

**Official Board Packet**



**October Board Meeting**

To be held at the offices of  
Texas State Affordable Housing Corporation  
2200 East Martin Luther King Jr. Blvd.  
Austin, TX 78702

Friday October 9, 2009  
1:30 p.m.

**BOARD MEETING**  
**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
To be held at the offices of  
**Texas State Affordable Housing Corporation**  
**2200 East Martin Luther King Jr. Blvd**  
**Austin, Texas 78702**  
**October 9, 2009 at 1:30 pm**

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

Bob Jones  
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

- 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 September 11, 2009.
- Tab 2            Presentation, Discussion and Possible Approval of a Resolution Authorizing a Modified Carryforward Home Loan Program, Including the Issuance, Sale and Delivery of Single Family Mortgage Revenue Bonds in One or More Series to Provide Funds for Fire Fighter and Law Enforcement or Security Officer, and Emergency Medical Services Personnel, Professional Educators and Low-Income Persons, Including Sales of Bonds to Federal Entities or Fannie Mae or Freddie Mac or Private Underwriters; Authorizing the Preparation of Related Trust Indentures, Origination, Sale and Servicing Agreements, Bond Purchase Agreements and Continuing Disclosure Agreements, Making Certain Findings and Determinations; Authorizing the Required Applications and Filing to the Texas Bond Review Board, the Execution of Documents and Instruments Necessary or Convenient to Carry Out Such Program; and Containing Matters Incident and Related thereto.
- Tab 3            Presentation, Discussion and Possible Approval of the Publication for Public Comment Guidelines, Scoring Criteria and Targeted Areas for the Allocation of Qualified Residential Rental Project Bond Funds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2010.
- Tab 4            Discussion and Possible Approval of a Resolution Regarding the Approval of Amended and Restated Guidelines for the Texas Foundations Fund, a Segregated Fund of the Corporation, the Approval of Additional Unrestricted Funds of the Corporation to be Transferred to the Texas Foundations Fund and Concerning Other Matters Incident and Related thereto.

**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 512-477-3560 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**

# **Program Area Reports**



**2009 Mortgage Credit Certificate Program  
As of June 9, 2009 through September 29, 2009**

Month	# of Loans	% of Total Loans	Total Originated
Jun-09	28	46%	\$3,312,341
Jul-09	18	30%	\$2,037,484
Aug-09	13	21%	\$1,389,786
Sep-09	2	3%	\$194,028
<b>Totals</b>	<b>61</b>	<b>100%</b>	<b>\$6,933,639</b>

Lender	Originated	# of Loans	Total %
PrimeLending	\$2,742,868	22	36%
Comerstone	\$1,002,824	11	18%
Bank of America	\$716,208	5	8%
Shelter Mortgage	\$370,472	4	7%
NCMC	\$327,973	3	5%
SFMC	\$267,386	2	3%
Network Funding	\$210,198	2	3%
Allied Home Mortgage	\$207,768	2	3%
InterLinc Mortgage	\$204,237	2	3%
National City Mortgage	\$184,831	2	3%
Wells Fargo (Ashtonwood)	\$137,954	1	2%
Flagstone dba 1st Choice	\$135,790	1	2%
Colonial Savings	\$127,645	1	2%
MetLife	\$114,875	1	2%
Flagstone	\$104,993	1	2%
Global Mortgage	\$77,617	1	2%
<b>Total Committed</b>	<b>\$6,933,639</b>	<b>61</b>	<b>100%</b>

**Total Allocation**            \$7,142,857  
**Remaining to Commit**        \$209,218

<b>At a Glance</b>	
Total Amount Originated	\$6,933,639
Average Annual Income	\$39,597
Average Purchase Price	\$121,342
Average Loan Amount	\$113,666
Average Interest Rate	5.55%
Average Household Size	2
<b>New/Existing</b>	
New	38%
Existing	62%
<b>Professional Breakdown</b>	
Professional Educator	23%
Texas Hero	6%
80% AMFI or below	71%
<b>Type of Loan</b>	
Conventional	3%
FHA	87%
VA	3%
USDA-RD	7%
<b>Ethnicity</b>	
American Indian/Alaskan Native	0%
Asian or Pacific Islander	3%
Black	10%
Hispanic	28%
White	8%
Other	0%
Not Defined	51%
<b>Top Originating Counties</b>	
Harris	32
Dallas	13
Collin	3
Tarrant	3
Williamson	2
Bexar	1
Fort Bend	1
Galveston	1
Grayson	1
Guadalupe	1
Hill	1
Parker	1
Travis	1



## Development Finance Programs Report

October 9, 2009

### **Summary of Activities**

#### ***Multifamily Bond Programs***

Staff has been busy updating the 2009 Private Activity Bond and 501(c)(3) Bond program rules for the 2010 program year. The changes being proposed and presented to the Board today will be posted for public comment until the November meeting, where staff will present the final policies for approval. Staff is still receiving comments from our bond counsel and financial advisor. The changes being presented are primarily minor edits for grammar and clarification. There are no changes to the programs' targeted housing needs nor bond structuring requirements.

#### ***Affordable Communities of Texas Program***

The Corporation has received its contract from the Texas Department of Housing and Community Affairs ("TDHCA") regarding the Neighborhood Stabilization Program. Staff has begun its review of the contract and will be discussing legal matters related to the contract with our general counsel. At this time there do not appear to be any major hurdles that will delay the execution of the contract or release of the program.

Our work with the National Community Stabilization Trust ("NCST") has been a focus over the past several months. Staff is currently working with several nonprofits in San Antonio, Houston and across the state on applications to become Local Partners under the ACT program. Many of these new Local Partners are already utilizing NSP funding that was granted directly from HUD. The Corporation will be serving these Local Partners as a buying agent through our NCST agreement. The Corporation will facilitate communication for Local Partners with banks that have available foreclosed properties, which will be purchased using local NSP funding.

#### ***Lending Programs***

The Corporation's lending programs continue to operate smoothly. The Willows Apartments, in Austin, Texas, is moving ahead with closing faster than anticipated and we now believe that a closing will occur in early November. This project has received statewide attention and was written up in the Texas Association of Local Housing Finance Agency's quarterly news letter.



**Texas Foundations Fund  
Allocations and Awards**

2008 Funding Cycle		Applicant	Type of Project	Priority	Amount Awarded
<b>Funds Allocated</b>	<b>\$500,000*</b>	Source of Funds TSAHC Program Revenue	SF Construction, Rehabilitation, or Critical Repair	Rural Communities	\$50,000.00
		Affordable Homes of South Texas, Inc.	SF Construction, Rehabilitation, or Critical Repair	Rural Communities	\$50,000.00
		Brazos Valley Affordable Housing Corp.	Multifamily Rental Supportive Services	Supportive Housing Services	\$50,000.00
		Foundation Communities	SF Construction, Rehabilitation, or Critical Repair	N/A	\$50,000.00
		Midland Habitat for Humanity	SF Construction, Rehabilitation, or Critical Repair	Homeowners w/ Disabilities	\$50,000.00
		United Cerebral Palsy of Texas			
				<b>Total Funds Available</b>	<b>\$500,000.00</b>
				<b>Total Funds Awarded</b>	<b>(\$250,000.00)</b>
				<b>Total Funds Remaining</b>	<b>\$250,000.00</b>
<b>2008 Hurricane Relief Funding Cycle</b>					
<b>Funds Allocated</b>	<b>\$250,000.00</b>	Source of Funds TSAHC Program Revenue	Type of Project	Priority	Amount Awarded
		Fort Bend CORPS	Rehab/Critical Repair	N/A	\$50,000.00
		Southeast Texas Interfaith Organization	Rehab/Critical Repair	N/A	\$50,000.00
		Self Help Housing of East Texas	Rehab/Critical Repair	N/A	\$50,000.00
		CDC Brownsville	Rehab/Critical Repair	N/A	\$50,000.00
				<b>Total Funds Available</b>	<b>\$500,000.00</b>
				<b>Total Funds Awarded</b>	<b>(\$200,000.00)</b>
				<b>Total Funds Remaining</b>	<b>\$300,000.00</b>
<b>2009 Funding Cycle</b>					
<b>Funds Requested</b>	<b>\$200,000.00</b>	Source of Funds	Type of Project	Priority	Amount Awarded
		Advisory Council Contribution Balance (\$5,000)			
		Wells Fargo Housing Foundation (\$5,000)			
		Heron Foundation Award (\$50,000)			
		TSAHC Program Revenue (\$140,000)			
				<b>Total Funds Available</b>	<b>\$500,000.00</b>
				<b>Total Funds to be Awarded</b>	<b>(\$250,000.00)</b>
				<b>Total Funds to Remain</b>	<b>\$250,000.00</b>

\* Of the initial \$500,000 allocated, \$250,000 is to remain as a permanent balance in the Texas Foundations Fund at all times.

