and must show a net worth sufficient to provide the necessary resources to construct, operate, and manage the Development. The Respondent shall fully explain any negative audit findings. Provide the names of three banks or other financial institutions that can provide business references and the names and telephone numbers of contact persons. Respondents should be aware that the Corporation is subject to the provisions of the Texas Public Information Act, and that information received by the Corporation may be subject to open records requests.

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8. An estimated schedule of construction or rehabilitation. If the proposal is for acquisition/rehabilitation, a physical condition assessment report (“PCA”) must be submitted. The PCA must not be older than 6 months prior to the application date.
9. Photographs of the site of the proposed Development.
10. Evidence of local support for the Development from the City in the form of a resolution by the city council and/or county commissioners court. Each RFP will specify the evidence of local support that will be required.
11. Submit a market study showing the need in the area for additional or rehabilitated affordable housing as proposed.
12. Submit a proposed fee structure expressed as a percentage of development costs or construction costs, as appropriate. The proposed fees should include the amount and timing of payment of the developer fee, overhead, contractor profit, property management fee, and other similar fees and costs.
13. Provide an organizational chart of the proposed ownership structure and identify the various legal entities to be involved in the construction, ownership, operation, and management of the improvements and the nature of their involvement. With respect to the development entity and/or the management agent, a precise description of any joint venture arrangements, including respective equity and decision making interests shall be provided. Describe the roles and responsibilities of each team member on this Development and provide resumes that include qualifying experience. Provide certification by the Respondent stating the nature of any relationship, business or otherwise, (for example, common or related board members) between or among the team members, including the Respondent, the proposed management company (if acquisition), the seller(s) of the land on which the Development will be built, the underwriter or placement agent, and any other party related to the transaction.
14. Certification by the Respondent and Respondent’s principal(s) that they are in good standing with the Corporation, TDHCA, and the City, do not have any outstanding compliance issues with the Corporation, TDHCA, or the City, and have not had any compliance issues in the last three years, or full disclosure of any problems and issues. As part of the evaluation process, the Corporation will request information from TDHCA’s Compliance Division and review any internal compliance records on each principal of the Applicant.
15. Certification by the Respondent and any underwriter or placement agent for the bonds stating that they have read and understand the Corporation’s Guidelines and the RFP acknowledging (a) that all exceptions to the Guidelines and RFP must be requested in writing by the Applicant with an explanation of the need for the exception, (b) that all exceptions to the Guidelines and RFP are subject to the review and/or approval by the Board of Directors of the Corporation, and (c) that complying with the Guidelines and RFP does not guarantee approval of the transaction by either the Corporation’s Board of Directors or the Texas Bond Review Board.

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16. Certification by the Respondent and Respondent's principal(s) that they have not been involved during the past five years and are not currently involved in litigation regarding the development and/or financing of a property under the Corporation's or TDHCA's multifamily bond programs, the LIHTC program, or any City program, or full disclosure of any litigation.

17. Certification by the Respondent and Respondent's principal(s) that they do not have outstanding issues with the Internal Revenue Service regarding tax-exempt bond financed or LIHTC properties, or full disclosure of any outstanding issues.

18. If applicable, describe and provide supporting evidence (e.g., Historically Underutilized Business Certification) of the status as a minority business enterprise (MBE) and/or women owned business enterprise (WBE), or, if applicable, describe your firm's history of utilizing MBEs and WBEs.

19. Describe past experience working on affordable housing developments with TDHCA, the Corporation, and local government entities, including cities or local housing finance corporations. Include a description of the work, and name and telephone number for a contact representative at each (maximum of 4 examples for each government entity with which you worked).

20. Describe experience in the development of similar affordable housing developments. Include the name and address of the property(s), property description, description of the participation of the Respondent, LIHTC allocation year (if applicable), and the name and telephone number of a reference person for each property (maximum of 4 examples).

21. Describe experience in the development of properties using tax-exempt bond financing and/or LIHTC. Include the name and address of the property(s), property description, whether new construction or acquisition and rehabilitation, whether 9% or 4% LIHTC and allocation year, description of the participation of the Respondent, identification of any participation by a housing-related nonprofit or City or other public entity where the property is located, and the name and telephone number of a reference person(s) for each property (maximum of 4 examples of properties completed using both LIHTC and tax-exempt bond financing, and if no properties completed using both financing methods, list a maximum of 4 properties completed using either tax-exempt bond financing or LIHTC and specify which was used).

22. Submit a schedule of Sources and Uses of Funds. The Sources and Uses schedule should identify by name all companies or individuals to receive payments, including, but not limited to, developer's fees, real estate commissions, underwriting fees, operating working capital (if any) and borrower's working capital(if any), and should specify whether the payments will be from bond proceeds or other proceeds. Submit also a general Development and Operating Proforma that presents the primary elements of the Development and operating costs, as well as the necessary operating projections for the Development. It is understood that these are preliminary estimates. For the estimate, the Respondent should assume that the Development will pay all ad valorem taxes.

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The narrative of the financing plan should clearly identify the amount of the Corporation or City resources that are needed to make the Development financially feasible as well as the amount of tax-exempt volume cap allocation and Low-Income Housing Tax Credits and other private resources that will likely be available for the Development. The plan should also identify any anticipated cash investment by the Respondent.

The financing plan should include an initial proforma and a reasonably detailed 10-year projected operating budget in balance. The development proforma should show all sources and uses of development funds and reasonably detailed explanation for development costs, including all fees for professional services, working capital, and other expenses. The 10-year proforma should show rents or other payments for each distinct type of housing unit. It should also break operating expenses into typical, separate categories. Trending assumptions should be clearly stated and documented. A Year One Operating Budget must be included.

23. Provide a list of all properties for which the Respondent or Respondent's principals have received TDHCA housing construction or rehabilitation funding. Please list the property name, the name of the legal owner of the property, the type of funding, and the city where the property is located.

