

Official Board Packet



March Board Meeting

To be held at
Treaty Oak Bank
101 Westlake Dr.
Treaty Oak Conference Room
Austin, TX 78746

Friday, March 13, 2009
10:30 a.m.

BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
To be held at
Treaty Oak Bank
101 Westlake Drive
Treaty Oak Conference Room
Austin, Texas 78746
March 13, 2009 at 10:30 am

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

Thomas Leeper
Chair

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

PRESIDENT'S REPORT

David Long

- Legislative Update
- Texas Foreclosure Prevention Task Force
- Neighborhood Stabilization Program Update
- Texas Foundations Fund Award and Potential Applications
- Program Area Reports
- Monthly Budget and Investment Reports

ACTION ITEMS IN OPEN MEETING:

- | | |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tab 1 | Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on December 12, 2008. |
| Tab 2 | Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on February 13, 2009. |
| Tab 3 | Presentation, Discussion and Possible Approval of Policies Governing the Administration of the Affordable Communities of Texas Program. |
| Tab 4 | Presentation, Discussion, and Possible Action regarding Future Performance under the Asset Oversight Agent Service Agreement between the Corporation and the Texas Department of Housing and Community Affairs. |
| Tab 5 | Presentation, Discussion, and Possible Approval of the Establishment of a Contract Compliance Services Program. |

PUBLIC COMMENT

CLOSED MEETING

Consultation with legal counsel on legal matters – Texas Government Code § 551.071
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 Ross, 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

Texas Foreclosure Prevention Task Force Update

Texas Foreclosure Prevention Task Force

Update for the Board of Directors' Meeting March 13, 2009

TSAHC currently serves as a participating member and the fiscal agent for the Texas Foreclosure Prevention Task Force, and TSAHC President David Long was elected as Co-chairperson of the Task Force in January 2009. Through its involvement with the Texas Foreclosure Prevention Task Force, TSAHC has engaged in the following activities in March 2009:

1. TSAHC and TDHCA have finalized the Memorandum of Understanding (MOU) for the National Foreclosure Mitigation Counseling (NFMC) Program. Once TSAHC has received the first draw of funding from TDHCA, we will transfer the Program Related Support to the six sub-grantees. We have also begun receiving data submissions and are reimbursing the counseling organizations for their foreclosure mitigation counseling services.
2. The Task Force gave a presentation to the Texas Senate Committee on Intergovernmental Relations on February 18th regarding the foreclosure crisis in Texas. As a result of the statewide and legislative interest sparked by this presentation, the Task Force was asked participate in a subsequent Senate IGR Committee hearing on February 25th with other major stakeholders in the foreclosure crisis (including lenders, consumers, foreclosure counselors, etc.)
3. The Task Force continues to fundraise to support the efforts of our partner counseling agencies. We are in conversation with a major private foundation as well as a lending institution that have expressed interest in supporting the efforts of the Task Force and our partner counseling agencies. We also continue to seek sponsorships for the 5k run hosted by the Texas Mortgage Bankers Association that will benefit the Task Force.

Texas Foundations Fund Award



M E M O R A N D U M

To: David Long, President, Texas State Affordable Housing Corporation

From: Advisory Council, Texas State Affordable Housing Corporation

Date: March 2, 2009

Re: 2008 Texas Foundations Fund Grant Recommendations for Hurricane Relief

The Advisory Council recommends that the following organization be awarded \$50,000 to fund the housing project described in its 2008 Texas Foundations Fund for Hurricane Relief proposal as follows:

1. **Southeast Texas Interfaith Organization (SETIO)** – The grant will be used for the rehabilitation and/or critical repair of owner-occupied homes affected by Hurricane Ike in Hardin, Jefferson and Orange Counties. Critical repair and/or rehabilitation is defined as construction work necessary to alleviate hurricane damage to a home that without repair would cause or is causing a health or safety problem for the individual or family. The grant is designed to assist those individuals at or below 50% of the area median family income who were affected by the storm. SETIO will leverage this grant with funding from the United Way and the Southeast Texas Emergency Relief Fund. Based on SETIO's past experience assisting disaster victims, it is anticipated that approximately 8 single family homes, up to \$6,000 per home, will be served with this grant. However, other grant funds might be used with this award, and as a result more than eight homes could be repaired.

Program Area Reports



Development Finance Programs Report

Mar. 13, 2009

Summary of Activities

The Corporation's Multifamily Finance Program has been very busy working with the Texas Department of Housing and Community Affairs ("TDHCA") on an agreement for the Corporation to manage a statewide land bank using funding from the U.S. Department of Housing and Urban Development's Neighborhood Stabilization Program ("NSP"). The Corporation anticipates having an agreement with TDHCA in place by the end of March.

The use of NSP funds will be governed by the Corporation's Affordable Communities of Texas program policies that are being presented to the board this month. Additionally, the Corporation is talking with national organizations involved in land banking and foreclosure processing. Staff anticipates having additional access and foreclosed property lists and financial resources to expand our land banking efforts and leverage additional private financing with NSP funding.

The Corporation's loan and bond programs are also actively being marketed to developers. While we have been providing technical assistance to a number of small nonprofit developers for the past several months, no applications have been submitted. Additionally, the Corporation's request for a program related investment from the Calvert Foundation is under review, but we do not anticipate news about our qualification for funding until late spring.

Finally, the Manager of Multifamily Finance requested a change of title to better reflect the broad range of programs administered by him. The Corporation's President and Executive Vice President have approved the new title of Manager of Development Finance for Mr. David Danenfelzer.

Texas State Affordable Housing Corporation

Marketing/Development/Government Relations Report March 13, 2009

Date	Category	Activity Summary
February	Marketing	Marketing the HomeWorks Program to hospitals in Texas by advertising in the Texas Hospital Association's newsletter.
March	Marketing	Will continue to market Mortgage Credit Certificate Program with newsletter submissions to specific organizations.
March	Marketing	Will exhibit at the Texas Association of Community Development Corporation's Conference in Austin.
March	Marketing	Working on producing the TSAHC Annual Report.
March	Marketing	Creating marketing material for the Contract Compliance Services Program.
March	Development	Formalized MOU with TDHCA regarding the National Foreclosure Mitigation Counseling (NFMC) funds and have begun to allocate funds to participating counseling agencies.
March	Development	Awarding the first grant of the Texas Foundations Fund Disaster Relief cycle. Evaluating two additional applications for funding.
March	Development	Attending and presenting at the quarterly meeting of the North Texas Housing Coalition regarding the Foreclosure Prevention Task Force. Meeting with Task Force subgrantees in the Dallas/Fort Worth area.
Ongoing	Development	Continuing to plan and seek sponsorships for the 5K Fun Run that will benefit the Texas Foreclosure Prevention Task Force.
January	Government Relations	Presented at a Legislative Education Forum regarding the Texas Foreclosure Prevention Task Force.
Ongoing	Government Relations	Working on analysis of bills filed and meeting with legislative staff regarding legislation filed.
February	Government Relations	Attended the National Council of State Housing Agencies Legislative Conference in Washington DC.
February	Government Relations	Presented three times to Senate Intergovernmental Relations Committee regarding TSAHC programs and the Texas Foreclosure Prevention Task Force.

Financial Report

TEXAS STATE AFFORDABLE HOUSING CORPORATION
COMPARISON OF BUDGETED TO ACTUAL OPERATING ACTIVITY
(Prepared on a Cash Basis)

For the Five Months Ending January 31, 2009

	FY 2008		% of Annual
Revenues	Budget	Actual	Budget
Servicing Revenue, Net of Subservicer Fees	383,000	180,963	47.25%
Multifamily Revenue	138,000	34,900	25.29%
Principal & Interest on Notes Receivable	166,000	69,234	41.71%
Asset Oversight Revenue	662,000	280,586	42.38%
Investment Revenue	200,000	92,472	46.24%
Single Family	1,153,000	1,057,552	91.72%
Grants & Donations	75,000	5,079	6.77%
TOTAL REVENUES	2,777,000	1,720,786	61.97%
Expenditures			
Salaries & Payroll Related Expenditures	1,400,000	513,026	36.64%
Professional Services - Legal, Audit & IT	391,000	200,524	51.28%
Office & Equipment Lease	174,000	48,854	28.08%
Travel & Meals	70,000	28,010	40.01%
Principal & Interest on Notes Payable	100,900	38,526	38.18%
Furniture, Equipment & Software	56,000	7,343	13.11%
Marketing	46,500	8,744	18.80%
Insurance	21,700	-	0.00%
Professional Dues & Training	20,000	12,442	62.21%
Sponsorships & Grants	12,600	1,900	15.08%
Communication	14,000	6,829	48.78%
Bank Fees & Charges	10,000	4,103	41.03%
Office Supplies	4,000	1,930	48.25%
Publications, Subscriptions, Office Maintenance	5,500	4,717	85.76%
Freight, Delivery & Postage	6,000	1,391	23.18%
Printing	4,000	518	12.95%
TOTAL EXPENDITURES	2,336,200	878,857	37.62%
NET INCOME	440,800	841,929	191.00%

Target Percentage = 41.67%

TEXAS STATE AFFORDABLE HOUSING CORPORATION
UNAUDITED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
As of January 31, 2009

Operating Revenues

Interest and Investment Income	\$	6,849,245
Net Increase in Fair Value of Investments		6,997,882
Single Family Program Issuer and Servicing Fees		119,326
Asset Oversight and Compliance Fees		389,083
Loan Servicing Fees, Net of subservicer fees of \$48,853		117,783
Multifamily Bond Fees		21,548
Other Operating Revenue		47,579
Total Operating Revenues		<u>14,542,446</u>

Operating Expenses

Interest Expense on Bonds and Notes Payable	6,641,611
Down Payment Assistance Program	233,088
Salaries, Wages and Payroll Related Costs	513,026
Professional Fees and Services	145,229
Amortization	161,893
Office and Equipment Rental and Maintenance	42,122
Travel and Meals	27,976
Depreciation	8,156
Program and Loan Administration	242,231
Other Operating Expenses	61,599
Total Operating Expenses	<u>8,076,931</u>

Net Gain 6,465,515

Total Net Assets, Beginning 2,341,184

Total Net Assets, Ending \$ 8,806,699

TEXAS STATE AFFORDABLE HOUSING CORPORATION
UNAUDITED STATEMENT OF NET ASSETS
As of January 31, 2009

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	4,438,887
Restricted Assets Held by Bond Trustee:		
Cash and Cash Equivalents		2,109,280
Short-term Investments, at Fair Market Value		3,434,502
Accrued Interest		547,258
Investments, at Fair Market Value		1,994,990
Accounts Receivable & Accrued Revenue, Net of uncollectible amts. of \$739,167		474,460
Accrued Interest Receivable		109,081
Loans Receivable, Current Portion		62,219
Notes Receivable, Current Portion		54,402
Prepaid Expenses		13,088