**Texas Foreclosure Prevention Task Force**  
**Description of Activities**  
**October 2009**

<b><u>Activity</u></b>	<b><u>Description of Activities</u></b>
<b>Training</b>	<ul style="list-style-type: none"> <li>§ Coordinate efforts and raise funds to place trainings in Texas to increase the capacity of local foreclosure intervention counseling agencies.</li> <li>§ Trainings include NeighborWorks HO345, March 2008 (Houston), NeighborWorks HO345, October 2008 (San Antonio), and NeighborWorks HO 307/HO 320, July 2009 (Houston)</li> </ul>
<b>Coordination/Administration</b>	<ul style="list-style-type: none"> <li>§ Coordinate and engage with local task forces/coalitions throughout Texas to support and build local foreclosure prevention and intervention capacity</li> <li>§ Plan and coordinate a statewide fundraising campaign to support the Texas Foreclosure Prevention Task Force</li> <li>§ Engage in efforts to increase the number of Task Force partner counseling agencies to expand the reach of the Texas Foreclosure Prevention Task Force and increase the number of struggling homeowners served</li> <li>§ Conduct technical assistance visits with Task Force partner counseling agencies to ensure compliance funding and reporting requirements</li> <li>§ Maintain and update the Texas Foreclosure Prevention Task Force website to improve communication and efficiency</li> </ul>
<b>Counseling</b>	<ul style="list-style-type: none"> <li>§ As fiscal agent for the Task Force, TSAHC coordinates with TDHCA to administer the National Foreclosure Mitigations Counseling (NFMC) Program in Texas</li> <li>§ Utilizing the model adopted by the NFMC Program, the Task Force provides funding to 12 HUD approved partner counseling agencies to expand their capacity and increase the number of borrowers they are able to serve</li> <li>§ Counseling agencies include: FrameWorks Community Development Corporation (Austin), North Texas Housing Coalition (Dallas) NID-HCA Ephram Neal (Fort Worth), City of Fort Worth Housing Department (Fort Worth), Jordan Community Development Corporation (Dallas), Credit Coalition (Houston), Fifth Ward Community Redevelopment Corporation (Houston), Gulf Coast Community Services Association (Houston), Project Bravo (El Paso), North and East Lubbock Community Development Corporation (Lubbock), Consumer Credit Counseling Service of South Texas (Rio Grande Valley), and the Deep East Texas Council of Governments (Jasper).</li> </ul>
<b>Outreach/Events</b>	<ul style="list-style-type: none"> <li>§ The Task Force has established funding guidelines and an application process to provide funding for outreach events hosted by local foreclosure prevention initiatives.</li> <li>§ Events funded to date include Don't Borrow Trouble Outreach Event (El Paso), Houston Foreclosure Prevention Task Force Outreach Event (Houston), DFW HOPE Partnership Outreach Event (Dallas), and the San Antonio Foreclosure Prevention Outreach event (San Antonio)</li> </ul>

**Texas Foreclosure Prevention Task Force**  
**NFMC and Non-NFMC Counseling Sessions Funded**  
**As of October 1, 2009**

<b>Counseling Sessions</b>	<b>Level One (\$150)</b>	<b>Level Two (\$300)</b>	<b>Level Three (\$450)</b>	<b>Total Sessions Funded</b>	<b>Total Funding Amount</b>
Counseling Sessions Funded through <b>NFMC Funding</b>	<b>491</b>	<b>203</b>	<b>230</b>	<b>924</b>	<b>\$238,050</b>
Counseling Sessions Funded through <b>TDHCA NFMC Match Funding</b>	<b>14</b>	<b>4</b>	<b>3</b>	<b>21</b>	<b>\$4,740</b>
Counseling Sessions Funded through <b>TFPTF Funding</b>	<b>138</b>	<b>33</b>	<b>35</b>	<b>206</b>	<b>\$46,260</b>
<b><u>TOTAL</u></b>	<b><u>643</u></b>	<b><u>240</u></b>	<b><u>268</u></b>	<b><u>1,151</u></b>	<b><u>\$289,050</u></b>

**Description of Counseling Levels:**

Level One counseling involves developing a budget and action plan for a client seeking assistance in preventing foreclosure.

Level Two counseling entails verifying the client's budget, creating an action plan with steps to address their foreclosure issues, and assisting the client in meeting the goals of his or her action plan.

Level Three counseling entails meeting the requirements for both Levels One and Two within the same reporting period.

# **Budget and Investment Reports**

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**UNAUDITED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**for the year ended August 31, 2009**

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**Operating Revenues**

Interest and Investment Income	\$	15,831,659
Net Increase in Fair Value of Investments		12,896,646
Single Family Program Issuer and Servicing Fees		140,100
Asset Oversight and Compliance Fees, Net of bad debt expense of \$238,275		695,992
Loan Servicing Fees, Net of subservicer fees of \$115,443		290,832
Multifamily Bond Fees		109,593
Other Operating Revenue		347,679
<b>Total Operating Revenues</b>		<b>30,312,501</b>

**Operating Expenses**

Interest Expense on Bonds and Notes Payable		12,684,510
Down Payment Assistance Program		233,088
Salaries, Wages and Payroll Related Costs		1,291,619
Professional Fees and Services		326,502
Amortization		441,953
Office and Equipment Rental and Maintenance		111,315
Travel and Meals		58,961
Depreciation		18,591
Program and Loan Administration		658,918
Bad Debt, Notes Receivable		570,000
Other Operating Expenses		164,577
<b>Total Operating Expenses</b>		<b>16,560,034</b>

**Net Income** 13,752,467

**Total Net Assets, Beginning** 2,341,184

**Total Net Assets, Ending** \$ 16,093,651

# tsahnc

T E X A S  
State Affordable Housing Corporation

## Monthly Investment Report

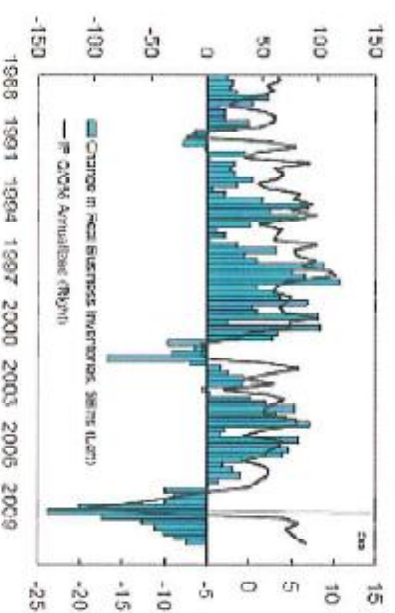
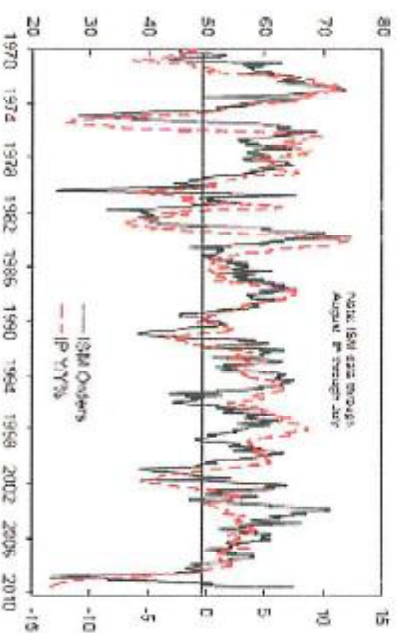
August 31, 2009



# Small 'Shoots' of Growth

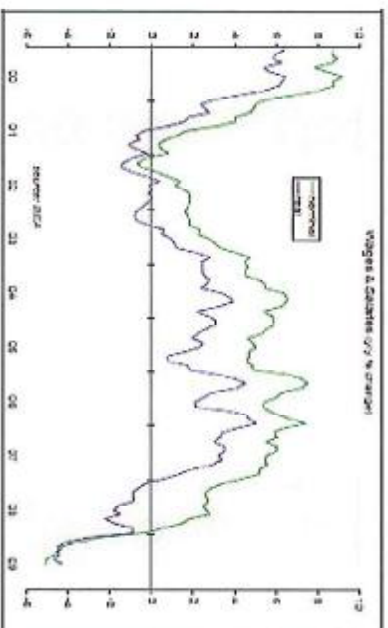
- Minimal growth, or at least less decline, has produced small shoots of hope in the economy.
- The forward looking purchasing managers view, in the ISM index (Institute of Supply Management), shows orders are increasing significantly which will drive industrial production (IP) as shown in past cycles.
- The growth in orders, if continuing, may indicate a GDP target of 3%, materially improved from the past negative quarters.
- In the manufacturing area, inventories are decreasing which will force manufacturers to gear up – possibly hire back employees – and refill the supply chain.