24. Income and Rent Restrictions.

At a minimum, all proposals will be required to meet the following income and rent restrictions:

- (a) Minimum Income Restrictions. A minimum of twenty percent (20%) of the units in a Qualified Residential Rental Project must have Gross Rents that are restricted to households with incomes no greater than fifty percent (50%) of the Area Median Income, adjusted for family size, or at least forty percent (40%) of the units in the project must be affordable to families with incomes at or below 60 percent (60%) of median family income, adjusted for family size.
- (b) Rent Restrictions. Gross monthly rent charged on an income restricted unit will not exceed 30% of the applicable area median income including utility allowances for each unit size.
- (c) Minimum Term of Restrictions. Income and rent restrictions must be maintained for a qualified project period to be determined in accordance with federal and state law.

25. All applications must comply with the TDHCA Qualified Allocation Plan and Rules pertaining to the Low Income Housing Tax Credit Program in effect at the time of application in order to apply for 4% tax credits.

PROPOSAL EVALUATION AND SELECTION PROCESS

Upon compliance with the response requirements set forth in the RFP, the Corporation will conduct a preliminary review of all Responses. If all of the Response requirements are met and the proposed Development meets the Corporation's purposes and guidelines, the Development will be scored by the Corporation in accordance with the criteria identified in Appendix A to the RFP. The Applicant will be notified in writing of any deficiencies identified in the application and will be provided a timeframe to correct noted deficiencies. If the deficiencies are not corrected to the satisfaction of the Corporation within the allotted timeframe, the application will be terminated and the alternate application will be underwritten.

The Corporation's Board of Directors will have an opportunity to call any Respondent before the Board (at the Board's discretion) to review the following items:

- The amount of volume cap that will reasonably support the financing structure (recognizing the limits of the Corporation's allocation);
- Evidence of community support for the Development;
- Qualifications of Development team;
- Evidence of financial feasibility of the Development and cost efficiency of bond financing structure – The Corporation reserves the right to impose a cap on any volume cap requests;
- Evidence of commitment of all long term development financing sources;
- Evidence of long term affordability of rents for persons with low income;
- Evidence and support of adequate market for the units;
- Demonstration that the Development will not adversely impact existing affordable housing properties in the identified market area; and
- Other information relating to the RFP, the proposed Development, or the Respondent.

The Corporation reserves the right in its sole discretion to modify, suspend or amend this program at any time, with or without further notice to any interested party. All costs incurred in the response or development process are the sole responsibility of the Respondent. All decisions of the Corporation are subject to such additional conditions, restrictions and requirements as determined by the Corporation in its sole discretion. In addition, the Corporation's selection of Developments for possible allocation of private activity bond cap is subject to final allocation approval by the Texas Bond Review Board.

At the same Board meeting at which oral presentations are made, the Board may select Development(s) and alternate Developments based on the final scores of the Responses. **The Corporation reserves the right not to approve any Responses, even one that is awarded the most points in the initial or final scoring of the Responses.** The Corporation also reserves the right to approve more than one Response. After being chosen, Respondent(s) will need to hold the required TEFRA hearings.

At the Board's next meeting following the TEFRA hearing for a Development, the Board may take preliminary official action to adopt an inducement resolution evidencing the

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Corporation's intent to issue obligations with respect to the Development, if all the requirements set forth herein are met and the public comment at the TEFRA hearings shows sufficient support for the Development. In order for the Corporation to take preliminary official action, the preliminary review of the Response must demonstrate with reasonable certainty that:

(a) the Response, the obligations, and the Development will qualify for final approval by the Corporation in accordance with the RFP and the requirements set forth in Appendix B; and

(b) all governmental approvals with respect to the obligations, the LIHTC, and the Development will be obtained.

If the Corporation does not grant preliminary approval of the Response, the Corporation will so advise the Respondent.

Any preliminary official action of the Corporation should not be construed as an indication as to the marketability of obligations, or as the final approval of the Development by the Corporation, its Financial Advisor or Bond Counsel. Rather, it is an indication that the Corporation will attempt to issue its obligations for the Development subject to, (i) a readiness to proceed by the Respondent with financing structure approval process, (ii) the Respondent's continuing compliance with these Regulations and cooperation in providing any and all requested information to the Corporation, (iii) approval by the Texas Bond Review Board of the sale of obligations, (iv) market conditions and terms acceptable to the Corporation and to its staff and consultants, and (v) acceptable evidence of local support for the Development and approval by the Texas Attorney General of the issuance of the obligations.

AFTER THE CORPORATION'S ADOPTION OF THE INDUCEMENT RESOLUTION, IT IS THE RESPONDENT'S RESPONSIBILITY TO PROCEED WITH REASONABLE DISPATCH TO COMPLETE THE BOND FINANCING PROCESS IN A TIMELY MANNER, INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF ANY FEE DEPOSITED AND THE PROVISION OF REQUIRED INFORMATION, DOCUMENTS, ETC. NECESSARY TO PROCEED.

Appendix A **Scoring Criteria**

Financial Feasibility

- A. The lowest cost per unit (includes direct construction hard costs, site work, contingency, contractor profit, overhead and general requirements) of a proposed housing development that meets the specifications in the Request for Proposal (RFP). *The minimum hard cost per unit must meet the requirements of the TDHCA QAP.* **20 points total**
20 points – lowest per unit construction cost
15 points – next lowest per unit construction cost
10 points – next lowest per unit construction cost
5 points – next lowest per unit construction cost
0 points – next lowest per unit construction cost
- B. The proposed unit rents meet or exceed the low-rent requirements in the RFP. **20 points total**
20 points – meets rent requirements
0 points – does not meet rent requirements
- C. The proposal meets the low-income set aside requirements in the RFP for the proposed housing development. **20 points total**
20 points – meets preferred low-income set aside requirements
10 points – meets minimum low-income set aside requirements
0 points – does not meet minimum low-income set aside requirements
- D. A strong pro-forma, as evidenced by a high debt service coverage ratio (DSCR). The DSCR should be 1.10 to 1.30 in the first year of stabilized operations and maintained no lower than 1.10 over the 30-year operating proforma. **20 points total**
20 points – 1.25 to 1.30 DSCR
10 points – 1.16 to 1.24 DSCR
5 points – 1.11 to 1.15 DSCR
0 points – 1.10 DSCR
- E. The reasonableness of any deferred developer fees as compared to other submissions and/or similar projects. **15 points total**
15 points – lowest percent of developer fee deferred
10 points – next lowest percent of developer fee deferred
0 points – next lowest percent of developer fee deferred
- F. The financial participation of other entities, specifically, the highest proposed grant contribution (excluding rental assistance) by any entity relative to other submissions. **10 points total**
10 points – highest amount of grant proposed
5 points – highest amount of grant proposed
0 points – highest amount of grant proposed