Total Current Assets:		13,238,167
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Noncurrent Assets:

Loans Receivable, Net of uncollectible amounts of \$91,726		1,249,858
Notes Receivable		2,899,304
Mortgage Servicing Rights, Net of Accumulated Amortization of \$1,839,139		888,921
Fixed Assets, Net of Accumulated Depreciation of \$224,801		1,133,046
Custodial Cash and Cash Equivalents		199,964
Bond Issuance Costs, Net of Amortization of \$822,148		4,837,689
Restricted Investments Held by Bond Trustee, at Fair Market Value		276,013,573

Total Noncurrent Assets:		287,222,355
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TOTAL ASSETS:		300,460,522
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LIABILITIES & NET ASSETS

Current Liabilities:

Accounts Payable and Accrued Expenses		53,073
Notes Payable, Current Portion		16,636
Other Current Liabilities		9,278
Payable from Restricted Assets Held by Bond Trustee:		
Bonds Payable, Current Portion		11,312,980
Accrued Interest on Bonds		2,094,621

Total Current Liabilities:		13,486,588
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Noncurrent Liabilities:

Multifamily Custodial and Reserve Funds		199,964
Notes Payable		2,853,848
Revenue Bonds Payable		274,549,465
Deferred Revenue		563,958

Total Noncurrent Liabilities:		278,167,235
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Total Liabilities:		291,653,823
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Net Assets:

Invested in Capital Assets		1,133,046
Unrestricted Net Assets		7,673,653

Total Net Assets:		8,806,699
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TOTAL LIABILITIES & NET ASSETS	\$	300,460,522
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T E X A S
State Affordable Housing Corporation

Monthly Investment Report

January 31, 2009



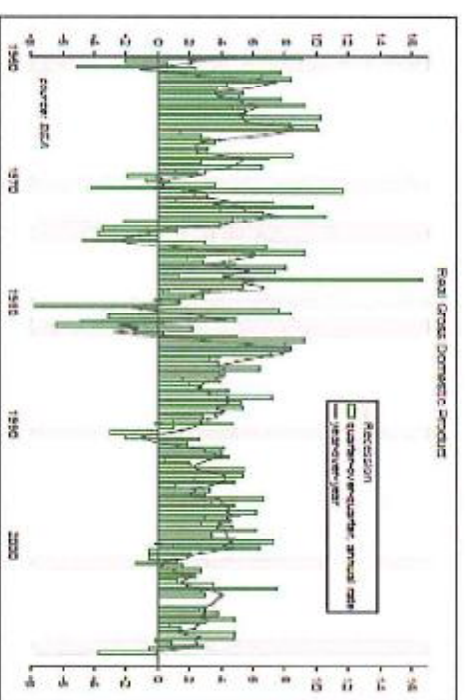
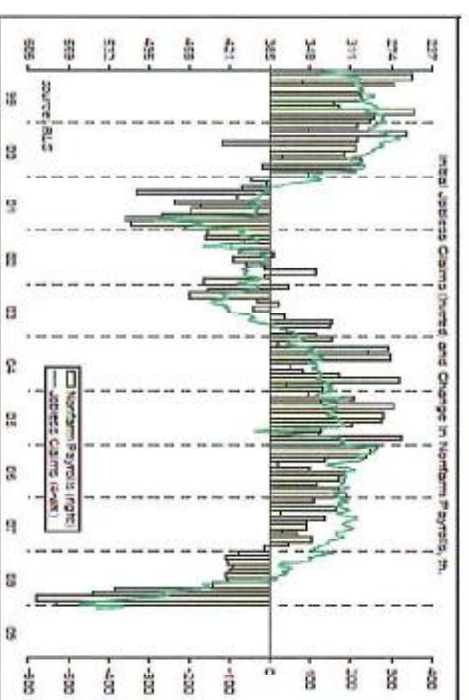
The Economy Continues in Decline

The economy has continued to sink to perhaps the worst economic conditions in our lifetime. But, it is still not a depression but a recession.

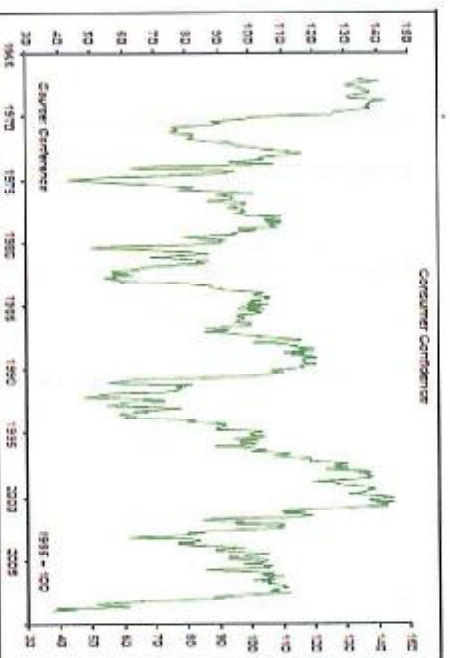
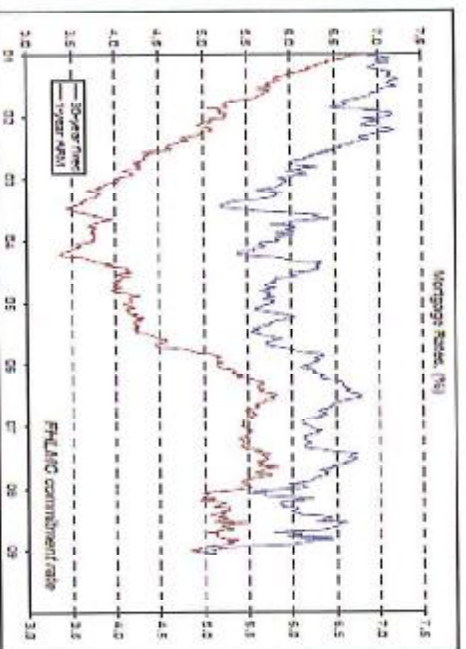
Retail sales in December were puny and there is a wave of layoffs nationwide as businesses prepare for slower conditions. GDP dropped to -3.8% - much worse than expected.

The stimulus program is experiencing a slow and difficult route through Congress as a multitude of controls are added.

The ultimate conditions of accepting TARP money may decrease its value. Financial institutions are not interested in having their hands tied for an extended period of time.

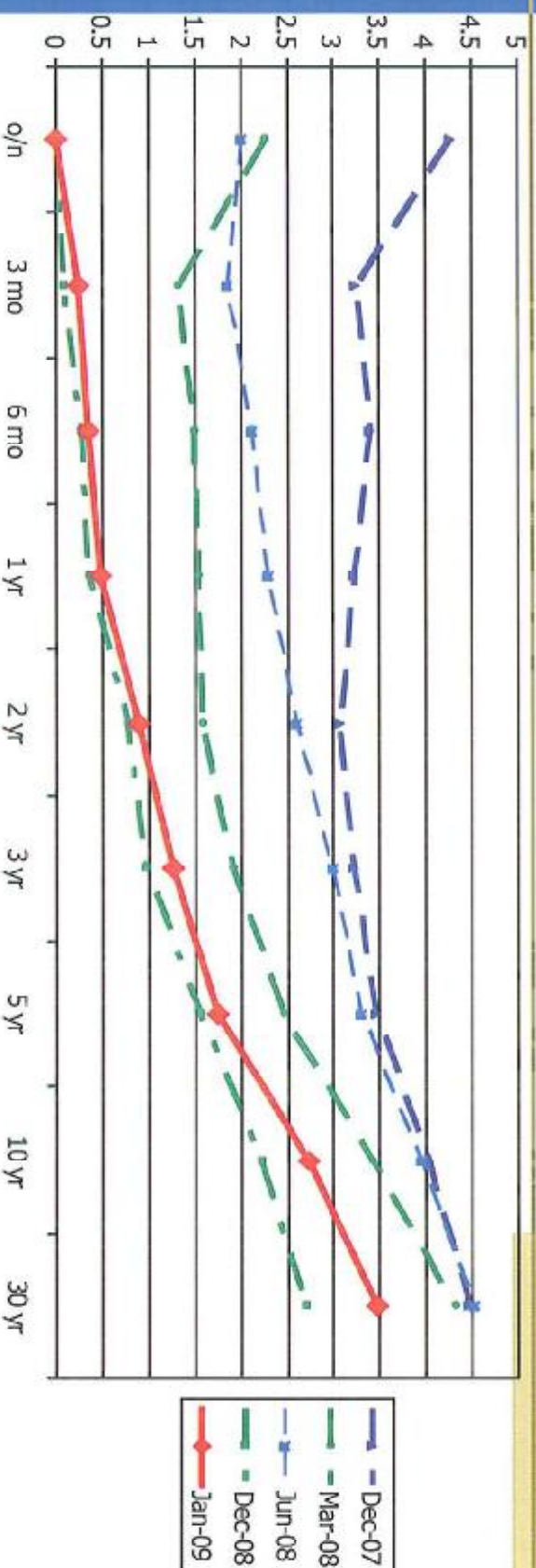


Consumers Flee from Stores and Confidence Drops



- The great *hope* engendered by the inauguration has major obstacles as reality sets in. Consumer confidence has plummeted and at this point major buying can be anticipated.
- Mortgage rates have dropped and existing homes are being sold, but overwhelmingly these are foreclosed houses.
- Auto sales are down almost 50% from last year.
- Major item sales will only increase when banks start loaning funds.
- Banks will only start loaning funds when they regain confidence in pricing the bad assets on their books or find the ability to shed those depressed assets.
- To move the bad assets, the US government is floating different plans to buy those assets or move them to a *bad bank*. Considerable work remains to be done on a political level.

A Historical Curve – A Slow, Slow Change



- US Treasuries remain the “safe-harbor” for funds across the globe. As troubles continue even with overnight rates at zero, funds continue to stay in US issuances for safety.
- The Treasury has started its issuance of securities to fund the stimulus program and TARP which will test the trillion dollar mark. The first two weeks in February will see issuance of over \$60 billion – considerably more than the average \$12-13 billion per week.
- The enormous supply coming from Treasury and the agencies puts more supply in the market and changes the situation to more of a supply and demand balance. With more supply, the rates will tend to inch (or soar) higher as prices are reduced to get this huge amount of money to work.
- Rate change will not be quick and steady – we are looking for fits and starts on the rates as the curve develops a sleepiness needed by the banks so that they can borrow low and loan out high.