ISM Orders vs Industrial Production YOY

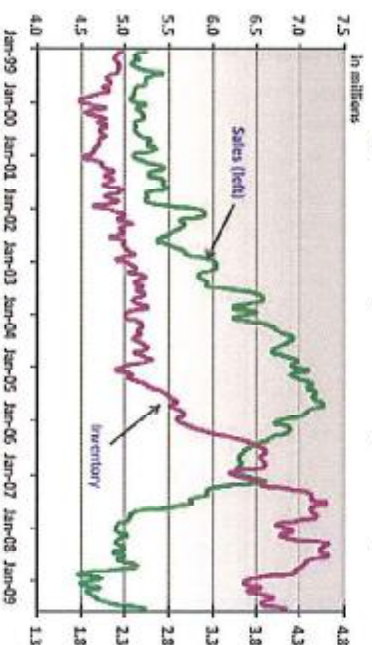


Inventories Impact on Production

# Employment Remains the Key



## Lower Jobs/Salaries Depress the Consumer

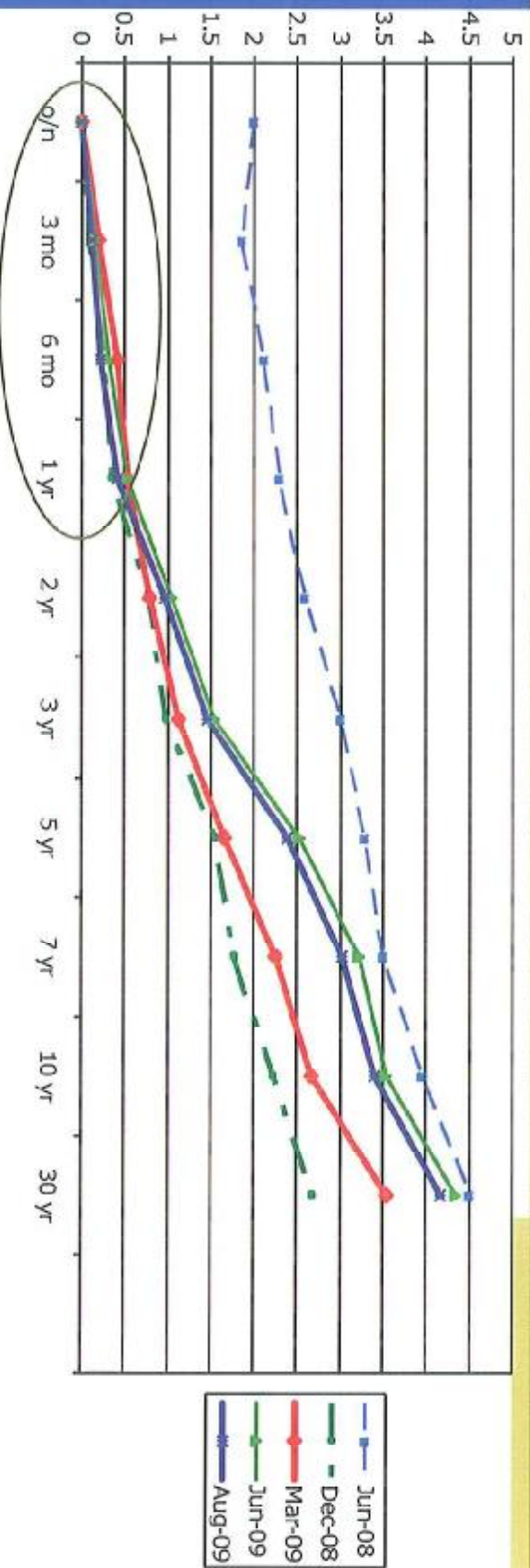


Source: National Association of Realtors, as of April '09

## Existing Home Sales Still a Problem

- The decreasing inventories will force manufacturers to add hours to the payroll and eventually add employees.
- Employment has stayed at its lows but seems to be bottoming. Salaries and payrolls will not show major improvements however until the need for products increases.
- The US consumer has not returned to his profligate spending ways. The reduced wealth and uncertainty continue to increase savings rates. The global consumer may have to create the demand initially.
- The second major drag factor continues to be construction. Residential sales are increasing but the inventory of houses remains high. The fear of a major downturn in non-residential construction could take down state chartered banks also.

# Yield Curve Responds to Equities Moods



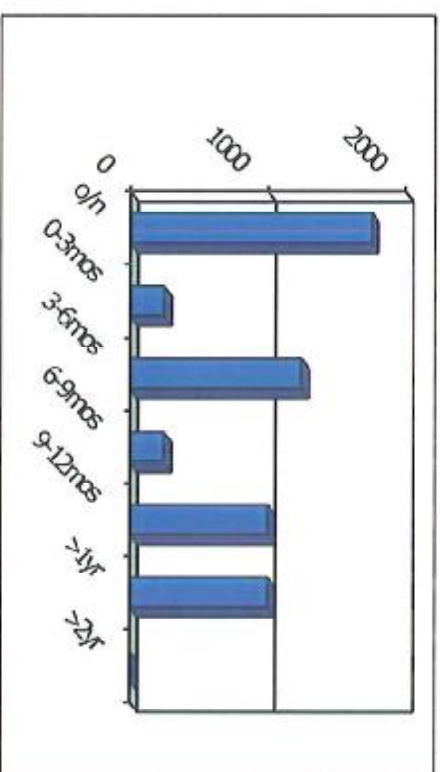
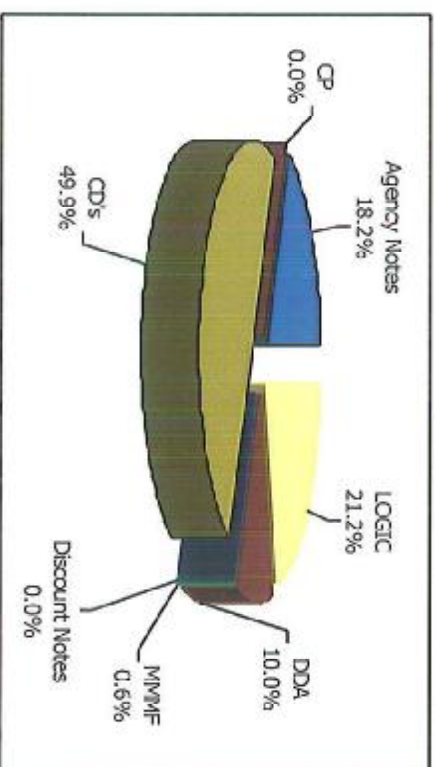
- Even with a major bull run in the August stock markets, averaging 9,375 on the Dow, there was little effect in the credit markets.
- The Dow is tottering on hitting the psychologically healthy 10,000 but a continuing positive move is needed.
- A continuing positive stock market more investors may pull funds out of the money markets which impact rates from 3 months to one year. So far we have seen little move out of the short funds.
- Rates will stay low on the very short end until improvements in employment as well as manufacturing improve.
- The massive issuances of treasury securities continues to move the intermediate securities (3 to 10 years) up in yield as the market finds it hard to absorb the issuances.
- The re-appointment of Fed Chair Bernanke has eliminated some uncertainty but only for a day.
- The FDIC has taken its special assessment and plans for more increased assessments ahead in order to stave off continuing potential bank failures especially with non-residential construction dropping.
- The Federal Reserve has stated that it will be very hesitant to move off a zero to .25 bps overnight rate for an extended period of time.
- Uncertainty and caution still rule the curve.