- G. The financial participation of other entities, specifically, the lowest proposed cash value contribution by TSAHC relative to other submissions. **10 points total**
 10 points – lowest amount of financial assistance proposed
 5 points – next lowest amount of financial assistance proposed
 0 points – next lowest amount of financial assistance proposed
- H. The financial participation of other entities in the form of a rental assistance operating subsidy such as HUD Section 8, Rural Development Rental Assistance or other funds specifically set aside by the developer for rental assistance. *To qualify for points, funds set aside out of cash flow to be used for rental assistance should be allocated for a period of ten years and identified in the proforma as such.* **20 points total**
 20 points – 80-100% of the units have rental assistance
 15 points – 50-79% of the units have rental assistance
 10 points – 25-49% of the units have rental assistance
 5 points – 5-9% of the units have rental assistance

Development Characteristics

- I. The Development provides quality resident services to all households at the Development as outlined in the TSAHC Resident Services Program Guidelines (Appendix B). **15 points total**
 10 points – maximum of 10 points with one point for each service provided
 5 points- additional 5 points for certification by respondent that a Resident Council will be formed within six months of achieving stabilized occupancy (90% occupancy)
- J. The Development will have staff and accommodations to provide resident services on-site or will budget for transportation to an off site location. **20 points total**
 10 points – Resident Services Coordinator position in budget and certification by owner that this position will be posted and/or filled within six months of achieving stabilized occupancy (90% occupancy)
 10 points- additional 10 points for submitting a plan which identifies space at the property to provide the services identified in Section I. and/or describes how the services are to be provided to the residents (i.e. transportation) if off site
 0 points – no space set aside for resident services and no plan for transportation off site
- K. The Development utilizes green building in the construction/rehabilitation of the property and is working to promote energy efficiency and green building initiatives at the property. **10 points total**
 10 points – letter from green building organization approving proposed plan of action and budget for green building initiative
 5 points – narrative of green building and/or energy efficiency methods used by the developer which are consistent with line item expenses identified in the Development and/or operating budget.
 0 points – no energy efficiency or green building techniques in proposal

- L. The Development is located near appropriate amenities that can be easily accessed by the tenant population (elderly, special needs, families, etc.). To count for points, the amenity must be located within a one or two mile radius of the Development (as specified in the RFP) and identified on a local area map. For purposes of this section, amenities include: grocery store, pharmacy, convenience store, department/retail store, bank, restaurant, indoor or outdoor recreation facilities, hospital/medical clinics, public schools, senior center, daycares, and social service offices. **10 points total**
 10 points – Six (6) or more local amenities nearby
 5 points – Three (3) or more local amenities nearby
 0 points – Fewer than three (3) amenities nearby
- M. The Development provides security or courtesy officer at the property. **10 points total**
 10 points – Certification that security or courtesy officer will be provided and plan to compensate this position (consistent with budgeted expenses or rent concessions)
 0 points – No security or courtesy officer in operation plan

Experience and Local Support

- N. The proposal demonstrates the experience and qualifications of the Respondent and team members as evidenced by the completion of multifamily housing rental developments using bond financing and/or Low Income Housing Tax Credits (LIHTC). **20 points total**
 20 points – 4+ multifamily developments completed using bond financing **and** LIHTC
 15 points – 1-3 multifamily developments completed using bond financing **and** LIHTC
 10 points – 4+ multifamily developments completed using bond financing **or** LIHTC
 5 points – 1-3 multifamily developments completed using bond financing **or** LIHTC
 0 points – no multifamily developments completed using bond financing **or** LIHTC
- O. Experience working on affordable housing developments with cities or other local government entities, as evidenced by the receipt of HOME funds, CDBG funds, PHA funds, real estate, or some other substantial contribution from the local gov't entity. **10 points total**
 10 points – 4+ multifamily projects completed with the participation of a local gov't entity
 5 points – 1-3 multifamily projects completed with the participation of a local gov't entity
 0 points – 0 multifamily projects completed with the participation of a local gov't entity
- P. The development team has provided for Historically Underutilized Business (HUB) participation on its last two developments. **10 points total**
 10 points – HUB participation
 0 points – no HUB participation
- Q. The financial capacity of the Respondent has been established, as evidenced by an absence of any negative findings on audited financial statements (that have not been explained to the Corporation's satisfaction). **10 points total**
 10 points – financial capacity of the Respondent or Guarantor established
 0 points – financial capacity of the Respondent or Guarantor not established

TOTAL POSSIBLE POINTS: 250

Texas State Affordable Housing Corporation
PAB Target Areas of Housing Need
Data as of October 5, 2005

In preparation for the 2006 Private Activity Bond Program for Multifamily Developments in Texas, Corporation staff gathered and analyzed data from various resources including:

- Previous PAB Allocation Cycle Information;
- Texas Department of Housing and Community Affairs (TDHCA);
- Office of Rural and Community Development (ORCA);
- Low Income Housing Information Service;
- Rural Rental Housing Association;
- Developer Organizations;
- Capital Consultants;
- League of United Latin American Citizens (LULAC);
- Council on Affordable Rural Housing;
- Rural Development Finance Corporation;
- American Association of Retired Persons (AARP);
- Texas Department of Aged and Disabled; and
- United States Department of Agriculture/Rural Development.

After reviewing the information provided, the Corporation's staff concludes that there is a continued need for affordable multifamily housing in the following areas: rehabilitation, senior, and rural housing development. Additionally, in response to the recent hurricane events, there may be additional need for affordable housing in the Houston metropolitan statistical area. On October 3, 2005, TDHCA issued a Request for Proposals (RFP) to Provide Market Analysis of the Houston-Baytown-Sugar Land Metropolitan Statistical Area. This RFP solicits bids to analyze affordable housing demand in this area as it relates to demographic information, housing supply, anticipated demand in general and resulting from Hurricane Katrina. With this in mind, an additional RFP might be appropriate after the market analysis is completed in January 2006 so as to be responsive to the housing needs of that area.