Your Portfolio

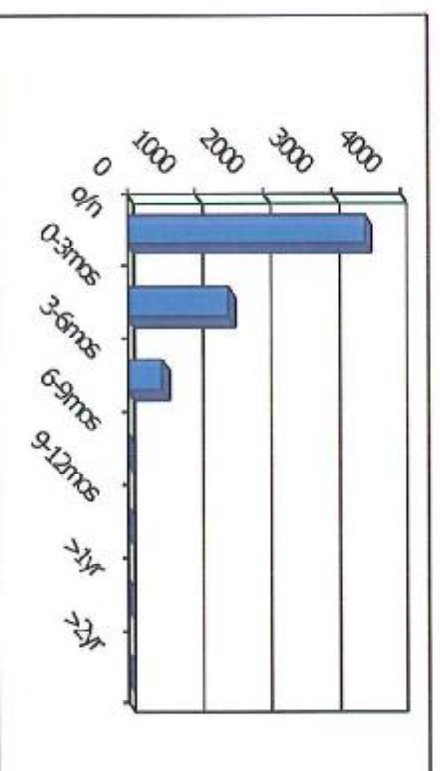
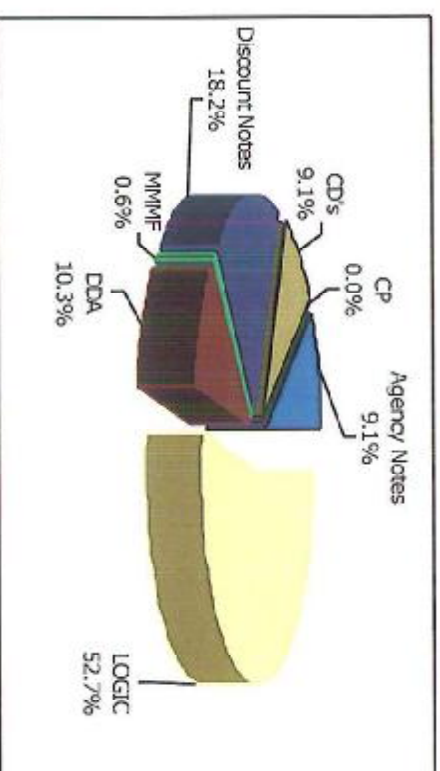
As of January 31, 2009

P&A constantly reviews your portfolio on the basis of its asset allocation and its weighted average maturity. A diversified portfolio can better adjust to volatile market conditions like the ones which we will continue to see in 2009.

Impact in the bond markets and on your portfolio has been primarily higher credit quality with guarantees. The extremely low rates will probably continue, although increased supply *may* bring some increase in the near future.

The Fed Funds rate will remain at 0% "for some time." The Fed is now free to pursue aggressive asset purchases and reserve expansion. This is to support the financial markets as well as stimulate the economy.

Our recommendation and actions remain to find value in any security while avoiding total liquidity, which will remain at the low level. Opportunities will be rare but are there. We are watching for any opportunities.





INVESTMENT PROFESSIONALS

**Texas State Affordable Housing
Portfolio Management
Portfolio Summary
January 31, 2009**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX 78701

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
Certificates of Deposit - Bank	500,000.00	500,000.00	500,000.00	9.13	180	57	3.457
Federal Agency Coupon Securities	500,000.00	502,812.50	500,000.00	9.13	365	83	2.625
Federal Agency Disc. Amortizing	1,000,000.00	999,700.00	994,900.00	18.17	179	54	3.491
LOGIC	2,887,042.77	2,887,042.77	2,887,042.77	52.73	1	1	1.293
FHLB Dallas-Money Fund	30,735.61	30,735.61	30,735.61	0.56	1	1	0.511
Federated Money Market Fund	79,445.14	79,445.14	79,445.14	1.45	1	1	0.511
Bank of America-Checking Account	477,778.93	477,778.93	477,778.93	8.73	1	1	0.283
Wells Fargo Bank	4,897.50	4,897.50	4,897.50	0.09	1	1	0.000
Investments	5,479,899.95	5,482,412.45	5,474,889.95	100.00%	83	24	1.908

Total Earnings	January 31 Month Ending	Fiscal Year To Date
Current Year	11,025.75	60,712.06
Average Daily Balance	3,794,929.01	6,012,677.13

The following reports are submitted in accordance with the Public Funds Investment Act (Texas Gov't Code 2256). The reports also offer supplemental information not required by the Act in order to fully inform the governing body of the Texas State Affordable Housing Corporation of the position and activity within the Corporation's portfolio of investments. The reports include a management summary overview, a detailed inventory report for the end of the period, a transaction report, as well as graphic representations of the portfolio to provide full disclosure to the governing body.

Merinda Smith 2/2009
Merinda Smith, Chief Financial Officer

Reporting period 01/01/2009-01/31/2009



INVESTMENT MANAGEMENT

Texas State Affordable Housing Summary by Type January 31, 2009 Grouped by Fund

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX, 78701

Security Type	Number of Investments	Per Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Fund: Bunker Hill Debt						
Bank of America-Checking Account	1	22,678.09	22,678.09	0.41	0.500	1
Subtotal	1	22,678.09	22,678.09	0.41	0.500	1
Fund: Bunker Hill Operating						
Bank of America-Checking Account	1	22,687.86	22,687.86	0.41	0.500	1
Subtotal	1	22,687.86	22,687.86	0.41	0.500	1
Fund: Bunker Hill Senior						
Bank of America-Checking Account	1	52,312.50	52,312.50	0.96	0.270	1
Subtotal	1	52,312.50	52,312.50	0.96	0.270	1
Fund: Disbursement						
Bank of America-Checking Account	1	0.00	0.00	0.00	0.000	0
Subtotal	1	0.00	0.00	0.00	0.000	0
Fund: General Investments						
Federated Money Market Fund	1	79,445.14	79,445.14	1.45	0.511	1
Certificates of Deposit - Bank	1	500,000.00	500,000.00	0.13	3.457	57
Federal Agency Disc. - Amortizing	1	1,000,000.00	994,990.00	18.17	3.491	54
Federal Agency Coupon Securities	1	500,000.00	500,000.00	0.13	2.625	83
FHLB Dallas-Money Fund	1	30,735.61	30,735.61	0.56	0.511	1
LOGIC	1	2,887,042.77	2,887,042.77	52.73	1.295	1
Subtotal	6	4,997,223.52	4,992,213.52	91.17	2.065	26
Fund: Operating Fund						
Bank of America-Checking Account	1	4,726.00	4,726.00	0.09	0.000	1
Subtotal	1	4,726.00	4,726.00	0.09	0.000	1
Fund: Payment Clearing						

Texas State Affordable Housing
Summary by Type
January 31, 2009
Grouped by Fund

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Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Fund: Payment Clearing						
Bank of America-Checking Account	1	0.00	0.00	0.00	0.000	0
Subtotal	1	0.00	0.00	0.00	0.000	0
Fund: Sagebrush Apartments						
Bank of America-Checking Account	1	40,432.42	40,432.42	0.74	0.170	1
Subtotal	1	40,432.42	40,432.42	0.74	0.170	1
Fund: Sagebrush Apartments - Debt						
Bank of America-Checking Account	1	38,850.53	38,850.53	0.71	0.500	1
Subtotal	1	38,850.53	38,850.53	0.71	0.500	1
Fund: Sagebrush Apartments - Oper.						
Bank of America-Checking Account	1	23,022.50	23,022.50	0.42	0.500	1
Subtotal	1	23,022.50	23,022.50	0.42	0.500	1
Fund: T & I						
Bank of America-Checking Account	1	0.00	0.00	0.00	0.000	0
Subtotal	1	0.00	0.00	0.00	0.000	0
Fund: Texas Foreclosure Prevention						
Bank of America-Checking Account	1	270,016.26	270,016.26	4.93	0.225	1
Subtotal	1	270,016.26	270,016.26	4.93	0.225	1
Fund: Texas Foundations						
Bank of America-Checking Account	1	0.00	0.00	0.00	0.000	0
Subtotal	1	0.00	0.00	0.00	0.000	0
Fund: TX Home Education						
Bank of America-Checking Account	1	3,072.77	3,072.77	0.06	0.000	1
Subtotal	1	3,072.77	3,072.77	0.06	0.000	1
Fund: Wells Fargo - CDC						
Wells Fargo Bank	1	4,897.50	4,897.50	0.09	0.000	1
Subtotal	1	4,897.50	4,897.50	0.09	0.000	1

Total and Average	20	5,479,899.95	5,474,839.95	100.00	1.908	24
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**Texas State Affordable Housing
Fund BHDEBT - Bunker Hill Debt
Investments by Fund
January 31, 2009**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX, 78701

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
090999991	0015	Bank of America	09/01/2006	22,678.00	22,678.09	22,678.09	0.500	0.493	0.500		1
		Subtotal and Average		22,678.09	22,678.09	22,678.09		0.493	0.500		1
		Total Investments and Average		22,678.09	22,678.09	22,678.09		0.493	0.500		1

Fund BHOPER - Bunker Hill Operating
Investments by Fund
January 31, 2009

Page 2

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Per Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999939991	0010	Bank of America	09/01/2006	22,667.86	22,667.86	22,667.86	0.530	0.493	0.500		1
		Subtotal and Average		22,667.86	22,667.86	22,667.86	0.493	0.500			1
		Total Investments and Average		22,667.86	22,667.86	22,667.86	0.493	0.500			1

Fund BHSENIOR - Bunker Hill Senior
Investments by Fund
January 31, 2009

Page 3

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0006	Bank of America	09/01/2006	52,312.50	52,312.50	52,312.50	0.270	0.266	0.270		1
		Subtotal and Average		52,312.50	52,312.50	52,312.50		0.266	0.270		1
		Total Investments and Average		52,312.50	52,312.50	52,312.50		0.266	0.270		1