# Your Portfolio

As of August 31, 2009



- P&A constantly reviews your portfolio for optimal asset allocation and controlled average maturity because a diversified portfolio can better adjust to volatile market conditions.
- The extremely low short-term rates make diversification difficult and they are expected to continue- probably through 2Q'10.
- CDs continue to offer some value but banks have little collateral and are becoming *uninterested* in new funds.
- Economists and the Fed are now concerned about an exit strategy for this massive stimulus. The markets see the uncertainty as a detriment and excuse not to invest. Timing the trigger pull is a major concern currently.
- Our recommendations continue to focus on adding diversification and avoiding total liquidity, which will remain below 0.50%







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

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

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
<b>Fund: Bunker Hill Debt</b>						
Bank of America-Checking Account	1	22,744.03	22,744.03	0.41	0.500	1
Subtotal	1	22,744.03	22,744.03	0.41	0.500	1
<b>Fund: Bunker Hill Operating</b>						
Bank of America-Checking Account	1	22,733.77	22,733.77	0.41	0.500	1
Subtotal	1	22,733.77	22,733.77	0.41	0.500	1
<b>Fund: Bunker Hill Senior</b>						
Bank of America-Checking Account	1	57,509.75	57,509.75	1.05	0.200	1
Subtotal	1	57,509.75	57,509.75	1.05	0.200	1
<b>Fund: Disbursement</b>						
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
<b>Fund: General Investments</b>						
Certificate of Deposit - Bank	7	2,735,000.00	2,735,000.00	49.83	1.514	220
Federal Agency Coupon Securities	1	1,000,000.00	1,000,000.00	18.24	1.000	647
FHLB Dallas-Money Fund	1	34,101.83	34,101.83	0.62	0.031	1
Money Market Fund	2	989.56	989.56	0.02	0.000	1
LOGIC	1	1,165,032.21	1,165,032.21	21.25	0.406	1
Subtotal	12	4,935,123.60	4,935,123.60	90.01	1.137	253
<b>Fund: Operating Fund</b>						
Bank of America-Checking Account	1	147,647.65	147,647.65	2.89	0.196	1
Subtotal	1	147,647.65	147,647.65	2.89	0.196	1
<b>Fund: Payment Clearing</b>						
Bank of America-Checking Account	1	0.00	0.00	0.00	0.000	0

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

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
<b>Fund: Prevention Taskforce 2</b>						
Bank of America-Checking Account	1	74,745.53	74,745.53	1.36	0.350	1
Subtotal	1	74,745.53	74,745.53	1.36	0.350	1
<b>Fund: Sagebrush Apartments</b>						
Bank of America-Checking Account	1	37,008.09	37,008.09	0.67	0.100	1
Subtotal	1	37,008.09	37,008.09	0.67	0.100	1
<b>Fund: Sagebrush Apartments - Debt</b>						
Bank of America-Checking Account	1	38,963.49	38,963.49	0.71	0.500	1
Subtotal	1	38,963.49	38,963.49	0.71	0.500	1
<b>Fund: Sagebrush Apartments - Oper.</b>						
Bank of America-Checking Account	1	23,089.45	23,089.45	0.42	0.500	1
Subtotal	1	23,089.45	23,089.45	0.42	0.500	1
<b>Fund: T &amp; I</b>						
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
<b>Fund: Texas Foreclosure Prevention</b>						
Bank of America-Checking Account	1	102,171.88	102,171.88	1.86	0.200	1
Subtotal	1	102,171.88	102,171.88	1.86	0.200	1
<b>Fund: Texas Foundations</b>						
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
<b>Fund: TX Home Education</b>						
Bank of America-Checking Account	1	18,908.42	18,908.42	0.31	0.000	1
Subtotal	1	18,908.42	18,908.42	0.31	0.000	1
<b>Fund: Wells Fargo - CDC</b>						
Wells Fargo Bank	1	4,887.50	4,887.50	0.09	0.000	1

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

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Subtotal	1	4,987.50	4,887.50	0.09	0.000	1
Total and Average	27	5,483,533.16	5,483,533.16	100.00	1.050	228



**Texas State Affordable Housing  
Fund BHDEBT - Bunker Hill Debt  
Investments by Fund  
August 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
<b>Bank of America-Checking Account</b>											
3999999991	0015	Bank of America	09/07/2006	22,744.03	22,744.03	22,744.03	0.500	0.493	0.500		1
		<b>Subtotal and Average</b>		<b>22,744.03</b>	<b>22,744.03</b>	<b>22,744.03</b>		<b>0.493</b>	<b>0.500</b>		<b>1</b>
		<b>Total Investments and Average</b>		<b>22,744.03</b>	<b>22,744.03</b>	<b>22,744.03</b>		<b>0.493</b>	<b>0.500</b>		<b>1</b>

**Fund BHOPER - Bunker Hill Operating**  
**Investments by Fund**  
**August 31, 2009**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
599999991	0010	Bank of America	09/01/2006	22,733.77	22,733.77	22,733.77	0.500	0.493	0.500		1
			Subtotal and Average	22,733.77	22,733.77	22,733.77		0.493	0.500		1
			Total Investments and Average	22,733.77	22,733.77	22,733.77		0.493	0.500		1

**Fund BHSENIOR - Bunker Hill Senior**  
**Investments by Fund**  
**August 31, 2009**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
999999991	0009	Bank of America	09/01/2009	57,509.75	57,509.75	57,509.75	0.200	0.197	0.200		1
			<b>Subtotal and Average</b>	<b>57,509.75</b>	<b>57,509.75</b>	<b>57,509.75</b>		<b>0.197</b>	<b>0.200</b>		<b>1</b>
			<b>Total Investments and Average</b>	<b>57,509.75</b>	<b>57,509.75</b>	<b>57,509.75</b>		<b>0.197</b>	<b>0.200</b>		<b>1</b>

**Fund GENERAL - General Investments**  
**Investments by Fund**  
**August 31, 2009**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Certificates of Deposit - Bank</b>											
62479083	43	Certificate of Deposit	03/27/2009	245,000.00	245,000.00	245,000.00	2.300	2.268	2.300	03/27/2010	207
8900729	44	Certificate of Deposit	04/02/2009	245,000.00	245,000.00	245,000.00	1.850	1.824	1.850	02/02/2010	154
108591	45	Certificate of Deposit	04/10/2009	95,000.00	95,000.00	95,000.00	1.750	1.726	1.750	10/10/2009	39
108620	46	Certificate of Deposit	04/10/2009	95,000.00	95,000.00	95,000.00	1.750	1.726	1.750	10/10/2009	39
108862	47	Certificate of Deposit	04/10/2009	55,000.00	55,000.00	55,000.00	1.750	1.726	1.750	10/10/2009	39
8900736	48	Certificate of Deposit	04/20/2009	1,000,000.00	1,000,000.00	1,000,000.00	1.600	1.578	1.600	02/20/2010	172
1007895881	51	Hilcrest Bank CDARS	07/30/2009	1,000,000.00	1,000,000.00	1,000,000.00	1.09%	1.079	1.094	07/29/2010	331
		<b>Subtotal and Average</b>		<b>2,735,000.00</b>	<b>2,735,000.00</b>	<b>2,735,000.00</b>		<b>1.493</b>	<b>1.514</b>		<b>219</b>
<b>Federal Agency Coupon Securities</b>											
3133XT920	50	FHLB Note	06/11/2009	1,000,000.00	1,000,000.00	1,001,875.00	1.000	0.986	1.000	06/10/2011	647
		<b>Subtotal and Average</b>		<b>1,000,000.00</b>	<b>1,000,000.00</b>	<b>1,001,875.00</b>		<b>0.986</b>	<b>1.000</b>		<b>647</b>
<b>LOGIC</b>											
999999096	9005	Logic	09/01/2006	1,165,032.21	1,165,032.21	1,165,032.21	0.406	0.400	0.405		1
		<b>Subtotal and Average</b>		<b>1,165,032.21</b>	<b>1,165,032.21</b>	<b>1,165,032.21</b>		<b>0.400</b>	<b>0.406</b>		<b>1</b>
<b>FHLB Dallas-Money Fund</b>											
999999995	9002	FHLB Money Market Fund	09/01/2006	34,101.83	34,101.83	34,101.83	0.031	0.030	0.031		1
		<b>Subtotal and Average</b>		<b>34,101.83</b>	<b>34,101.83</b>	<b>34,101.83</b>		<b>0.031</b>	<b>0.031</b>		<b>1</b>
<b>Money Market Fund</b>											
60934N807	8	Bank of America Money Market	09/01/2006	0.00	0.00	0.00					1
20115869	52	Hilcrest Bank MM	07/31/2009	989.56	989.56	989.56					1
		<b>Subtotal and Average</b>		<b>989.56</b>	<b>989.56</b>	<b>989.56</b>		<b>0.000</b>	<b>0.000</b>		<b>1</b>
		<b>Total Investments and Average</b>		<b>4,936,123.60</b>	<b>4,936,123.60</b>	<b>4,936,998.60</b>		<b>1.122</b>	<b>1.137</b>		<b>253</b>