Rehabilitation

There is a consistent need for rehabilitation of older multifamily housing stock in all areas of Texas. During the Corporation's last two PAB cycles there was little response to staff's effort to garner support from local government for new construction in their areas. However, there were various levels of support for rehabilitation of older stock in blighted areas of the cities. During the last two Housing Tax Credit cycles (2004-2005), 22 applications were received for rehabilitation of properties statewide (excluding USDA applications). Of these, only 13 were funded. This equates to 59% of total applications for rehabilitation.

Since the Corporation is not required to participate in the state lottery, bond financing will be available earlier. However, it will be important to market this program at the same time as the Bond Review Board's Private Activity Bond Lottery which is held in early November 2005 and as an alternative to restructuring the transaction for competition in the TDHCA 9% Housing Tax Credit Cycle due in early March 2006.

Senior

There seems to be a large number of small senior housing developments serving the elderly population (65+) which was developed under the HUD 202 Program over a decade ago. This housing stock is in great need of rehabilitation and/or refinancing to extend its affordability period and continue providing safe, affordable housing for this target population who have limited disposable income. Corporation staff contacted a percentage of HUD subsidized senior housing properties in Region 7 to determine occupancy rates and the local need. Of the 25 properties contacted, all were 100% occupied and had been since original construction/rehabilitation. Additionally, all of these properties had waiting lists ranging from two years and upward leading some to close their waiting lists indefinitely. In discussing demand factors with area affordable housing developers and representatives from the AARP, there appears to be demand for affordable senior housing in the “mid market” range. For example, development in the metropolitan areas has recently focused on “high end, luxury” apartments or condominiums which range from \$1,500 to \$3,000 per month in rental rates. There are small, rural developments in the outskirts of metro areas that offer basic housing and little to no resident services. The greatest need which could be met under this specific RFP is for affordable senior apartments in the urban and exurban areas of the state that provide housing for people whose incomes are at or below 60% of the area median income and offers an array of quality resident services to support their residents.

Rural

USDA/Rural Development has a portfolio of over 200 properties in Texas; some of which are nearing expiration of their affordability period and are at risk of becoming market rate. These USDA/RD properties serve both the elderly and family populations and are located in Texas' 246 rural counties. There are various programs that USDA provides to encourage rehabilitation of their portfolio. These include the 514 Farmworker Loan Program, the 528 Guarantee Loan Program and the 515 rural housing program, to name a few. However, as with most federal funding, these programs have been under funded during the most recent legislative sessions and require additional financing mechanisms, such as tax credits and rental assistance, to achieve financial feasibility. To aid in this effort the TDHCA Housing Tax Credit Program allocates 5% of its rural set-aside exclusively to USDA properties as a separate cut out of the rural allocation for each of the 13 service regions. During the 2005 HTC cycle, this equated to 17 approved applications totaling \$1.2M in funding (out of the \$8M available for rural areas) to rehabilitate these properties. In order to make this type of transaction feasible as a bond transaction, several properties will need to be pooled together under one bond allocation with one ownership entity. USDA recently worked with Mercy Housing on completing a similar transaction in the state of Washington which involved pooling together twenty (20) USDA/RD properties to acquire/rehabilitate using tax-exempt bond financing and 4% tax credits. Volunteers of America, Inc. has also recently completed a bond pool transaction with TDHCA as the issuer. This particular transaction was very complex due to the nature of the bond lottery which was required for each property. While this type of transaction is desperately needed to construct and/or rehabilitate properties in the rural areas, it is also a very complex transaction which will likely require gap financing of some sort and other subsidies to make it successful.

Timing and Structure: Because both the rehabilitation and senior responses could come from applications previously submitted through the bond lottery, and due to the fact that these two transactions will likely not require additional gap financing provided by the corporation, these two RFP's should be issued in early November with final submission dates on or before January 15, 2006, with Board allocation scheduled for February 2006. The rural pool transaction will likely take more time on the part of the respondent and Corporation staff to assimilate and locate appropriate gap financing. For this reason and basic marketing of the program, this RFP should be issued along with the other two in November 2005 but not be due until early March 2006, with Board allocation scheduled for April 2006.

The amount of bond authority expected for 2006 is approximately \$40M. This amount will be divided among the three RFP's and allocated according to score under each respective RFP with waiting lists developed as necessary. In March 2006, should there be insufficient responses under any of the RFP's; the remaining funds will be allocated to those applications on the waiting list.



TEXAS STATE AFFORDABLE HOUSING CORPORATION
DRAFT 2006 ANNUAL ACTION PLAN

TEXAS STATE AFFORDABLE HOUSING CORPORATION
DRAFT 2006 ANNUAL ACTION PLAN

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Sec. 2306.566 of the Texas Government Code reads:

COORDINATION REGARDING STATE LOW INCOME HOUSING PLAN.

- (a) *The corporation shall review the needs assessment information provided to the corporation by the department under Section 2306.0722(b).*
- (b) *The corporation shall develop a plan to meet the state's most pressing housing needs identified in the needs assessment information and provide the plan to the department for incorporation into the state low income housing plan.*
- (c) *The corporation's plan must include specific proposals to help serve rural and other underserved areas of the state.*

OVERVIEW

This report is prepared in accordance with SB 284, 78th Session, which requires the Texas Department of Housing and Community Affairs ("TDHCA") and the Texas State Affordable Housing Corporation ("Corporation") to coordinate regarding the State Low Income Housing Plan ("SLIHP"). The bill amends Section 2306.0722(b) to require TDHCA to provide the needs assessment information compiled for the report and plan to the Corporation. Section 2306.566 is added to require the Corporation to then review the information and develop a plan to meet "the state's most pressing housing needs identified in the need assessment information" and provide the plan to TDHCA for incorporation into the resource allocation plan in the SLIHP. The Corporation's plan must include specific proposals to help

serve rural and other underserved areas of the state and provide affordable housing through methods that do not duplicate those of TDHCA or local housing organizations. The bill also adds Section 2306.0721(h) to require TDHCA to incorporate the specific results of the Corporation's programs in TDHCA's estimate and analysis of housing supply in each uniform state service region under Section 2306.0721(c)(9).