Fund GENERAL - General Investments
Investments by Fund
January 31, 2009

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Certificates of Deposit - Bank											
100072321854	40	Certificate of Deposit	10/01/2008	500,000.00	500,000.00	500,000.00	3.410	3.410	3.457	03/30/2009	57
		Subtotal and Average		500,000.00	500,000.00	500,000.00	3.410	3.410	3.457		57
Federal Agency Coupon Securities											
3133XOX23	36	FHLB Note	05/05/2008	500,000.00	500,000.00	502,812.50	2.625	2.589	2.525	05/05/2009	93
		Subtotal and Average		500,000.00	500,000.00	502,812.50	2.589	2.589	2.625		93
Federal Agency Disc.-Amortizing											
3133SDP8	39	FHLB DN	09/29/2008	994,990.00	1,000,000.00	999,700.00	3.443	3.443	3.491	03/27/2009	54
		Subtotal and Average		994,990.00	1,000,000.00	999,700.00	3.444	3.444	3.491		54
LOGIC											
999999996	9005	Logic	09/01/2006	2,887,042.77	2,887,042.77	2,887,042.77	1.295	1.277	1.294		1
		Subtotal and Average		2,887,042.77	2,887,042.77	2,887,042.77	1.277	1.277	1.295		1
FHLB DaiIae-Money Fund											
999999995	9002	FHLB Money Market Fund	09/01/2006	30,735.61	30,735.61	30,735.61	0.511	0.504	0.511		1
		Subtotal and Average		30,735.61	30,735.61	30,735.61	0.504	0.504	0.511		1
Federated Money Market Fund											
60934N907	8	Bank of America Money Market	08/01/2006	79,445.14	79,445.14	79,445.14	0.511	0.504	0.511		1
		Subtotal and Average		79,445.14	79,445.14	79,445.14	0.504	0.504	0.511		1
		Total Investments and Average		4,992,213.52	4,997,223.52	4,999,736.02	2.037	2.037	2.065		26

Fund OPERATING - Operating Fund
Investments by Fund
January 31, 2009

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
989995991	0001	Bank of America	09/01/2006	4,726.00	4,726.00	4,726.00					1
			Subtotal and Average	4,726.00	4,726.00	4,726.00		0.000	0.000		1
			Total Investments and Average	4,726.00	4,726.00	4,726.00		0.000	0.000		1

Fund SBAPT - Sagebrush Apartments
Investments by Fund
January 31, 2009

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0011	Bank of America	09/01/2006	40,432.42	40,432.42	40,432.42	0.170	0.167	0.170		1
			Subtotal and Average	40,432.42	40,432.42	40,432.42		0.168	0.170		1
			Total Investments and Average	40,432.42	40,432.42	40,432.42		0.168	0.170		1

Fund SBDEBT - Sagebrush Apartments - Debt
Investments by Fund
January 31, 2009

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Per Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0013	Bank of America	09/01/2006	38,850.53	38,850.53	38,850.53	0.500	0.493	0.500		1
		Subtotal and Average		38,850.53	38,850.53	38,850.53		0.493	0.500		1
		Total Investments and Average		38,850.53	38,850.53	38,850.53		0.493	0.500		1

Fund SBOPER - Sagebrush Apartments - Oper.
Investments by Fund
January 31, 2009

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0012	Bank of America	09/31/2006	23,022.50	23,022.50	23,022.50	0.500	0.493	0.500		1
		Subtotal and Average		23,022.50	23,022.50	23,022.50		0.493	0.500		1
		Total Investments and Average		23,022.50	23,022.50	23,022.50		0.493	0.500		1

Fund TXFORE - Texas Foreclosure Prevention
Investments by Fund
January 31, 2009

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	35	Bank of America	04/01/2009	270,016.26	270,016.26	270,016.26	0.225	0.221	0.224		1
			Subtotal and Average	270,016.26	270,016.26	270,016.26		0.222	0.225		1
			Total Investments and Average	270,016.26	270,016.26	270,016.26		0.222	0.225		1

Fund TXHOME - TX Home Education
Investments by Fund
January 31, 2009

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
959999991	0002	Bank of America	05/01/2005	3,072.77	3,072.77	3,072.77					1
		Subtotal and Average		3,072.77	3,072.77	3,072.77		0.000	0.000		1
		Total Investments and Average		3,072.77	3,072.77	3,072.77		0.000	0.000		1

Fund WELLS - Wells Fargo - CDC
Investments by Fund
January 31, 2009

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CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Wells Fargo Bank 999999994	0014	Wells Fargo Bank									
			DEC1/2005	4,897.50	4,897.50	4,897.50				1	
			Subtotal and Average	4,897.50	4,897.50	4,897.50		0.000	0.000	1	
			Total Investments and Average				4,897.50	4,897.50	4,897.50		0.000

**Texas State Affordable Housing
Cash Reconciliation Report
For the Period January 1, 2009 - January 31, 2009
Grouped by Fund**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX 78701

Trans. Date	Investment #	Fund	Trans. Type	Security ID	Par Value	Security Description	Maturity Date	Purchases	Interest	Redemptions	Cash
General Investments											
01/01/2009	40	GENERAL	Interest	10037232165	500,000.00	CD 0.5M 3.41% Mat. 03/30/2009	03/30/2009	0.00	1,468.19	0.00	1,468.19
01/02/2009	41	GENERAL	Call	3133XSE53	1,000,000.00	0.0M 3.80%	10/02/2009	0.00	0.00	1,000,000.00	1,003,000.00
01/30/2009	38	GENERAL	Maturity	313366BF2	1,000,000.00	FHON 1.0M 0.00% Mat. 01/30/2009	01/30/2009	0.00	0.00	1,000,000.00	1,002,000.00
							Subtotal	0.00	1,468.19	2,000,000.00	2,004,468.19
							Total	0.00	1,468.19	2,000,000.00	2,004,468.19



Texas State Affordable Housing Maturity Report Sorted by Maturity Date

Amounts due during January 1, 2009 - January 31, 2009

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX 78701

CUSIP	Investment #	Fund	Sec. Type	Issuer	Par Value	Maturity Date	Purchase Date at Maturity	Rate at Maturity	Book Value at Maturity	Interest	Maturity Proceeds	Net Income
313388BF2	38	GENERAL	AFD	FHON	1,000,000.00	01/30/2009	09/29/2008		1,000,000.00	0.00	1,000,000.00	0.00
Total Maturities					1,000,000.00				1,000,000.00	0.00	1,000,000.00	0.00



**Texas State Affordable Housing
Sales/Call Report
Sorted by Maturity Date - Fund
January 1, 2009 - January 31, 2009**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX, 78701

CUSIP	Investment #	Fund	Issuer Sec. Type	Purchase Date	Redem. Date	Par Value	Rate at Redem.	Book Value at Redem.	Redemption Principal	Redemption Interest	Total Amount	Net Income
10/02/2009	41	GENERAL	PHLB FAC	10/02/2008	01/02/2009	1,000,000.00	3.800	1,000,000.00	1,000,000.00	9,500.00	1,009,500.00	9,500.00
3133XSE63				10/02/2009		1,000,000.00		1,000,000.00	1,000,000.00	9,500.00	1,009,500.00	9,500.00
Subtotal						1,000,000.00		1,000,000.00	1,000,000.00	9,500.00	1,009,500.00	9,500.00
Total Sales						1,000,000.00		1,000,000.00	1,000,000.00	9,500.00	1,009,500.00	9,500.00



**Texas State Affordable Housing
Interest Earnings
Sorted by Fund - Fund
January 1, 2009 - January 31, 2009
Yield on Average Book Value**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX, 78701

Adjusted Interest Earnings

CUSIP	Investment #	Fund	Issuer	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
Fund: Bunker Hill Debt												
969999991	0015	BHDEBT	BOA	22,673.08	22,668.46	22,669.08		0.500	0.500	9.63	0.00	9.63
		Subtotal		22,673.09	22,668.46	22,669.08			0.500	9.63	0.00	9.63
Fund: Bunker Hill Operating												
969999991	0010	BHOPER	BOA	22,667.96	22,658.24	22,658.96		0.500	0.500	9.62	0.00	9.62
		Subtotal		22,667.96	22,658.24	22,658.96			0.500	9.62	0.00	9.62
Fund: Bunker Hill Senior												
969999991	0009	BHSENIOR	BOA	52,312.50	51,567.36	51,568.12		0.270	0.270	11.81	0.00	11.81
		Subtotal		52,312.50	51,567.36	51,568.12			0.270	11.81	0.00	11.81
Fund: General Investments												
3133XQX23	36	GENERAL	PHLB	600,000.00	600,000.00	600,000.00	05/05/2009	2.625	2.576	1,063.75	0.00	1,063.75
3133XSE63	41	GENERAL	PHLB	1,000,000.00	1,000,000.00	32,258.06	10/02/2009	3.800	3.853	105.56	0.00	105.56
3133ESBF2	38	GENERAL	PHDN	1,000,000.00	997,333.81	934,279.70	01/30/2009		3.360	2,666.39	0.00	2,666.39
3133ESDP8	39	GENERAL	PHDN	1,000,000.00	992,113.89	993,598.33	03/27/2009	1.285	3.408	0.00	2,876.11	2,876.11
969999996	9005	GENERAL	LOGIC	2,887,042.77	218,399.27	218,399.82		0.511	0.878	55.18	0.00	55.18
60934NB07	8	GENERAL	DOAMV	79,446.14	79,389.96	79,389.52		0.511	0.037	1.16	0.00	1.16
969999995	8002	GENERAL	PHLBMN	30,735.81	37,389.55	37,389.62		0.511	0.037	1.16	0.00	1.16
10007232654	40	GENERAL	CO	500,000.00	500,000.00	500,000.00	03/30/2009	3.410	3.457	1,468.20	0.00	1,468.20
		Subtotal		6,997,223.52	4,324,626.28	3,295,489.06			3.898	5,367.35	5,542.50	10,909.85
Fund: Sagebrush Apartments												
969999991	0011	SBAPT	BOA	40,432.42	39,426.75	39,427.12		0.170	0.169	5.67	0.00	5.67
		Subtotal		40,432.42	39,426.75	39,427.12			0.169	5.67	0.00	5.67
Fund: Sagebrush Apartments - Debt												
969999991	0013	SBDEBT	BOA	38,850.53	38,034.04	38,835.10		0.500	0.500	16.49	0.00	16.49

**Texas State Affordable Housing
Interest Earnings**
January 1, 2009 - January 31, 2009

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											Adjusted Interest Earnings		
CUSIP	Investment #	Fund	Issuer	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings	
Fund: Sagebrush Apartments - Oper.													
999999991	0012	SDCPR	BOA	23,022.50	23,012.73	23,013.36		0.500	0.500	9.77	0.00	9.77	
			Subtotal	23,022.50	23,012.73	23,013.36			0.500	9.77	0.00	9.77	
Fund: Texas Foreclosure Prevention													
999999991	35	TXFORE	BOA	270,013.26	284,719.65	284,723.06		0.225	0.219	52.92	0.00	52.92	
			Subtotal	270,013.26	284,719.65	284,723.06			0.219	52.92	0.00	52.92	
			Total	7,457,203.68	4,807,513.51	3,773,383.77			3.436	5,403.26	5,542.50	11,025.76	