**Fund OPERATING - Operating Fund**  
**Investments by Fund**  
**August 31, 2009**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
999999931	0001	Bank of America	09/01/2008	147,647.65	147,647.65	147,647.65	0.196	0.193	0.195		1
<b>Subtotal and Average</b>				147,647.65	147,647.65	147,647.65		0.193	0.196		1
<b>Total Investments and Average</b>				147,647.65	147,647.65	147,647.65		0.193	0.196		1

**Fund PRETF - Prevention Taskforce 2**  
**Investments by Fund**  
**August 31, 2009**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
999999997	49	Bank of America	05/14/2009	74,745.53	74,745.53	74,745.53	0.350	0.345	0.350		1
		<b>Subtotal and Average</b>		<b>74,745.53</b>	<b>74,745.53</b>	<b>74,745.53</b>		<b>0.345</b>	<b>0.350</b>		<b>1</b>
		<b>Total Investments and Average</b>		<b>74,745.53</b>	<b>74,745.53</b>	<b>74,745.53</b>		<b>0.345</b>	<b>0.350</b>		<b>1</b>

**Fund SBAPT - Sagebrush Apartments**  
**Investments by Fund**  
**August 31, 2009**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
999999991	0011	Bank of America	09/01/2006	37,008.09	37,008.09	37,008.09	0.100	0.098	0.100		1
			Subtotal and Average	37,008.09	37,008.09	37,008.09		0.099	0.100		1
			Total Investments and Average	37,008.09	37,008.09	37,008.09		0.099	0.100		1

**Fund SBDEBT - Sagebrush Apartments - Debt**  
**Investments by Fund**  
**August 31, 2009**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
599998991	0013	Bank of America	09/01/2008	38,953.49	38,953.49	38,953.49	0.500	0.493	0.500		1
			<b>Subtotal and Average</b>	<b>38,953.49</b>	<b>38,953.49</b>	<b>38,953.49</b>		<b>0.493</b>	<b>0.500</b>		<b>1</b>
			<b>Total Investments and Average</b>	<b>38,953.49</b>	<b>38,953.49</b>	<b>38,953.49</b>		<b>0.493</b>	<b>0.500</b>		<b>1</b>

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

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
999999991	0012	Bank of America	09/01/2006	23,089.45	23,089.45	23,089.45	0.500	0.493	0.500		1
			Subtotal and Average	23,089.45	23,089.45	23,089.45		0.493	0.500		1
			Total Investments and Average	23,089.45	23,089.45	23,089.45		0.493	0.500		1

**Fund TXFORE - Texas Foreclosure Prevention**  
**Investments by Fund**  
**August 31, 2009**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
<b>Bank of America-Checking Account</b>											
899999991	35	Bank of America	04/01/2008	102,171.88	102,171.88	102,171.88	0.200	0.197	0.199		1
<b>Subtotal and Average</b>				102,171.88	102,171.88	102,171.88		0.197	0.200		1
<b>Total Investments and Average</b>				102,171.88	102,171.88	102,171.88		0.197	0.200		1

**Fund TXHOME - TX Home Education**  
**Investments by Fund**  
**August 31, 2009**

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
999999991	0002	Bank of America	09/01/2006	16,908.42	16,908.42	16,908.42		0.000	0.000		1
			Subtotal and Average	16,908.42	16,908.42	16,908.42		0.000	0.000		1
			Total Investments and Average	16,908.42	16,908.42	16,908.42		0.000	0.000		1

**Fund WELLS - Wells Fargo - CDC**  
**Investments by Fund**  
**August 31, 2009**

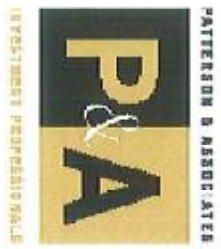
CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Well's Fargo Bank											
099999999	0014	Wells Fargo Bank	09/01/2008	4,887.50	4,887.50	4,887.50		0.000	0.000		1
		Subtotal and Average		4,887.50	4,887.50	4,887.50		0.000	0.000		1
		Total Investments and Average		4,887.50	4,887.50	4,887.50		0.000	0.000		1



**Texas State Affordable Housing  
Cash Reconciliation Report  
For the Period August 1, 2009 - August 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
<b>General Investments</b>											
08/10/2009	45	GENERAL	Interest	108581	55,000.00	CD 0.1M 1.75% Mat. 10/10/2009	10/10/2009	0.00	141.20	0.00	141.20
08/10/2009	46	GENERAL	Interest	108620	55,000.00	CD 0.1M 1.75% Mat. 10/10/2009	10/10/2009	0.00	141.20	0.00	141.20
08/10/2009	47	GENERAL	Interest	108682	55,000.00	CD 0.1M 1.75% Mat. 10/10/2009	10/10/2009	0.00	81.75	0.00	81.75
08/30/2009	51	GENERAL	Interest	100789581	1,000,000.00	HBCDAR 1.0M 1.09% Mat.	07/29/2010	0.00	959.13	0.00	959.13
							<b>Subtotal</b>	0.00	1,323.28	0.00	1,323.28
							<b>Total</b>	0.00	1,323.28	0.00	1,323.28



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

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

CUSIP	Investment #	Fund	Issuer	Ending Per Value	Beginning Book Value	Average Book Value	Maturity Date	Current Rate	Annualized Yield	Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
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<b>Fund: Bunker Hill Debt</b>												
999999991	0015	BHDEBT	BOA	22,744.03	22,734.38	22,734.69		0.500	0.500	9.65	0.00	9.65
<b>Subtotal</b>				<b>22,744.03</b>	<b>22,734.38</b>	<b>22,734.69</b>			<b>0.500</b>	<b>9.65</b>	<b>0.00</b>	<b>9.65</b>

<b>Fund: Bunker Hill Operating</b>												
999999991	0010	BHOPER	BOA	22,733.77	22,724.12	22,724.43		0.500	0.500	9.65	0.00	9.65
<b>Subtotal</b>				<b>22,733.77</b>	<b>22,724.12</b>	<b>22,724.43</b>			<b>0.500</b>	<b>9.65</b>	<b>0.00</b>	<b>9.65</b>

<b>Fund: Bunker Hill Senior</b>												
999999991	0009	BHSENIOR	BOA	57,509.75	56,766.70	56,767.01		0.200	0.202	9.72	0.00	9.72
<b>Subtotal</b>				<b>57,509.75</b>	<b>56,766.70</b>	<b>56,767.01</b>			<b>0.202</b>	<b>9.72</b>	<b>0.00</b>	<b>9.72</b>

<b>Fund: General Investments</b>												
3133XTSZ0	50	GENERAL	FHLB	1,000,000.00	1,000,000.00	1,000,000.00	08/10/2011	1.000	0.581	833.33	0.00	833.33
999999995	9005	GENERAL	LOGIC	1,165,032.21	1,534,561.23	1,531,350.62		0.405	0.362	470.98	0.00	470.98
999999995	9002	GENERAL	FHLBMM	34,101.83	40,756.03	40,756.06		0.031	0.026	0.91	0.00	0.91
8900736	48	GENERAL	CD	1,000,000.00	1,000,000.00	1,000,000.00	02/20/2010	1.800	1.600	1,358.90	0.00	1,358.90
108682	47	GENERAL	CD	55,000.00	55,000.00	55,000.00	10/10/2009	1.750	1.750	81.75	0.00	81.75
8900729	44	GENERAL	CD	245,000.00	245,000.00	245,000.00	02/02/2010	1.850	1.850	384.56	0.00	384.56
108620	46	GENERAL	CD	95,000.00	95,000.00	95,000.00	10/10/2009	1.750	1.750	141.20	0.00	141.20
108591	45	GENERAL	CD	95,000.00	95,000.00	95,000.00	10/10/2009	1.750	1.750	141.20	0.00	141.20
62479083	43	GENERAL	CD	245,000.00	245,000.00	245,000.00	03/27/2010	2.300	2.300	478.59	0.00	478.59
1007995831	51	GENERAL	HBCDAR	1,000,000.00	1,000,000.00	1,000,000.00	07/29/2010	1.094	1.094	929.15	0.00	929.15
<b>Subtotal</b>				<b>4,934,134.04</b>	<b>5,310,317.26</b>	<b>5,307,106.68</b>			<b>1.078</b>	<b>4,820.57</b>	<b>0.00</b>	<b>4,820.57</b>