HISTORY OF THE CORPORATION

The Texas State Legislature created the Corporation as a self-sustaining non-profit entity to facilitate the provision of affordable housing for low income Texans who do not have comparable housing options through conventional financial channels. Enabling legislation, as amended, may be found in the Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq. All operations of the Corporation are conducted within the state of Texas. Corporate offices are located in Austin, Texas. A five-member board of directors appointed by the Governor with the advice and consent of the Senate oversees the business of the Corporation.

The Corporation issues mortgage revenue bonds and private activity bonds to finance the creation of affordable multifamily housing units, and to finance the purchase of single-family homes under three separate programs: (1) the Professional Educators Home Loan Program, (2) the Fire Fighter and Law Enforcement or Security Officer Home Loan Program, and the newest program, (3) the Nursing Faculty Home Loan Program. Since April 2001, the corporation has issued over \$600 million in single-family and multifamily mortgage revenue bonds. To date, the Corporation has provided over 8,362 units of affordable multifamily housing to low income Texans. The Corporation has also served 570 income eligible individuals and/or families through its first-time homebuyer single-family programs. This affordable housing has been provided at no cost to the state and its taxpayers. The Corporation does not receive any state funding, and is not subject to the legislative appropriations process.

The Corporation is organized, operated, and administered in accordance with its enabling legislation as a 501(c)(3) nonprofit corporation in order to access additional sources of funding to accomplish its mission. The Corporation is an approved originating seller/servicer for single family loans with Fannie Mae, Freddie Mac, Ginnie Mae, U.S. Rural Development, FHA, and VA. The Corporation has conduit sales agreements with Countrywide Home Loans, Inc., and Wells Fargo Funding, and with the Community Development Trust, Inc., for multifamily mortgage loans. The Corporation is also a non-member borrower of the Federal Home Loan Bank of Dallas.

NEEDS ASSESSMENT REVIEW

According to an analysis of the Texas Department of Housing and Community Affairs' (TDHCA) Needs Assessment and other published studies on the subject, the following represent the most pressing housing needs in the state:

GENERAL HOUSING NEEDS

- By 2000, Texas had the second largest total population, 20.9 million, among the states in the United States. By 2010, the population is projected to be between 24.2 million and 25.9 million and by 2040 between 35.0 million and 50.6 million.¹
- As a result of the growing population, housing demands will change substantially in the coming years with both owner and renter housing growing at nearly equal rates.²
- Affordable housing is in short supply for the extremely low, very low, low, and moderate income brackets, which was caused primarily by the private sector's concentration of development, both single family and multifamily development, in larger metropolitan areas and targeting higher income individuals and families.³
- Many HUD-financed or HUD-subsidized properties, which represent a significant portion of the state's affordable housing portfolio, are at risk of becoming market rate properties.⁴

SINGLE FAMILY HOUSING NEEDS

- Texas may add nearly 3.8 million more students over the next 40 years placing a high demand for educators.⁵
- Population growth will mean increased public service demands and expanding markets for Texas.⁶
- Lack of funds for down payment and closing costs has created one of the greatest obstacles that prevent first-time homebuyers of low-to-moderate-income families, such as the teachers, police officers, and firefighters, from achieving the American dream of owning a home.⁷
- The Texas Education Code establishes a state minimum salary schedule that must be accommodated by all Texas schools for specific public education professionals. The state minimum salary for 2004-2005 ranges from \$24,240 per year for 0 years experience to \$40,800 per year for 20 or more years of experience.⁸

¹ Texas Department of Housing and Community Affairs, Center for Housing Research, Planning, and Communications, 2005 State of Texas Low Income Housing Plan and Annual Report (Austin, TX: Texas Department of Housing and Community Affairs, 2004).

² Texas A&M University, Center for Demographic and Socioeconomic Research and Education, *A Summary of the Texas Challenge in the Twenty-First Century: Implications of Population Change for the Future of Texas, 2002*.

³ Texas Department of Housing and Community Affairs, Center for Housing Research, Planning, and Communications, 2005 State of Texas Low Income Housing Plan and Annual Report (Austin, TX: Texas Department of Housing and Community Affairs, 2004).

⁴ Ibid.

⁵ Texas A&M University, Center for Demographic and Socioeconomic Research and Education, *A Summary of the Texas Challenge in the Twenty-First Century: Implications of Population Change for the Future of Texas, 2002*.

⁶ Ibid

⁷ National Association of Home Builders, *News Details; March 24, 2004*.

⁸ Texas Classroom Teachers Association: *State Minimum for 2004 year*.

- A base salary chart for Texas police officers ranges from \$32,944 per year to \$46,644.⁹
- A base salary chart for Texas firefighters ranges from \$24,944 per year to \$41,573.¹⁰
- The Texas nursing education system is operating close to capacity and faces several impediments to producing more graduates—faculty shortages due to retirement, inadequate salaries, and fewer faculty applicants.¹¹

MULTIFAMILY HOUSING NEEDS

- Renter households are, on average, a lower income group than owner households. More than 37 percent of renter households earn less than 50 percent of the Area Median Family Income, compared to only 16.3 percent of owner households. As a result, renter households are more likely to be in need of housing assistance.¹²
- According to the results of the 2003 Community Needs Survey distributed by TDHCA to cities, counties, local housing departments, public housing authorities, and the US Department of Agriculture/Rural Development field offices, approximately 78 percent of respondents felt that there was a severe or significant affordable housing problem in their area and that new rental housing development and the renovation of existing multifamily housing are more important than rental payment assistance.¹³
- The lack of affordable housing opportunities leads to severe and extreme housing cost burdens for lower-income groups; in particular, extremely low-income renter households.¹⁴
- Overcrowding may indicate a general lack of affordable housing in a community and lower income renter households experience overcrowded conditions more frequently than higher income households.¹⁵
- In the 2005-2009 State of Texas Consolidated Plan, it is estimated that 2 million people or 9.9% of the total population are 65 years of age and older. The Texas Department of Aging and Disability Services estimates that by year 2040, individuals age 60 and over will comprise 23 percent of the population in Texas. Though the majority of the elderly Texans live in urban areas, rural areas have a higher percentage of elderly relative to the local population. According to the 2000 Census, 13.1 percent of seniors age 65 and over in Texas live below the poverty level. Approximately 30% of all elderly households pay more than 30% of their income on housing with 14% paying more than 50% of their

⁹ Salary.com

¹⁰ Ibid.