**Texas State Affordable Housing
Amortization Schedule
January 1, 2009 - January 31, 2009
Sorted By Fund - Fund**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX 78701

Investment #	Fund	Maturity Date	Beginning Par Value	Purchase Principal	Original Premium or Discount	Ending Book Value	Amounts Amortized And Unamortized As of 01/01/2009	Amount Amortized This Period	Am't Amortized Through 01/31/2009	Amount Unamortized Through 01/31/2009
General Investments										
38	GENERAL	01/30/2009	1,000,000.00	988,990.83	-11,309.17	0.00	8,642.78	2,666.39	11,309.17	0.00
FHLB DN							-2,666.39			
39	GENERAL	03/27/2009	1,000,000.00	993,392.78	-16,607.22	994,990.00	8,721.11	2,676.11	11,597.22	-5,010.00
FHLB DN							-7,865.11			
			Subtotal	1,972,083.61	-27,916.39	994,990.00	17,363.89	5,342.50	22,906.39	-5,010.00
							-10,552.50			
	Total			1,972,083.61	-27,916.39	994,990.00	17,363.89	5,342.50	22,906.39	-5,010.00
							-10,552.50			



**Texas State Affordable Housing
Projected Cashflow Report**

Sorted by Fund

For the Period February 1, 2009 - August 31, 2009

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX, 78701

Projected Trans. Date	Investment #	Fund	Secure ID	Transaction Type	Issuer	Par Value	Original Cost	Principal	Interest	Total
General Investments										
02/01/2009	40	GENERAL	100072321654	Interest	Certificate of Deposit	500,000.00	500,000.00	0.00	1,468.19	1,468.19
03/01/2009	40	GENERAL	100072321654	Interest	Certificate of Deposit	500,000.00	500,000.00	0.00	1,326.11	1,326.11
03/27/2009	39	GENERAL	313385DP8	Maturity	FHLB DN	1,000,000.00	983,392.76	1,000,000.00	0.00	1,000,000.00
03/30/2009	40	GENERAL	100072321654	Maturity	Certificate of Deposit	500,000.00	500,000.00	500,000.00	1,373.47	501,373.47
05/25/2009	38	GENERAL	3133XOX23	Maturity	FHLB Note	500,000.00	500,000.00	500,000.00	6,562.50	506,562.50
Total for General Investments						3,000,000.00	2,983,392.76	2,000,000.00	10,730.27	2,010,730.27
GRAND TOTAL\$:						3,000,000.00	2,983,392.76	2,000,000.00	10,730.27	2,010,730.27

**BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION**

**Held at
Treaty Oak Bank
101 Westlake Drive
Treaty Oak Conference Room
Austin, Texas 78746
December 12, 2008 at 11:00 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 Thomas Leeper, Chair, at 11:07 a.m., on December 12, 2008, at Treaty Oak Bank, 101 Westlake Drive, Treaty Oak Conference Room, Austin, TX 78701. Roll Call certified that a quorum was present.

Members Present

Thomas A. Leeper, Chair
Jesse A. Coffey, Vice Chair
Robert Elliott Jones, Member

Members Absent

R. Carter Sanders, Member
Jo Van Hovel, Member

Staff Present

David Long, President
Melinda Smith, Chief Financial Officer
Nick Lawrence, Controller
Betsy Lau, Accountant
Cynthia Gonzales, Office Manager and Assistant Corporate Secretary
Paige McGilloway, Single Family Programs Manager
David Danenfelzer, Multifamily Programs Manager
Joshua Schirr, Asset Oversight and Compliance Manager
Janie Taylor, Manager of Marketing and Development
Katie Howard, Development Coordinator

Special Guests

Rob Dubbelde, Greenberg Traurig
Don Mikeska, Mikeska Monahan and Peckham
Robin Miller, First Southwest Company
Elena Peinado, Texas Department of Housing and Community Affairs

Audit Committee Report

Ms. Smith reported that the Audit Committee had met prior to the Board Meeting and reviewed the November Audit Committee Meeting minutes and the Annual Audit Report. Further discussion was deferred to Tab 2.

President's Report

Mr. Long began by thanking the Board Members for attending and Ms. Gonzales for organizing the board meeting this month. Mr. Long then introduced the guests in attendance: Mr. Miller with First Southwest Company (the Corporation's Financial Advisor), Mr. Dubbelde with Greenberg Traurig (the Corporation's General Counsel), Mr. Mikeska with Mikeska Monahan & Peckham (the Corporation's External Auditor), and Ms. Peinado with the Texas Department of Housing and Community Affairs.

Mr. Long made the Board aware that he and Ms. Taylor had attended the Governor's Non-Profit Leadership Conference in Houston. Mr. Long also noted that he and Mr. Danenfelzer had attended the Panhandle Regional Affordable Housing Summit put on by the Association of Rural Communities in Texas (ARCIT).

Mr. Long informed the Board that staff would be meeting with legislators and their staff more throughout the legislative session. Mr. Long reminded the Board that the Corporation's Sunset Bill would be filed this session.

Mr. Long relayed to the Board that award presentations had been made for the Foundations Fund. Mr. Long refreshed the Board's memory that they had approved grants of \$50,000 for each recipient. Mr. Long noted which staff members had been present at each presentation. Mr. Long thanked Mr. Leeper for attending three of the check presentations.

Mr. Long then turned the Board's attention to the notice about the canceled foreclosure of American Opportunity for Housing (AOH). Mr. Long explained that it had been canceled because of a title issue that could not be resolved before the close date. Mr. Long promised to keep the board informed of the situation.

Mr. Long referred to the handout listing tentative future board meeting dates and noted that any meeting could be rescheduled at the board's discretion. Mr. Long noted that most meetings were scheduled for the second Friday of the month, except the meetings in January, April and May.

Discussion turned back to the notice about the canceled foreclosure of AOH. The bond structuring for the portfolio and the Corporation's role in the portfolio were also discussed. Mr. Jones inquired if this situation was the result of the recent financial bailouts and Mr. Long answered that it was not.

Mr. Long then referred to a handout about the 81st Legislative Session and noted that January 13th was the first day of Session.

Mr. Long turned the Board's attention to the Neighborhood Stabilization Program (NSP) and refreshed the Board's memory that the Corporation's Land Bank/Land Trust Program had been approved the previous month and would work in conjunction with the NSP. Mr. Long informed the Board that TDHCA had submitted an application to HUD asking for \$10 million in funding

for the NSP. Mr. Long noted that the Corporation had been listed as the administrator of the program.

Mr. Long referred to the Texas Foreclosure Prevention Task Force, informing the Board that ten formal partnerships with counseling organizations had been formed. The agencies would provide counseling services to homeowners free of cost and would then be reimbursed for services rendered by the Task Force. Mr. Long also informed the Board that TDHCA had received a National Foreclosure Mitigation Council Award on behalf of the Task Force in the amount of \$491,000 that would be used towards counseling services. Mr. Long informed the Board that one of the counseling agencies, Frameworks, had already served 50 families.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on November 14, 2008.

Mr. Coffey made a motion to approve the minutes of the Board Meeting held on November 14, 2008. Mr. Leeper seconded the motion. Mr. Jones abstained from voting. Motion passed.

Tab 2 Presentation, Discussion and Possible Approval of the Annual Financial Report and Independent Auditor's Report for the Year Ending August 31, 2008.

Ms. Smith began by making the Board aware that the draft of the Annual Financial Audit had been completed and with the Board's approval, was ready to be submitted to the Comptroller's office and Governor's office. Mr. Mikeska, the Corporation's auditor, introduced himself to the Board and proceeded to give a summary of the report. He commented that the management discussion and analysis was factual and representative of the year. Mr. Mikeska discussed the Statement of Net Assets and the Statement of Revenues and Expenses and explained that the footnotes explained each part of the statements and what went into determining the final figures (details required by government auditing standards). Mr. Mikeska referred to page 35, and noted that it was the auditor's report and reflected the auditor's opinion on the fairness of the financial statements and accuracy of the Management Discussion and Analysis.

Mr. Mikeska referred back to the Statement of Net Assets and proceeded to explain what it contained, noting that the most significant changes between 2007 and 2008 were due to bond issuances for the current year. He went into further detail about the trustee's moving assets out of guaranteed investment contracts (short term investments) and into mortgage backed securities (long term investments) and explained that it caused a change in the assets noted as long term and short term. Mr. Mikeska moved to the liabilities, noting the increase from 2007 to 2008, and explained the cause as being the collapse of the Drawdown Program. He noted that this did not represent a detrimental change. Mr. Mikeska pointed to the bottom line, noting that there was an increase of \$150,000 in net assets from the previous year.

Mr. Mikeska then turned to the Statement of Revenues and Expenses. Mr. Mikeska noted the comparative format and pointed out that there was an increase in the fair market value of investments due to current market conditions. He commented that this had been noted as an unrealized gain. Mr. Mikeska noted that in the revenue section there was an increase in 'other revenue' because of the recovery of bad debts (asset oversight fees from American Housing Foundation (AHF)). Mr. Mikeska recalled that these fees had been guaranteed, but never paid so they were written off the prior year. Mr. Mikeska also noted an increase in expenditures due to an increase in interest on the bonds payable and down payment assistance program.

Mr. Mikeska turned the Board's attention to the Auditor's Report on compliance with internal control over financial reporting and compliance in other matters. Mr. Mikeska stated that there were no findings listed and that there were no deficiencies in internal control over financial reporting and no instances of non-compliance required to be reported under Government Auditing Standards.

Mr. Jones pointed out that the Audit handed out at the meeting was missing the Cash Flow Statement, and Mr. Mikeska noted that the only update to what was included in the board packet was that the \$25,000 put aside as a deposit on the building was moved from current assets to non-current assets, a move that was only a reclassification and not an audit adjustment. Ms. Smith and Mr. Mikeska confirmed that there were no substantive changes between the unaudited cash flow statement and that which was audited.