<b>Fund: Operating Fund</b>												
999999991	0001	OPERATIN	BOA	147,647.65	194,846.75	193,324.20		0.196	0.243	39.86	0.00	39.86
<b>Subtotal</b>				<b>147,647.65</b>	<b>194,846.75</b>	<b>193,324.20</b>			<b>0.243</b>	<b>39.86</b>	<b>0.00</b>	<b>39.86</b>

Texas State Affordable Housing  
Interest Earnings  
August 1, 2009 - August 31, 2009

CUSIP	Investment #	Fund	Issuer	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Adjusted Interest Earnings		
										Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings
<b>Fund: Prevention Taskforce 2</b>												
999999997	49	PRETF	BOA	74,745.53	479,455.53	465,432.63		0.350	0.349	137.86	0.00	137.86
			Subtotal	74,745.53	479,455.53	465,432.63			0.349	137.86	0.00	137.86
<b>Fund: Sagebrush Apartments</b>												
999999991	0011	SBAPT	BOA	37,008.09	36,004.98	36,005.08		0.100	0.102	3.11	0.00	3.11
			Subtotal	37,008.09	36,004.98	36,005.08			0.102	3.11	0.00	3.11
<b>Fund: Sagebrush Apartments - Debt</b>												
999999991	0013	SBDEBT	BOA	38,963.49	38,946.95	38,947.48		0.500	0.500	16.54	0.00	16.54
			Subtotal	38,963.49	38,946.95	38,947.48			0.500	16.54	0.00	16.54
<b>Fund: Sagebrush Apartments - Oper.</b>												
999999991	0012	SBOPER	BOA	23,089.45	23,079.65	23,079.97		0.500	0.500	9.80	0.00	9.80
			Subtotal	23,089.45	23,079.65	23,079.97			0.500	9.80	0.00	9.80
<b>Fund: Texas Foreclosure Prevention</b>												
999999991	35	TXFORE	BOA	102,171.88	159,222.61	157,382.26		0.200	0.170	22.68	0.00	22.68
			Subtotal	102,171.88	159,222.61	157,382.26			0.170	22.68	0.00	22.68
			Total	5,460,747.88	6,343,098.93	6,323,504.43			0.946	5,079.84	0.00	5,079.84



**Texas State Affordable Housing  
Projected Cashflow Report  
Sorted by Fund**

For the Period September 1, 2009 - March 31, 2010

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
<b>General Investments</b>										
09/10/2009	45	GENERAL	108581	Interest	Certificate of Deposit	95,000.00	95,000.00	0.00	141.20	141.20
09/10/2009	46	GENERAL	108620	Interest	Certificate of Deposit	95,000.00	95,000.00	0.00	141.20	141.20
09/10/2009	47	GENERAL	108662	Interest	Certificate of Deposit	95,000.00	95,000.00	0.00	81.75	81.75
09/30/2009	51	GENERAL	1007895981	Interest	Hillcrest Bank CDARS	1,000,000.00	1,000,000.00	0.00	929.16	929.16
10/02/2009	44	GENERAL	6900729	Interest	Certificate of Deposit	245,000.00	245,000.00	0.00	1,142.44	1,142.44
10/10/2009	45	GENERAL	108581	Interest	Certificate of Deposit	95,000.00	95,000.00	0.00	132.09	95,132.09
10/10/2009	46	GENERAL	108620	Interest	Certificate of Deposit	95,000.00	95,000.00	0.00	132.09	95,132.09
10/10/2009	47	GENERAL	108662	Maturity	Certificate of Deposit	95,000.00	95,000.00	95,000.00	76.47	55,076.47
10/20/2009	48	GENERAL	8900736	Interest	Certificate of Deposit	1,000,000.00	1,000,000.00	0.00	4,032.88	4,032.88
10/30/2009	51	GENERAL	1007895981	Interest	Hillcrest Bank CDARS	1,000,000.00	1,000,000.00	0.00	899.19	899.19
11/30/2009	51	GENERAL	1007895981	Interest	Hillcrest Bank CDARS	1,000,000.00	1,000,000.00	0.00	929.16	929.16
12/11/2009	50	GENERAL	3133XTSZD	Interest	FHLB Note	1,000,000.00	1,000,000.00	0.00	5,000.00	5,000.00
12/30/2009	51	GENERAL	1007895981	Interest	Hillcrest Bank CDARS	1,000,000.00	1,000,000.00	0.00	899.19	899.19
01/02/2010	44	GENERAL	8900729	Interest	Certificate of Deposit	245,000.00	245,000.00	0.00	1,142.44	1,142.44
01/20/2010	48	GENERAL	8900736	Interest	Certificate of Deposit	1,000,000.00	1,000,000.00	0.00	4,032.88	4,032.88
01/30/2010	51	GENERAL	1007895981	Interest	Hillcrest Bank CDARS	1,000,000.00	1,000,000.00	0.00	929.16	929.16
02/02/2010	44	GENERAL	8900729	Maturity	Certificate of Deposit	245,000.00	245,000.00	245,000.00	372.53	245,372.53
02/20/2010	48	GENERAL	8900736	Maturity	Certificate of Deposit	1,000,000.00	1,000,000.00	1,000,000.00	1,315.07	1,001,315.07
02/28/2010	51	GENERAL	1007895981	Interest	Hillcrest Bank CDARS	1,000,000.00	1,000,000.00	0.00	899.21	899.21
03/27/2010	43	GENERAL	62479083	Maturity	Certificate of Deposit	245,000.00	245,000.00	245,000.00	5,695.00	250,695.00
03/28/2010	51	GENERAL	1007895981	Interest	Hillcrest Bank CDARS	1,000,000.00	1,000,000.00	0.00	899.24	899.24
<b>Total for General Investments</b>						<b>12,470,000.00</b>	<b>12,470,000.00</b>	<b>1,735,060.00</b>	<b>29,672.35</b>	<b>1,764,672.35</b>
<b>GRAND TOTALS:</b>						<b>12,470,000.00</b>	<b>12,470,000.00</b>	<b>1,735,060.00</b>	<b>29,672.35</b>	<b>1,764,672.35</b>

**BOARD MEETING**  
**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
Held at the offices of  
**Texas State Affordable Housing Corporation**  
**2200 E. Martin Luther King Jr. Blvd.**  
**Austin, TX 78702**  
**September 11, 2009 at 1:30 pm**

**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 Bob Jones, Chair, at 1:34 p.m., on September 11, 2009 at the offices of Texas State Affordable Housing Corporation, 2200 E. Martin Luther King Jr. Blvd, Austin, TX 78702. Roll Call certified that a quorum was present.

**Members Present**

Bob Jones, Chair  
Cynthia Leon, Member  
William H. Dietz, Member

**Members Absent**

Jo Van Hovel, Vice Chair

**Staff Present**

David Long, President  
Katherine Closmann, Executive Vice President  
Melinda Smith, Chief Financial Officer  
David Danenfelzer, Development Finance Programs Manager  
Joshua Schirr, Asset Oversight and Compliance Manager  
Janie Taylor, Manager of Marketing and Development  
Katie Howard, Development Coordinator  
Cynthia Gonzales, Office Manager and Assistant Corporate Secretary  
Laura Ross, Corporate Secretary

**Special Guests**

Rob Dubbelde, Greenberg Traurig  
Elena Peinado, Texas Department of Housing and Community Affairs (TDHCA)  
Kathy Tyler, Motivation, Education and Training (MET) Inc.

**President’s Report**

Mr. Long began by turning the Board’s attention to the Mortgage Credit Certificate (MCC) Program. Mr. Long recalled that previous funding under the program had been completely reserved. Mr. Long spoke to how the previous month, the board had authorized staff to release an

additional \$30 million in authority for the Program. Mr. Long spoke to the success of the Program.