¹¹ Health and Nurses in Texas – The Future of Nursing: Data for Action (Vol. 3 No. 1. 2000. San Antonio, TX: The Center for Health Economics and Policy (CHEP), the University of Texas Health Science Center at San Antonio).

¹² Texas Department of Housing and Community Affairs, Center for Housing Research, Planning, and Communications, 2005 State of Texas Low Income Housing Plan and Annual Report (Austin, TX: Texas Department of Housing and Community Affairs, 2004).

¹³ Ibid.

¹⁴ Ibid.

¹⁵ Ibid.

income on housing. Lower incomes combined with rising healthcare costs contribute to the burden of paying for housing.¹⁶

- There is a shortage of affordable housing in the extremely low, very low, low and moderate income brackets. This is primarily caused by the private sector's concentration of development in larger metropolitan areas and targeting higher income individuals and families.¹⁷ Cities with populations between 20,000 and 50,000 have a particularly hard time accessing funds. They cannot access USDA funding and are too small to effectively compete for other funding opportunities.¹⁸
- Preservation of existing affordable and subsidized housing stock is an important element of providing safe, decent and affordable housing. The explosive population growth in the metropolitan areas as well as the lack of new construction during the late 80's and early 90's created a huge demand for housing at all income levels. Adding to this problem is the loss of units in the federally subsidized Section 8 portfolio, the USDA/Rural Development portfolio and the pools of tax credit units that have reached their 15 year affordability periods. The USDA/Rural Development portfolio contains smaller rural rental properties which, in many cases, represent the sole affordable housing stock in Texas' smallest towns.¹⁹

The Corporation will address these pressing housing needs through the following single family, multifamily, and grant programs for 2006. The following summary of Corporation programs gives the history and accomplishments of our programs to date and a plan for achieving greater success with these programs in 2006. A few of the programs mentioned are mandated by the state legislature, as noted, and a few have been undertaken upon our own initiative to fulfill housing needs for identified underserved areas of the state.

TSAHC PROGRAM DESCRIPTIONS

TEXAS PROFESSIONAL EDUCATORS HOME LOAN PROGRAM

TEXAS FIRE FIGHTER AND LAW ENFORCEMENT OR SECURITY OFFICE HOME LOAN PROGRAM

NURSING FACULTY HOME LOAN PROGRAM

These Programs are the Corporation's Single Family Mortgage Revenue Private Activity Bond Programs. The Programs were established by the Legislature in 2001, 2003, and 2005, respectively, and allocate a total of \$55 million of the State's Ceiling for Private Activity Bond Cap for the exclusive purpose of making single-family mortgage loans to Texas Professional Educators (\$25 million), Fire Fighters, Law Enforcement Officers, and Corrections Officers (\$25 million), and Nursing Faculty (\$5 million) who are first-time home buyers.

¹⁶ Texas Department of Community Affairs, 2005-2009 State of Texas Consolidated Plan (Austin, Texas, February 2005).

¹⁷ Texas Department of Housing and Community Affairs, Strategic Plan for Fiscal Years 2005-2009.

¹⁸ Texas Department of Housing and Community Affairs, Report on the 2004 Regional Advisory Committee Meetings on Affordable Housing and Community Services Issues, November 2004.

¹⁹ Texas Department of Community Affairs, 2005-2009 State of Texas Consolidated Plan (Austin, Texas, February 2005).

The Programs are available statewide on a first come, first-served basis, to first-time homebuyers who wish to purchase a newly constructed or existing home. Through each Program, eligible borrowers are able to apply for a 30 year fixed rate mortgage loan and receive 5 percent down payment assistance of the mortgage loan amount in the form of a grant. The programs are accessible to eligible borrowers by directly contacting a trained, participating mortgage lender.

The 2004 Professional Educator Home Loan Program fully originated the \$25,000,000 bond fund allocation. In July 2005, the Corporation issued \$25,000,000 in mortgage revenue private activity bonds for additional loans to professional educators, of which, \$8,956,000 is already committed for new loans. Since its inception in 2001, the program has financed 418 homes for professional educators.

As of September 2005, the Fire Fighters and Law Enforcement or Security Officers Home Loan Program had issued \$15,500,000 in loan commitments, which has or will finance 152 homes. The Nursing Faculty Home Loan Program was established by the Legislature in 2005. The Corporation plans to issue bonds to fund the program this year.

2006 IMPLEMENTATION PLAN

The Corporation's primary goal for 2006 will be to continue to develop a financing structure that minimizes the Programs' mortgage interest rate and offers the best possible down payment assistance grant to the borrowers. Down payment assistance is especially critical when the spread between conventional mortgage rates and tax-exempt mortgage rates have reached historical lows. The Corporation will also continue to advertise and to receive input about the Programs by attending teacher, police officer, firefighter, home builder, real estate agent, and lender association conventions and trade shows in 2005 and 2006.

The eligibility for the Fire Fighter and Law Enforcement or Security Officer Home Loan Program was expanded by the Legislature in 2005 to include county law enforcement officers and to include corrections officers. As a result, the Corporation has and will continue to reach out to these newly eligible homebuyers through meetings with the Texas Department of Criminal Justice and county law enforcement organizations. The Corporation will also provide information to the nursing faculty centers across the state to let their educators know that they are now eligible for a home loan through the Nursing Faculty Home Loan Program. In addition, the Corporation will continue to train and develop relationships with mortgage lenders who represent the Programs to the borrowers.

AFFORDABLE HOMEOWNERSHIP PROGRAM FOR TEXAS

One of the Corporation's main initiatives is to provide housing opportunities to Texans that do not have comparable housing options through conventional financial channels. Many families throughout Texas seeking to purchase a home are not able to meet the traditional lending requirements and, up to now, have had no other option than to rent. In order to

meet this need and provide deserving families with a financing alternative for achieving the American dream of homeownership, the Corporation developed the Affordable Homeownership Program for Texas ("Program").