Mr. Jones inquired about the previous inquiry to the Government Auditing Standards Board (GASB) regarding reporting requirements for the single family program, and Ms. Smith reported that they could not find substantive authority to allow for the removal of single family from the books. Therefore, they were reported as such on the 2008 Financial Audit. Ms. Smith then recalled the original issue with the single family program, and discussed what staff had done to this point to resolve the situation. Mr. Jones inquired what staff would do from this point forward and Ms. Smith stated that they intended to request a formal meeting with GASB to present the case directly. Discussion about the situation continued.

Mr. Mikeska ended with the point that during the audit committee, his and the staff's responsibilities were discussed. Mr. Mikeska noted that, after predictive tests were conducted, it was determined that there was a low level of risk for material misstatement. Mr. Mikeska also noted that there were no audit adjustments. Mr. Mikeska thanked the staff for their cooperation.

Mr. Coffey noted the Audit Committee's recommendation that the audit be approved. Mr. Coffey made a motion to approve the Annual Financial Report and Independent Auditor's Report for the year ending August 31, 2008. Mr. Jones seconded the motion. Motion passed unanimously.

Tab 3 Presentation, Discussion and Possible Approval of a Resolution Regarding the Conversion of Reservation for Allocation of Private Activity Bonds to Mortgage Credit Certificates and Containing Other Matters Incident and Related Thereto.

Ms. McGilloway refreshed the Board's memory that \$10 million of the total single family bond authority available to the Corporation had been converted to mortgage credit certificates for the Mortgage Credit Certificate (MCC) Program. Ms. McGilloway informed the Board that lender trainings for the Program had been conducted and the program had been well received. Ms. McGilloway noted that the program was only available to those eligible under the Professional Educators, Homes for Texas Heroes and Home Sweet Texas Loan Programs. Ms. McGilloway turned to the resolution which asked for an additional \$50 million in bonding authority to be converted to mortgage credit certificates and gave staff the authority to go before the Bond Review Board (BRB) with this request.

Ms. McGilloway explained to the Board that the amount being converted to mortgage credit certificates wasn't equal to the full amount of bonding authority available to the Corporation, in order to preserve the Corporation's ability to issue bonds if the market improved. However, until

that happened, the MCC Program provided an avenue where the Corporation could still help borrowers. Mr. Long noted that having this approval in place would allow for no gaps in funding.

Mr. Jones made a motion to approve the resolution regarding the conversion of reservation for allocation of Private Activity Bonds to Mortgage Credit Certificates and containing other matters incident and related thereto. Mr. Coffey seconded the motion. Motion passed unanimously.

Tab 4 Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation's 2009 Annual Action Plan.

Mr. Long informed the Board that the Corporation was required by statute to prepare an Annual Action Plan based on the housing needs analysis for the State of Texas. Mr. Long explained that staff incorporated this information with program information to form the Corporation's Annual Action Plan for the year 2009. Mr. Long relayed that after its approval the plan would be submitted to TDHCA for incorporation into the Statewide Low Income Housing Plan which would then be submitted to the Governor's office. Mr. Long asked for the Board's approval on the final version of the 2009 Annual Action Plan.

Mr. Coffey made a motion to approve the Texas State Affordable Housing Corporation's 2009 Annual Action Plan. Mr. Jones seconded the motion. Motion passed unanimously.

Tab 5 Presentation, Discussion and Possible Approval of a Resolution Providing the President and Executive Vice President Authority to (i) Execute a Purchase Agreement and Related Financing Documents for the Acquisition of an Office Building to Serve as the Headquarters for the Corporation, (ii) Execute Related Lease Agreements, and (iii) Execute Related Renovation Contracts and Concerning Other Matters Incident and Related thereto.

Mr. Long refreshed the Board's memory that they had previously approved the bid to purchase a building to house the Corporation's offices. Mr. Long relayed that the bid had been submitted to and accepted by the Housing Authority of Travis County, the owner of the building. Mr. Long informed the Board that the deposit had been paid and an inspection on the building had been conducted. The transaction was expected to close on December 29, 2008.

Mr. Long referred to the resolution and noted that it listed the purchase price of the property and authorized him or Ms. Closmann to formally approve the financing structure. Mr. Long also noted that it allowed for rehab and remodeling to occur on the building. Mr. Long refreshed the Board's memory that the building would also have a tenant until February 2010 that would occupy 2500 square feet of the building.

Mr. Long made the Board aware that the current owner had requested to stay in the building after closing, because their new building was undergoing delays in renovations. As a result, Mr. Long reported that the Corporation's offices would remain at the current location until June 2009.

Discussion followed. Mr. Long referred the Board to the resolution, stating that it had three parts: 1) it ratified the original acquisition purchase contract already approved by the Board, 2) it authorized Mr. Long to formally accept any terms for financing as well as rehabilitation funding, and 3) it approved the lease-back to Travis County for 90 days. Mr. Long informed the Board that a Request for Qualifications had been published for the rehab work that would be done to

the building and staff had received four responses and conducted interviews with the respondents. Mr. Leeper assured the Board that the proposed pricing for the rehab was in a reasonable ball park and staff would keep the Board informed.

Mr. Coffey made a motion to approve the resolution providing the President and Executive Vice President authority to (i) execute a Purchase Agreement and related financing documents for the acquisition of an Office Building to serve as the headquarters for the Corporation, (ii) execute related lease Agreements, and (iii) execute related renovation contracts and concerning other matters incident and related thereto. Mr. Jones seconded the motion. Motion passed unanimously.

Open Meeting

After quick discussion, it was determined that the next board meeting would occur on Friday, January 16, 2009.

Adjournment

Mr. Jones made a motion to adjourn the Board meeting. Mr. Coffey seconded the motion. Motion passed unanimously. The Board Meeting for the Texas State Affordable Housing Corporation officially adjourned at 12:13 pm.

Respectfully submitted by _____
Laura Ross, Corporate Secretary

**BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION**

**Held at
Treaty Oak Bank
101 Westlake Drive
Treaty Oak Conference Room
Austin, Texas 78746
February 13, 2009 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 Thomas Leeper, Chair, at 10:35 a.m., on February 13, 2009 at Treaty Oak Bank, 101 Westlake Drive, Treaty Oak Conference Room, Austin, TX 78701. Roll Call certified that a quorum was present.

Members Present

Thomas A. Leeper, Chair
R. Carter Sanders, Member
Jo Van Hovel, Member

Members Absent

Jesse A. Coffey, Vice Chair
Robert Elliott Jones, Member

Staff Present

David Long, President
Melinda Smith, Chief Financial Officer
Nick Lawrence, Controller
Paige McGilloway, Single Family Programs Manager
David Danenfelzer, Multifamily Programs Manager
Joshua Schirr, Asset Oversight and Compliance Manager
Janie Taylor, Manager of Marketing and Development
Katie Howard, Development Coordinator
Laura Ross, Corporate Secretary

Special Guests

Mark Dault, Regions Bank
Rob Dubbelde, Greenberg Traurig
Don Jones, Office of State Representative Menendez
Michael Lyttle, Texas Department of Housing and Community Affairs
Robin Miller, First Southwest Company
Linda Patterson, Patterson and Associates

Public Comment

Mr. Don Jones, Chief of Staff to State Representative Jose Menendez, provided public comment regarding the Corporation's purchase of a building at 2200 MLK Blvd. in Austin, Texas. Mr. Jones read into the record a letter from Representative Menendez regarding this topic.

President's Report

Mr. Long began by turning the Board's attention to the 81st Legislative session. He deferred to Ms. Taylor, who proceeded to give the Board an update. Ms. Taylor referred to handout listing tracked bills and informed the Board that she would be emailing them this list on a weekly basis. Ms. Taylor informed the Board that the Committees had been assigned in both the House and Senate. Ms. Taylor explained that the Senate Intergovernmental Relations Committee reviewed most housing bills on the Senate side and was composed of the same Senators as during the last legislative session. Ms. Taylor noted that the Senate Government Organization Committee typically reviewed all Sunset Bills. Referring to the House side, Ms. Taylor explained that most housing bills were reviewed by the Urban Affairs Committee, which during this legislative session was comprised of all new members, except for one. Mr. Leeper thanked staff for keeping the Board informed.

Mr. Long then turned to the Texas Foreclosure Prevention Task Force, noting that the Corporation had participated in a roundtable at the request of Representative Menendez the previous week. Mr. Long commented that several members of the Task Force as well as legislative staff had attended. Mr. Long then informed the Board that the Leadership Committee for the Task Force had convened and selected him as co-chair of the Task Force. Mr. Long reported that he would be serving with Ms. JoAnn DePenning as co-Chair and Ms. Bonnie Wolford as the Leadership Committee Chair. Mr. Long said he was happy to accept the opportunity to chair the Task Force. Mr. Long noted that the Task Force had received an award of \$1 million from the National Foreclosure Mitigation Council. Mr. Long informed the Board that trainings for the participating counseling agencies had taken place in Houston earlier in the week. Mr. Long also informed the Board that staff was working on an MOU with the Department so that the Corporation could better assist them in the work they were doing for the Task Force. Mr. Long noted that the Mortgage Bankers Association would be sponsoring a 5K run that would benefit the Task Force.

Mr. Long then referred to the Mortgage Credit Certificate Program, and reported that it was moving along quite well.

Mr. Long turned to the Neighborhood Stabilization Program (NSP) and the Corporation was in talks to manage the land banking portion that would amount to \$10 million of the total funds. Mr. Long then briefly referred to the Calvert Foundation and informed the Board that staff was working on an application for a program related investment award through them.

Mr. Long then turned the Board's attention to the Asset Oversight Agent Service Agreement with TDHCA. Mr. Long explained that this Agreement was for a five year term during which time TSAHC staff would perform asset oversight duties for the Department's tax exempt bond and 4 percent tax credit properties. Mr. Long noted that over the past few months, TDHCA had begun to look at ways to reduce fees for these properties and as a way to accomplish this, was looking at terminating the Agreement with the Corporation. Mr. Long reported to the Board that options and alternative solutions had been presented to TDHCA by Corporation staff because they felt the services provided were very valuable. Mr. Long noted that this topic had been on

TDHCA's board agenda in December and February, however it had been pulled both times while negotiations were being conducted. Discussion followed regarding the fee reduction and alternatives voiced by the Corporation. Mr. Leeper inquired if the Department had informed us of the situation while we were going through the annual budget process and Mr. Long stated that they had not. Mr. Leeper expressed his concern over the Department not giving sufficient notice to this action. Mr. Sanders seconded Mr. Leeper's concerns over the matter. Mr. Long stated that the Department wished to terminate immediately, however he noted that the contract contained a 180-day termination clause. Mr. Long noted that one of the suggestions made by TSAHC was that 2009 be used as a transition year with all remaining visits being completed in the 180 days before the contract termination, after which time the Corporation would no longer be involved. Mr. Long noted that discussions were ongoing. Mr. Leeper thanked Mr. Long for keeping the Board updated on the situation. Mr. Long followed with his assertion that the Corporation had been a good partner in this contractual relationship and had been timely in its responses and reporting that provided beneficial information.