Mr. Long then moved on to the Development Finance report. He began with the Affordable Communities of Texas Program (ACT), and noted that staff had met with TDHCA about the NSP funding designated for the Program. Mr. Long reported that staff continued to work with National Community Stabilization Trust under the program and that Mr. Danenfelzer was currently working on additional standardized purchase agreements with Bank of America, Countrywide and Citibank. Mr. Long then turned to the Direct Lending Program and informed the board that the Willow Apartments project, a transaction approved by the Board in July, was anticipated to close in December.

Mr. Long then turned to the Marketing and Development report and pointed out what Ms. Taylor and Ms. Howard had been working on over the last few months, including marketing activities, conferences attended, and meetings with TDHCA. Mr. Long then turned to the next report which listed the fundraising activities of the Corporation. Ms. Leon requested that all pending and denied grants and funding be included on future reports.

Mr. Long turned to the Foreclosure Prevention Task Force report. Mr. Long reminded the Board that Ms. Howard was the Corporation's liaison with TDHCA regarding the NFMC funding for the Task Force. Mr. Long refreshed the Board's memory that the Corporation processed and administered this funding as the fiscal agent for the Task Force. Mr. Long recalled that the Corporation had recently been asked by TDHCA to match funds required under the most recent application for round-3 NFMC funding. The Corporation's contribution totaled \$72,000 and the funding used came from the Meadows Foundation grant to the Corporation. Mr. Long made special note that staff had used those funds with the Foundation's permission. Mr. Long further discussed services provided by the Task Force and Mr. Jones requested that the Task Force website be sent to the Board.

Mr. Long turned to the financial report, noting that the numbers contained on the reports were thru the end of July 2009. Mr. Long briefly spoke about the upcoming audit. Mr. Long then turned back to the report and stated that the numbers being presented were on track for meeting the thresholds set forth by the FY 2009 budget.

Mr. Long then turned the Board Members' attention to the 501(c)(3) default notices that were handed out and deferred to Ms. Closmann to explain. Ms. Closmann explained that the packet before the Board contained default notices for American Housing Foundation (AHF), American Opportunity for Housing (AOH) and South Texas Affordable Properties. Ms. Closmann referred to the AHF notice and explained that they had been in financial default for some time and if MBIA was paying on the bonds (which was noted in the notice), it indicated that the Series A debt service reserve had been depleted. Mr. Jones inquired about what would happen to the units should the properties go into foreclosure and Ms. Closmann stated that staff hoped to see the units remain affordable. Discussion briefly turned to when the bonds were financed and the expectations and assumptions made at that time which led to the situation they were currently in. Ms. Closmann noted that the Corporation had no financial risk with the portfolio and had no say in deciding what would happen to these properties. Ms. Closmann spoke to the changes that had been made to the Corporation's underwriting and compliance policies in order to mitigate anything like this happening again. Should the bonds be foreclosed upon, it was noted that they would be bought by whoever could pay the most for them, and if it was another Community

Housing Development Organization (CHDO) then the properties' tax exempt status would be maintained. Discussion followed.

Mr. Long then introduced the guests in attendance at the meeting: Mr. Dubbelde with Greenberg Traurig (general counsel for the Corporation), Elena Peinado with TDHCA, and Kathy Tyler who was here to provide public testimony about the Foundations Fund.

**Tab 1            Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on August 11, 2009.**

It was noted that there was a typo on the agenda and that the minutes for the August 14, 2009 meeting were being presented for approval.

Ms. Leon made a motion to approve the minutes of the Board Meeting held on August 14, 2009. Mr. Dietz seconded the motion. Motion passed unanimously.

**Public Comment**

Ms. Tyler with Motivation, Education and Training, Inc (MET Inc) presented public testimony with regard to the Texas Foundations Fund and the possible inclusion of farm worker housing in the program.

**Tab 6            Discussion on Requirements for Conduct of Meetings of Board of Directors.**

Mr. Dubbelde noted that when discussing the conduct of Board Meetings the Corporation was confined by the Bylaws of the Corporation and the Texas Open Meetings Act. Mr. Dubbelde explained that the Modern Rules of Order explicitly stated that Robert's Rules of Order were no longer used for corporations because they focused on parliamentary procedure which was better used at a government level. Mr. Dubbelde also acknowledged that adopting an official rule of order would garner less flexibility. Mr. Dubbelde noted the importance of adhering to the Open Meetings Act, as well as the bylaws of the Corporation.

Mr. Dubbelde turned to the bylaws and pointed out what was said regarding the conduct of board meetings. They stated that notice must be given and a quorum of the Board must be present. They also described how to proceed should both the Chair and Vice Chair be absent. Mr. Dubbelde pointed out that to approve agenda items, a majority of members present at the meeting was needed, except in the case of dissolving the Corporation or selling the Corporation's assets. In these two cases, a majority of the complete board would be needed for approval.

Then, Mr. Dubbelde turned to the Open Meetings Act. He explained that it was more specific about posting notice of the meeting, requiring 7 days. It also ordered that the agenda list everything to be voted on or discussed. At the start of the meeting, the time and date must be stated along with an announcement that the meeting was starting. Adjournment happened under two scenarios – if the meeting was over, or if the board was going into closed session (at which time the time must be noted and the statute allowing for the ability to go into closed session must be stated). The time must also be stated when coming out of closed session and into open session. The Open Meetings Act stipulated that the meetings had to either be recorded or minutes had to be taken (the Corporation does both). Mr. Dubbelde made special note that under the Open Meetings Act, there should be no discussion amongst the board members during staff reports. Questions could be asked of the staff, but discussion amongst the members was

prohibited unless it was listed as an agenda item. Closed sessions could only be for purposes described in the Texas Open Meetings Act, and any reports made in closed session must pertain to an item on the agenda. Mr. Dubbelde also mentioned that votes could be taken in closed session, but would need to be retaken in open session. Discussion followed on this topic. Mr. Dubbelde also spoke about motions, noting that a second wasn't required. Mr. Jones pointed out that to call for a second meant if one wasn't offered the motion died. Mr. Dubbelde stated that it was the board's decision, however he suggested that the Board not adopt formal rules to allow flexibility for the presiding officer to call for (or not call for) a second. Discussion followed. Ms. Closmann pointed out that the most important thing was that the board members knew what they were voting on; this was why it was important to read the motion into the record. Discussion followed.

**Tab 2                    Presentation, Discussion and Possible Approval of the Publication for Public Comment Guidelines Regarding the 2009 Texas Foundations Fund.**

Ms. Closmann announced that in addition to her other duties, Ms. McGilloway had been named the project manager for the Texas Foundations Fund. Ms. Closmann then deferred to Ms. McGilloway. Ms. McGilloway refreshed the Board's memory of the history of the Foundations Fund beginning with its inception in February 2008. She discussed how much was originally set aside for the Fund; who was targeted under the Fund Guidelines; how the Advisory Council members were selected; and details about the two previous fund releases. It was specifically pointed out that only non-profits and government entities serving rural areas could apply for these funds and they had to go to Single Family Rehab and Construction or supportive services. Referring back to Ms. Tyler's public comment, it was noted that farm worker housing would be difficult to provide under this requirement. Ms. McGilloway gave a recap of the funds already allotted. Discussion followed about how funds were being raised for the program. Ms. Taylor joined the conversation, pointing out that the Heron Foundation had awarded the Corporation with (2) \$50,000 grants over a two year period that could in part be used for this program. Ms. Taylor also recalled how, when the Foundations Fund was originally established, the Board allocated \$500,000 for the Fund - \$250,000 to be used for awards and \$250,000 to be set aside as seed money. The board had approved an additional \$250,000 for the hurricane funding cycle, and of that only \$50,000 remained. All told, \$450,000 had been awarded through the first two rounds of funding. It was noted that the \$750,000 total allocated to the Fund (the original \$500,000 and the additional \$250,000 added for the Hurricane cycle) came from unrestricted funds and not through fundraising. Ms. McGilloway agreed to put together a chart mapping out the funding for the Program from its inception. Ms. Taylor spoke further about future fundraising activities for the Fund, such as partnering with local non-profits to hold receptions across the state that would be hosted by the board members or advisory council members. They would invite their friends and contacts to the reception where they would learn about the Foundations Fund, what it was and how they could participate. Ms. Taylor reported that Mr. Romero and Mr. Vandenburg had agreed to host a reception in El Paso. Mr. Jones suggested that offering the ability to earmark donated funds for a certain community would encourage more people to donate. Discussion followed about the receptions. Ms. Taylor also reported that Ms. McGilloway was putting together a page for the website detailing success stories from the past funding cycles.