The Program, developed through a partnership between Ameriquest Mortgage Company ("Ameriquest") and the Corporation, provides borrowers with an affordable mortgage financing option that will allow them the opportunity to achieve homeownership. As a result of this partnership, Ameriquest has committed up to \$100 million dollars for mortgage loans and the Corporation has committed \$1 million dollars for down payment assistance to the Program.

The Program was established to serve those individuals and/or families in Texas that have FICO scores between 525 and 610 and that are at or below 80% of the AMFI by providing them access to an affordable mortgage loan product and down payment assistance in an amount up to seven percent (7%) of the mortgage loan amount. In addition, the Program rewards borrowers who make timely mortgage payments with lower interest rates and lower mortgage payments. Borrowers will receive a 50 basis point (.5%) reduction in their mortgage interest rate for every 12 months of on-time payments. As a result, Borrowers can reduce their mortgage interest rate by up to two percent (2%) during the first 48 months of their mortgage loan.

The Corporation and Ameriquest believe home buyer education is an essential component to the success of home ownership. Under the Program, borrowers will be provided pre and post-closing Home Buyer Education Training by ACORN Housing. ACORN Housing is a national housing counseling organization, helping low and moderate income homebuyers and homeowners since 1986. Additionally, borrowers will have intervention assistance available to them during the life of the mortgage loan. We believe this training and assistance is crucial to the success of this Program.

Since 2004, the Program has provided 36 loans to individuals and families who otherwise might not have achieved the dream of home ownership.

2006 IMPLEMENTATION PLAN

The initial release of the Program in 2004 was limited to south Texas through a local affordable housing provider (CDC Brownsville). In 2005, the Corporation released the Program statewide and continues to market the program to local community development corporations, non-profits and other entities involved in affordable housing. The Corporation will also begin an aggressive marketing campaign in 2006, by starting a 1-800 phone number in conjunction with an on-line application system and through the issuance of press releases and other marketing materials.

MULTIFAMILY PRIVATE ACTIVITY BOND PROGRAM

The Texas Legislature in 2003 allocated 10 percent of the multifamily private activity bond cap to the Corporation so that local governments could be more involved in assessing and addressing their own local multifamily housing needs and at the same time could use the expertise of the state to issue the bonds. The available amount for funding in 2005 was approximately \$40 million, and a similar amount will be available for 2006. Nonprofit and for profit developers can use the funds to finance acquisition and rehabilitation or new construction of multifamily residential rental units across the state. Developers are encouraged to leverage the private activity bond funds by using Low Income Housing Tax Credits (LIHTC) available through TDHCA.

The Corporation's Private Activity Bond program statute requires the Corporation to target areas with the greatest housing need that have expressed local community support for affordable multifamily housing. The statute also requires the Corporation to solicit proposals from developers to provide the specific housing development addressing the targeted housing need outlined in the request, whether for senior, rehabilitation, rural, migrant farm worker, or other specific housing need. Applications received in response to the request for proposal issued by the Corporation will be scored and ranked using criteria which analyzes financial feasibility and overall quality of the proposed Development. Tax-exempt private activity bond financing will be allocated to the highest-scoring proposal that meets the identified housing needs of the RFP, subject to available allocation.

The Corporation issued requests for proposals in 2005 for Arlington, Corpus Christi, and El Paso. The Corporation received an application for development under the Corpus Christi RFP. The development known as the North Side Manor Apartments was not induced due to federal subsidy factors that made the transaction financially infeasible.

2006 IMPLEMENTATION PLAN

In previous years, the Corporation targeted multifamily housing by specific geographic areas based on local need and community support from local government. However, targeting specific geographic areas has limited the Corporation's ability to meet the housing needs of the state and discouraged many developer organizations from applying. For the 2006 program, the Corporation is targeting specific areas of housing need for which current funding sources are insufficient or not readily available. The targeted areas of housing need might include targets such as rehabilitation, senior housing, rural housing pools, or migrant farm worker housing that would be solicited through a statewide request for proposal.

This new program focus is based on current research and information received during the two previous year's solicitations. In 2004 and 2005 the Corporation solicited participation in the private activity bond program by sending letters to mayors of all cities with a population over 10,000 people and all county judges. Discussing the various needs with each interested

city and county highlighted the diversity of needs for different areas of Texas. The larger metropolitan areas believed they were saturated with multifamily housing, but were interested in rehabilitation or redevelopment of existing multifamily housing that had fallen into disrepair. Cities with a lower population, generally not in urban areas, expressed interest in developing new multifamily housing to fill their affordable housing needs. However, addressing these needs on a geographic, city by city, basis was not practical. For instance, the development of affordable housing units in rural areas was requested, but a single rural development of approximately 40 units could not realistically be financed with bonds.

However, by pooling together several rural developments and using these economies of scale, a rural pool bond transaction could meet the financial feasibility test and would meet the needs of several rural communities. This need could be met in a specific "rural pool" request for proposal. Similarly, Corporation staff has identified senior housing and migrant farmworker housing as potential target areas for which specific requests for proposals could be issued.

For some of the targeted areas of housing need mentioned above, 4 percent tax credits and tax-exempt bonds together are not sufficient to provide a positive cash flow to developments in areas where the area median income is lower than the state average. Funding sources from outside these traditional financing methods must be obtained. Possible sources of funds may include monies from the HOME and Housing Trust Fund programs, USDA/Rural Housing Service, and grants from other interested groups specific to the housing need.

The Corporation will target areas of housing need in October and November of 2005 and will issue requests for proposals to meet those housing needs by January 2006. The deadline to turn in a proposal will be outlined in the specific request. We anticipate a submission deadline for all proposals between December of 2005 and March of 2006.

MULTIFAMILY 501(C)(3) BOND PROGRAM

The Corporation's 501(c)(3) Multifamily Bond Program was created to finance the acquisition and rehabilitation, or new construction, of affordable multifamily housing units throughout the state of Texas. Unlike the Corporation's PAB program, 501(c)(3) financing does not use volume cap allocation and applications can be considered year-round. Also different from the PAB program is that 501(c)(3) financing may not be used in conjunction with low income housing tax credits. Only qualified nonprofit developers, designated under the internal revenue code as 501(c)(3) organizations, are eligible to apply for 501(c)(3) financing.