Mr. Long referred to the quarterly Compliance and Resident Services Reports, noting that all properties were currently in compliance.

Mr. Long then turned to the HUD Audit Report and monthly budget report. Mr. Long noted that the HUD Audit Report was a requirement of HUD to maintain seller servicer certifications. Mr. Long noted that Mr. Mikeska, the Corporation's Auditor had performed the audit for the Corporation. Ms. Smith explained that the HUD Audit Report did two things: 1) it verified that we had a net worth of at least \$250,000 and 2) verified that we carried at least \$300,000 in errors and omissions insurance. The Report reflected and supported that the Corporation met both requirements. Ms. Smith then referred to the budget report, noting that thru the end of December 2008 \$1.5 million had been collected and \$700,000 had been expended. Ms. Smith pointed out that everything was on budget except professional services, and this was only because the audit was paid for up front and in full. Ms. Smith explained that this would even out in time. Mr. Sanders inquired if the contract termination had been figured into the budget and Ms. Smith informed him that any amendments to the budget would be brought back for the Board's review.

Mr. Long introduced all the guests in attendance at the meeting: Mr. Jones (who was no longer present at the meeting), Ms. Patterson (the Corporation's Investment Advisor), Mr. Dault with Regions Bank, Mr. Lytle with TDHCA, Mr. Miller with First Southwest Company (the Corporation's Financial Advisor), and Mr. Dubbelde with Greenburg Traurig (the Corporation's General Counsel).

Tab 2 Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation's Investment Policy.

Ms. Smith noted that the Public Funds Investment Act required that the Investment Policy and the list of Investment Brokers be approved by the Board every year. Ms. Smith explained that typically the Policy was reviewed by both Mr. Dubbelde and Ms. Patterson, but because there were no changes to the law this year, only Ms. Patterson had reviewed the Policy. Ms. Patterson referred to the red-lined Policy, and proceeded to note in detail all the changes that were made. Ms. Patterson described these changes as both practical and reflective of the current banking situation. Discussion followed regarding reasonable yield and market conditions. Discussion turned to the Corporation's broker listing and how it would impact the Corporation should one of them go out of business. Ms. Patterson went on to discuss the last change which added the provision that a custodian of the collateral would provide an independent detailed listing of the

collateral on a monthly basis. Ms. Patterson discussed the importance of this matter. Discussion of the Policy continued.

Mr. Sanders made a motion to approve the Texas State Affordable Housing Corporation's Investment Policy. Ms. Van Hovel seconded the motion. Motion passed unanimously.

Tab 3 Presentation, Discussion and Possible Approval of the Texas State Affordable Housing Corporation's Investment Broker Listing.

Ms. Patterson went over the changes made to the list. She referred to the list and noted that Citi Smith Barney's name had changed to Citigroup, and that change had been reflected in the new broker listing. Ms. Patterson informed the Board that Stiefel Nicolaus, a large regional broker, had been added. Ms. Patterson also noted that Vining Sparks had been added. Mr. Sanders inquired why certain brokers were kept on the list despite the mergers that were occurring between them and other financial institutions, and Ms. Patterson stated that they had great rates and the Corporation could only benefit from their aggressiveness in the market.

Mr. Sanders made a motion to approve the Texas State Affordable Housing Corporation's Investment Broker Listing. Ms. Van Hovel seconded the motion. Motion passed unanimously.

Tab 4 Presentation, Discussion and Possible Approval of Decisions Regarding the Corporation's Building at 2200 MLK Blvd. in Austin, Texas, Including Leases and Service Contracts

Mr. Long informed the Board that staff had closed on the building on December 31, 2008. Mr. Long expressed his appreciation for the Board's participation and approval of the transaction. Mr. Long refreshed the Board's memory that there were two tenants: The Housing Authority of Travis County and Helping the Aging, Needy and Disabled (HAND). Mr. Long reported Travis County would be there until the end of April and HAND's lease, which had transferred over from the previous owner, was for a term that ended in February 2010. Mr. Long noted that the rent from Travis County had not been taken into consideration when estimating costs so there was a possibility that these funds could go into a maintenance reserve.

Mr. Long recalled that with the help of leasing agent Chris Oddo, staff had looked at several leasing options and made presentations to the Board on several occasions as to the status of the search. Mr. Long stated that the building on MLK accommodated space needs and came at a lesser cost than any of the other options. Mr. Long described what factors had been reviewed when looking at office space. Mr. Long concluded that the Corporation had ended up with an asset in close proximity to the Capitol and those we work with.

Ms. Van Hovel inquired how much the Corporation would be saving at the new location as compared to the Congress Avenue location, and Mr. Long reported that the savings would amount to roughly \$3500 per month. Mr. Long thanked the staff for their hard work and the help they provided throughout the process. Mr. Long briefed the Board on the loan itself. Mr. Long thanked Mr. Miller and Mr. Robert Johnson for their help in referring him to Plains Capital for a loan.

Mr. Sanders asked that the Board be given historical information and comparisons on the search for office space, and Mr. Long stated that he was preparing that information at the request of Representative Menendez and would send the Board copies of it as well.

Mr. Leeper reiterated the benefits of the transaction. Mr. Long noted that the building was already tax exempt due to its previous owner, so therefore it was not being removed from the tax rolls of the city and county. Mr. Leeper also recalled that the Corporation's previous office on Congress Avenue was chosen because market conditions at the time had dictated a lower price for downtown office space. Mr. Leeper commended staff on their diligence in looking for office space, keeping the Board informed, and giving public notice of its discussion. Mr. Long confirmed that in addition to posting the agenda in the Texas Register and on our website, it was also sent to different public and legislative offices. Mr. Long also confirmed that throughout the process staff had not received any information requests regarding the building. Mr. Leeper commended the staff for their work and for keeping the board and public informed throughout the process. Mr. Sanders agreed with Mr. Leeper's sentiments. Mr. Long thanked the Board for their support.

Open Meeting

After quick discussion, it was determined that the next board meeting would take place on Friday, March 13, 2009.

Discussion followed about the building. Mr. Long stated that staff would be moving there in July. Mr. Long noted that Ms. McGilloway and Mr. Danenfelzer had been working with the space planner on renovations and thanked them for their hard work.

Mr. Long also thanked Ms. Howard for the great job she was doing for the Texas Foreclosure Prevention Task Force.

Adjournment

Mr. Sanders made a motion to adjourn the Board Meeting. Ms. Van Hovel seconded the motion. Motion passed unanimously.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on December 12, 2008.

Tab 1 was moved to the end of the agenda to allow time for Mr. Jones to arrive. Prior to adjournment, Tab 1 was revisited. Ms. Van Hovel made a motion to table this tab item until the following meeting. Mr. Sanders seconded the motion. Motion passed unanimously.

The Board Meeting for the Texas State Affordable Housing Corporation officially adjourned at 11:50 am.

Respectfully submitted by _____
Laura Ross, Corporate Secretary



Development Finance Programs Report

Mar. 13, 2009

Agenda Item

Presentation, Discussion and Possible Approval of Policies Governing the Administration of the Affordable Communities of Texas Program

Summary

In November 2008, the Board approved the creation of the Affordable Communities of Texas (the “ACT”) program. As required by the Board action in November, staff is now presenting the attached policies for discussion and possible approval. The ACT supports the Corporation’s mission to promote equal access to safe, decent, and affordable housing with an emphasis on serving rural and underserved markets. The Corporation’s broad goals in undertaking the ACT Program are:

1. to provide homeownership and rental opportunities from foreclosed homes to qualified low-income Texans;
2. to stabilize neighborhoods in communities affected by the foreclosure crisis; and
3. to assist local nonprofits and local government entities achieve goals 1 and 2 for their communities.

The Board committed \$100,000 to the program in November and staff has been working toward a contract with the Texas Department of Housing and Community Affairs (“TDHCA”) for \$5 million in land banking activity funds under the Neighborhood Stabilization Program (“NSP”). The Board has already granted authority to the Corporation’s President to negotiate and execute the NSP contract with TDHCA.

Texas State Affordable Housing Corporation

Affordable Communities of Texas Program Policy

1. **Policy.** This policy has been adopted by the Texas State Affordable Housing Corporation (the “Corporation”) in order to organize and codify its administration of the Affordable Communities of Texas Initiative (the “ACT”). The ACT supports the Corporation’s mission to promote equal access to safe, decent, and affordable housing with an emphasis on serving rural and underserved markets. The ACT initiative’s purpose is to create partnerships between the Corporation and local housing providers to acquire foreclosed housing assets, government properties and other for-sale properties to create affordable housing for low income households.
2. **Source of Funds.** The primary sources of funds available to the ACT are from investments made by public and private entities to the Corporation. The Corporation may also commit its own funds to the ACT, accept private donations, grants or apply for funding from government agencies. The availability of funds is dependant upon the Corporation’s ability to find new investments and generate income from the sale, lease or disposition of properties acquired.
3. **Eligible Activities.** The ACT initiative focuses primarily on the acquisition of vacant or foreclosed housing units, land and other properties that may be used to provide safe, decent and affordable housing. Properties may be developed to preserve, rehabilitate, or construct housing for homeownership, rental, cooperative and any other form of affordable housing that advances the Corporation’s mission. Funding may also be used to clear vacant or blighted structures, maintain vacant lots, and cover administrative costs of managing properties and acquired housing assets. The use of ACT funds may be further limited by any local, state, federal or other contractual agreements from the providers of such funding and pursuant to any funding agreements executed by the Corporation.
4. **Selection of Partners.** The Corporation intends to focus on developing partnerships with qualified nonprofit and local government entities (“Qualified Partners”) that have clear relationships within the communities where properties are acquired. The Corporation will market the ACT program to Qualified Partners in targeted communities or may accept partnership applications from Qualified Partners. In either case, Qualified Partners must meet the following minimum qualifications:
 - a. Nonprofit entities must be an active nonprofit 501(c)(3) or (c)(4) corporation as recognized by the U.S. Internal Revenue Service, and registered as a domestic nonprofit corporation within the State of Texas;
 - b. Financial audits or statements for a two year period must reflect the entity’s ability to manage funds appropriately, as determined solely by the Corporation;
 - c. At least two years of experience in the planning, marketing, development or management of housing programs for moderate and low-income households; and
 - d. The ability to provide evidence of support from local government officials for their activities within the target community.
5. **Competitive or Select Application Procedures.** In the event the Corporation receives funding that requires a competitive or other application process, it shall publish to its website a request for proposals (an “RFP”) and application materials. The Corporation will only accept applications when there are available sources of funds and include all guidelines, procedures, thresholds and

Texas State Affordable Housing Corporation

Affordable Communities of Texas Program Policy

scoring criteria in the relevant RFP. Applicants will be required to complete the application pursuant to the guidelines included in the RFP and application materials.