In addition to providing safe, decent, and affordable rental housing to residents of the state of Texas, recipients of 501(c)(3) financing must adopt a dollar-for-dollar public benefit program, investing at least one dollar in rent reduction, capital improvement projects, or

social, educational, or economic development services for every dollar of abated property tax revenue they receive.

In 2001 and 2002 the Corporation provided \$487 million in financing for the preservation or creation of 7,700 units of affordable housing in the state of Texas. Since 2002 the Corporation has not considered applications or issued bonds under the 501(c)(3) program as a result of market changes and legislatively mandated changes requiring that any benefit of abated property tax must be transferred dollar-for-dollar into a public benefit program. In sum, the 501(c)(3) bond program has become inactive for many reasons, including the softening of the market for affordable housing in metropolitan areas, the fact that 4 percent tax credits cannot be used, and that abated property taxes cannot be used to pay off debt service.

2006 IMPLEMENTATION PLAN

The Corporation will monitor market conditions and will reactivate the program if demand shows the need for this type of financing to create needed multifamily affordable housing. Non-profit developers may choose to apply under the Corporation's Multifamily Private Activity Bond Program to be eligible for bond financing in addition to 4 percent tax credit equity.

MULTIFAMILY DIRECT LENDING PROGRAM

The Corporation's Multifamily Direct Lending Program provides permanent financing for the purpose of increasing and preserving the stock of affordable multifamily housing units throughout the state of Texas. The major focus of this program is to provide financing for smaller developments in rural and underserved areas of the state where bond financing is not practical. The Corporation's ability to offer permanent financing is facilitated through existing relationships with real estate investment companies that invest in affordable multifamily housing. The Community Development Trust, Inc. and the Federal Home Loan Bank of Dallas have been the Corporation's principal partners for this program.

In 2003 and 2004, the Corporation provided permanent financing in the aggregate amount of \$5,628,000 for five (5) separate developments in Odessa, Wichita Falls, Big Spring, Brady, and Stephenville. These developments have provided 412 units of affordable housing to low income Texans.

2006 IMPLEMENTATION PLAN

The Corporation is committed to administering and marketing our capabilities under this program in 2006. To this effort, the Corporation will market the program on its website and at public hearings across the state and will provide information to current and previous clients of the Corporation. In addition, our principal partners in this program will refer Texas based clients to the Corporation to meet their financing needs on the local level. Since the Federal Home Loan Bank requires a 25 percent risk sharing component on each loan, the

Corporation will pursue this program primarily through the Community Development Trust, Inc. so as not to restrict the Corporation's ability to use available financial resources for other programs.

ASSET OVERSIGHT AND COMPLIANCE

Asset Oversight of properties is required by many issuers of bonds, including the Corporation and TDHCA, to monitor the financial and physical health of a property and ensure that the bonds can be repaid at the rate required in the bond documents. Compliance monitoring ensures that the borrowers are providing the required number of affordable units to income eligible households and that quality resident services are provided to all residents of the property. Periodic on-site inspections and resident file review of affordable units ensure that all federal requirements relating to the tax-exempt status of the bonds are strictly adhered to.

The Corporation is currently providing asset oversight for 86 properties and compliance oversight for 38 properties. The Corporation staff performs yearly on-site compliance reviews and at least yearly on-site asset oversight reviews for these properties.

2006 IMPLEMENTATION PLAN

The Corporation will continue to provide asset oversight and compliance monitoring for our current portfolio. The Corporation will also work to contract with other entities to expand our asset oversight and compliance monitoring portfolio of business. Compliance monitoring and asset oversight revenues would continue to be used to fund current single family and multifamily programs.

GRANT PROGRAM

Although the Corporation has been a 501(c)(3) nonprofit entity since 2001, the Corporation has not actively pursued fundraising and grant opportunities. However, the Corporation provided the Single Family Professional Educator, Fire Fighter, Police Officer and Security Officer Programs \$400,000 from its cash reserves for down payment assistance in 2002, \$200,000 in 2004, and over \$400,000 in 2005. For the 2004 Private Activity Bond Program the Corporation provided from cash reserves a \$500,000 soft second loan for the Providence at Marshall Meadows development in San Antonio. The Corporation does not receive state appropriations and cannot sustain this level of subsidy for its programs and continue to stay in business. Both of these experiences, as well as reviewing other critical unmet housing needs identified by TDHCA and the Corporation, have prompted us to pursue the creation of a Grant Program to fund the following programs: Single Family Down Payment Assistance, Multifamily Gap Financing Assistance, Homebuyer Education, and an Interim Construction and Land Acquisition Program.

2006 IMPLEMENTATION PLAN

The Corporation's mission of affordable housing matches many foundation and grant objectives, and provides multiple opportunities for corporate sponsorship and cross-promoting. In 2006 the Corporation will create a Fundraising and Grant Program Action Plan that includes specific multifamily and single family needs, matches them with appropriate corporate, foundation, or grant resources, and establishes activities and a timeline within which to pursue those resources.

For instance, the Corporation will solicit corporate partners in the home improvement, home appliance, and large retail business sectors for down payment assistance for our Professional Educator, Fire Fighter, Police Officer, Security Officer, and Nursing Faculty bond programs. We will request a grant for down payment assistance and coupons for participating borrowers, such as \$50 off a refrigerator, or a \$100 coupon to the home improvement store. The Corporation will also work with national computer manufacturers to contribute a computer to every teacher, firefighter, police officer, corrections officer, or nurse educator that closes a loan through our program, and negotiate with telecommunications companies to contribute phone/internet service packages. These are just a few of the fundraising activities and initiatives that the Corporation will undertake in 2006.

In addition, the Corporation will apply for HUD grants and other government grants that target rural housing, or other housing need that the Corporation targets for its Private Activity Bond Program.

Tab 6

Presentation, Discussion and Possible Approval of the Corporation's 2005-2007 Business Plan.

For a copy of the Corporation's Business Plan, please visit www.tsahc.org

Tab 7

**Presentation, Discussion and Possible Ratification of
Settlement of Litigation styled Texas State Affordable Housing
Corporation v. WestEnd Properties, Inc.**

Discussion