6. **Project Approvals.** The Manager of Development Finance (“Manager”) is responsible for coordinating and overseeing the review of all projects, or applications to an RFP, under this policy. The Manager may request assistance from other divisions within the Corporation to assist with these reviews, as appropriate. If a project proposal or application meets the threshold criteria of this policy and the RFP, if applicable, and is determined to be a Qualified Project, as defined below, the Manager will produce a report (the “Acquisition Report”). The Acquisition Report will be presented to the Corporation’s President or Executive Vice President for review and with their approval, the Acquisition Report will be presented to the Corporation’s Board for discussion and possible approval.
7. **Qualified Projects.** All project proposals or applications to an RFP, if applicable, must meet the following criteria in order to be considered a qualified project, (“Qualified Project”) for the purposes of this policy.
 - a. A Qualified Project must advance the mission of the Corporation;
 - b. A Qualified Project must be financially feasible and provide sufficient return on the Corporation’s investment to sustain the ACT program;
 - c. A Qualified Project must be located in an area that provides access to good educational, employment, transportation and other community services; and
 - d. A Qualified Project must have a plan for redevelopment that guarantees access to safe, decent and affordable housing for low-income Texans.
8. **Affordability Threshold.** Qualified Projects must meet the Corporation’s statutory requirements for affordability. At a minimum this means that:
 - a. All units developed for homeownership shall be affordable to low, very-low and extremely-low income households at or below 80% of the area median income (the “AMI”) for the location of the development;
 - b. All units developed for rental shall be affordable for low, very-low and extremely-low income households at or below 80% of the AMI for the location of the development, with;
 - i. At least 20% of the total units in the Development for persons or families earning 50% of the AMI, based on the size of the unit and number of persons occupying the unit; or
 - ii. At least 40% of the total units in the Development for persons or families earning 60% of the AMI, as determined by HUD, based on the size of the unit and number of persons occupying the unit; and
 - c. The Corporation may require additional affordability requirements in accordance with funding limitations or on a case by case basis.
9. **Construction Threshold.** To ensure that working families have safe, decent affordable housing, and to ensure long-term affordability and usability, all Qualified Projects must meet the following standards:

Texas State Affordable Housing Corporation

Affordable Communities of Texas Program Policy

- a. All Qualified Projects, at the time of acquisition or completion of construction or rehabilitation, shall meet all local building codes for the jurisdiction where they are located. If the Development is located in an area where no building codes are in place or have been adopted, the Development shall meet the most recent International Residential Code, or International Building Code;
 - b. All Qualified Projects, at the time of acquisition or completion of construction or rehabilitation, shall be compliant with the Federal Fair Housing Act Accessibility Standards, Texas Minimum Construction Standards and §2306.514 (visitability guidelines) of the Texas Government Code;
 - c. All Qualified Projects, at the time of acquisition or completion of construction or rehabilitation, shall be compliant with the U.S. Department of Energy's Energy Star Program; and
 - d. All Qualified Projects, at the time of acquisition or completion of construction or rehabilitation, shall have sidewalks, driveways and streets that are compliant with the Americans with Disabilities Act and Fair Housing Accessibility Standards.
10. **Location Threshold.** The Corporation shall consider a variety of factors to determine if a project is located in an area that promotes safe, healthy and decent housing for low-income households. The Corporation will consider a project's proximity to grocery stores, pharmacies, financial services and other commercial services. All projects must meet the following minimum location standards:
- a. Qualified Projects may not be located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps; and
 - b. Qualified Projects located within a County or City that is covered by the Texas Windstorm Insurance Association (TWIA) shall be required to secure windstorm insurance in accordance with the TWIA insurance policy requirements.
11. **Additional Thresholds.** All Qualified Projects must meet the following additional threshold criteria:
- a. The Corporation may require a Phase I Environmental Site Assessment, any necessary updates and/or a Phase II Environmental Site Assessment to be completed based on the Corporation's sole determination of need;
 - b. The Corporation generally will not fund a project that may cause the displacement of a low-income household. Exceptions to this requirement may be considered on a case-by-case basis;
 - c. The Corporation shall use minimum underwriting standards in evaluating all projects. The Corporation shall review such items as debt coverage ratio, cost of project maintenance and the Qualified Partner's financial strength in its review. The minimum underwriting standards shall reflect the nature of the project, its location and the AMI for targeted low-income households. The Corporation's Manager shall be responsible for determining the feasibility of each project;
 - d. The Corporation may require a third party market analysis, or may conduct its own assessment of market conditions, to determine the feasibility of a proposal. Current information on demographics, population growth, employment trends, median home prices, zoning requirements, absorption rates, and any other indicators of the market capacity may be considered in the Corporation's review.

Texas State Affordable Housing Corporation

Affordable Communities of Texas Program Policy

12. **Security Interest.** To insure the fulfillment of the Affordability Threshold a variety of agreements may be filed in the deed records of the Qualified Project. At a minimum the Corporation may consider the following security interests, or any combination thereof:
 - a. **Deed Restriction or LURA:** the Corporation may file a deed restriction or Land Use Restriction Agreement (the “LURA”) in the real property record that defines limitations on resale and occupancy of the Qualified Project. Deed restrictions may or may not be filed as non-foreclosable instruments.
 - i. **Shared Appreciation Agreement:** A shared appreciation agreement (the “Shared Appreciation Agreement”) is filed either as a mortgage instrument, deed restriction, or other form of agreement acceptable to the Corporation, and allows for the Corporation to recapture grant funds or equity transfers (or the equivalent thereof) to a Qualified Project upon any future sale or transfer of ownership. Generally the Corporation shall seek to recapture 100% of such grant dollars and/or a percentage of such equity transfers. The total recapture amount will depend on the net proceeds available after repayment of superior liens.
 - b. **Affordability Ground Lease:** The Corporation may also hold properties in perpetuity and sell or lease their improvements to Qualified Partners to operate affordable rental housing, or sell improvements to qualified low-income households. In either case, the Qualified Project will be restricted for occupancy in accordance with the applicable Affordability Threshold through a ground lease agreement.
13. **Project Monitoring.** The Corporation requires that all Qualified Projects, rental or household, undergo a regular review to determine that the project continues to meet the threshold criteria and goals of the ACT initiative. The Corporation may require, especially in the case of rental developments, that an asset management or asset oversight review be completed on an annual, semi-annual or other periodic length of time, as determined by the Corporation. The Corporation may charge an annual fee in order to cover the cost of reviews.
14. **Disposition of Properties.** The Corporation intends to sell the majority of Qualified Projects to qualified low-income households. To accomplish this, the Corporation may rely on its Qualified Partners to market, broker, or otherwise sell or lease Qualified Projects. In the absence of a Qualified Partner, or as otherwise determined necessary, the President or Executive Vice President of the Corporation shall be authorized to contract disposition activities to a licensed real estate broker or other qualified third party entity.
15. **Insurance.** The Corporation shall be authorized to carry general liability and other necessary insurance coverage’s on Qualified Projects. The President, Executive Vice President, or Chief Financial Officer of the Corporation shall be authorized to contract for such insurance services.
16. **Fees.** The Corporation may charge fees, penalties or other monetary accruals in order to cover the cost of application review, professional fees, asset and compliance reviews, ground leases, maintenance or holding costs, and any other fee determined reasonable by the President or Executive Vice President of the Corporation.

Tab 4

Presentation, Discussion, and Possible Action regarding Future Performance under the Asset Oversight Agent Service Agreement between the Corporation and the Texas Department of Housing and Community Affairs.

Discussion

Third Party Compliance Program

Introduction

TSAHC staff would like to recommend that the Corporation provide compliance services to third party clients. We are suggesting that the Corporation's Compliance Division provide a variety of new compliance services for affordable housing developers, management companies, housing authorities, and other non profit entities.

Smaller property management companies and PHAs do not always have the financial resources and staff to have a compliance department that reviews, verifies, and approves work performed by onsite staff. We are hoping to fill that niche and we feel that because of the unique organizational structure of TSAHC, we will have a competitive edge in this market.

We feel that by expanding the Compliance Division we will be furthering the mission of the Corporation by helping to provide quality services to properties that provide affordable housing.

Services

We are proposing to offer the following services:

Eligibility File Review

- ☐ Review files to approve resident initial certifications and re-certifications
- ☐ Ensure compliance of Low Income Housing Tax Credit program, Bonds, the HOME program, Rural Development, HUD, and State specific affordability programs
- ☐ Review all file documentation including: application, supplemental application, rent limits, utility allowances, tenant income certification, student status documentation, next available unit rule documentation, income verifications, tenant consent and release, the affordable housing addendum, and other related items
- ☐ Approval Certification will notify the property to proceed with move-in process

20% File Review

- ☐ Random selection of 20% of property's affordable unit files
- ☐ A findings report will be created noting all mistakes, errors, and missing documentation
- ☐ Helps property staff accurately review all files before any major audit

100% File Review

- ☐ All property's affordable unit files are reviewed
- ☐ Most often necessary when there is change in ownership, management company, or property staff

- ☐ A findings report will be created noting all mistakes, errors, and missing documentation
- ☐ Service provides new ownership/management with an accurate property compliance status

File Repairs

- ☐ An additional service that can be offered with 100% file reviews
- ☐ Establish file organization policy specific for the property
- ☐ Direct property staff in correcting any errors, mistakes, and missing documentation
- ☐ Assist property staff in organizing and preparing initial and recertification packets

Compliance Training

- ☐ Training program that can be adapted and modified to best serve needs and experience of particular property's staff
- ☐ Training topics will include but are not limited to: eligibility, initial certifications, recertifications, student rules, income and rent limits, utility allowances, proper documentation, compliance terms, common mistakes, examples of correct and incorrect files, file set up and organization

Funding

This program will be funded by fees associated with each service. Fees will be assessed by the Manager of Asset Oversight and Compliance based on the services requested by the client.