Ms. McGilloway turned back to the agenda item and informed the Board that two surveys had been sent out to gather information on what people wanted to see done with Foundations Fund, and who they wanted it to serve. The biggest points that were learned were 1) that most people wanted us to keep single family construction as a priority, 2) that previous grant recipients should have the ability to receive grants during consecutive funding cycles, as well as 3) how to

deal with deficiencies. Ms. McGilloway discussed the priorities of past award cycles – to fund supportive housing services, to fund housing for people with disabilities, and to fund rural applications – and how these priorities were still in line with what was needed in the state. Ms. Leon suggested keeping them as broad as possible.

Ms. McGilloway discussed the Guidelines, pointing out the major changes that had been made. She pointed out that the section discussing supportive housing services had been clarified to avoid confusion that it was instead multifamily construction. Ms. McGilloway also pointed out that language was added to ensure the funds would be provided to the individual free of charge. Ms. McGilloway stated that the Guidelines would be posted for public comment for a two-week period with comments due back September 28<sup>th</sup>. After comments were reviewed and changes were made, the Guidelines would be presented at the October meeting for final approval. She noted that staff would also be asking for another \$200,000 allocation for the program (to go with the \$50,000 that remained from the hurricane funding cycle). Ms. McGilloway explained that a NOFA would be issued and a proposal checklist would be published at that time. It was the staff's hope to make awards in early 2010.

Discussion followed surrounding the specific services that would qualify under the program, as well as who was eligible to be an end user. It was clarified that the non-profit or government entity must own the property where the supportive services would be offered to receive funding for them under the program. Mr. Jones requested that the experience of the applicants be emphasized in the Guidelines.

Ms. Leon made a motion to approve the publication for public comment Guidelines regarding the 2009 Texas Foundations Fund. Mr. Dietz seconded the motion. Motion passed unanimously.

**Tab 3            Presentation, Discussion and Possible Approval of Texas State Affordable Housing Corporation Employee Handbook.**

This item was pulled.

**Tab 4            Presentation, Discussion and Possible Approval of a Resolution Approving a Grant Acceptance Policy for the Corporation and a Fiscal Agent Policy for the Corporation.**

Mr. Long referred to the two policies provided as handouts to the Board. It was specifically pointed out that the name of the first policy had been changed from Grant Acceptance Policy to Gift Acceptance Policy, because the word 'Gift' was more commonly used by 501(c)(3) non-profits.

Mr. Long recalled that the Corporation served as fiscal agent for the Task Force, a relationship which was established through an MOU between the two organizations. Mr. Long explained that a potential funder for the Task Force had asked for clarification of the Corporation's role as a Fiscal Agent and asked that a policy be put in place. Mr. Long stated that the policy before the Board would not only satisfy the funder, it would also be in place should similar situations arise in the future.

First, Mr. Dubbelde turned to the Gift Acceptance Policy, a document that described the types of gifts we could receive and how they would be handled. Mr. Dubbelde spoke about non-cash

contributions, saying that if they fell under \$10,000 staff could accept them and if they were over that amount they would need to be accepted by the Board. Life insurance would be accepted if the Corporation was the only beneficiary. Discussion followed about the possible scenario where the Corporation was one of multiple beneficiaries. Under IRS guidelines, arts and collectibles could not be accepted. Discussion continued about the acceptance of property, stocks, securities, etc. and how they would be handled. Ms. Closmann pointed out that the Board's approval was needed for all gifts of privately held securities, no matter the amount. Mr. Dubbelde turned to cash contributions – general purpose funding which could be used in any aspect of the Corporation; and endowed funding that would specifically go towards the Foundations Fund. Discussion followed as to how these gifts would be handled. Mr. Dubbelde then spoke to IRS requirements and consultation with legal counsel.

Mr. Dubbelde turned to the Fiscal Agent Policy and stated that it was very similar to the Gift Acceptance Policy only it spoke to taking funds in as a fiscal agent, not as a gift receiver.

Ms. Leon made a motion to approve a resolution approving a Gift Acceptance Policy for the Corporation and a Fiscal Agent Policy for the Corporation. Mr. Dietz seconded the motion. Motion passed unanimously.

**Tab 5            Presentation, Discussion and Possible Approval of a Resolution Approving the Corporation's Role as Fiscal Agent for the Texas Foreclosure Prevention Task Force and Authorizing the President to Negotiate and Execute Appropriate Documents Related Thereto.**

Mr. Jones briefly stepped out during the presentation.

Mr. Long noted that the resolution before the board clarified the Corporation's role as the fiscal agent for the Task Force. Mr. Long explained that the resolution being presented had been created at the request of Fannie Mae, a potential funder of the Task Force. Mr. Long pointed out that the resolution incorporated new responsibilities Fannie Mae wanted the board to approve and acknowledge, separate and apart from existing responsibilities laid out in the MOU between TDHCA and the Corporation.

Attention turned to the next board meeting which was briefly discussed. Mr. Long then told the members about our new board member, Mr. Akers.

Mr. Jones rejoined the meeting. Ms. Leon made a motion to approve a resolution approving the Corporation's role as Fiscal Agent for the Texas Foreclosure Prevention Task Force and authorizing the President to negotiate and execute appropriate documents relating thereto. Mr. Dietz seconded the motion. Motion passed.

**Open Meeting**

The next board meeting was tentatively set for Friday, October 9, 2009 at 1:30pm. Discussion turned to the 2-day Board Meeting and Planning Session, and Mr. Long informed the Board that staff would continue to look for dates that would work for all the members. Mr. Long stated that the newest board member, Mr. Akers, would be at the October meeting and his orientation with Mr. Dubbelde would take place prior to the meeting. Discussion briefly turned to the building and the move. Mr. Long thanked Mr. Danenfelzer and Ms. McGilloway for their effort.

## **Adjournment**

Ms. Leon made a motion to adjourn the meeting. Mr. Dietz seconded the motion. Motion passed unanimously. The meeting was officially adjourned at 3:46 pm.

Respectfully submitted by \_\_\_\_\_  
Laura Ross, Corporate Secretary

**MINUTES AND CERTIFICATION**

THE STATE OF TEXAS                    §  
  §  
TEXAS STATE AFFORDABLE            §  
HOUSING CORPORATION                §

I, the undersigned officer of the Texas State Affordable Housing Corporation, do hereby certify as follows:

1.     The Board of Directors of said corporation convened on the 9<sup>th</sup> day of October, 2009, at the designated meeting place in Austin, Texas, and the roll was called of the duly constituted members of said Board and officers, to wit:

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Office</u>
Robert Elliott Jones	Chairperson
Jo Van Hovel	Vice Chairperson
Cynthia Leon	Director
William H. Dietz	Director
Jeran Akers	Director

**OFFICERS**

<u>Name</u>	<u>Office</u>
David Long	President (non-Board member)
Katherine Closmann	Executive Vice President (non-Board member)
Melinda Smith	Chief Financial Officer (non-Board member)
Laura Ross	Secretary (non-Board member)
Cynthia Gonzales	Assistant Secretary (non-Board member)

and all of said persons were present except \_\_\_\_\_, thus constituting a quorum. Whereupon, among other business, the following was transacted, to-wit: a written resolution (the "Resolution") bearing the following caption was introduced:

“RESOLUTION NO. 09-\_\_\_\_\_

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**

**RESOLUTION     AUTHORIZING     A     MODIFIED  
CARRYFORWARD HOME LOAN PROGRAM, INCLUDING  
THE ISSUANCE, SALE AND DELIVERY OF SINGLE  
FAMILY MORTGAGE REVENUE BONDS IN ONE OR MORE  
SERIES TO PROVIDE FUNDS FOR FIRE FIGHTER AND  
LAW ENFORCEMENT OR SECURITY OFFICER, AND  
EMERGENCY   MEDICAL   SERVICES   PERSONNEL,**

PROFESSIONAL EDUCATORS AND LOW-INCOME PERSONS, INCLUDING SALES OF BONDS TO FEDERAL ENTITIES OR FANNIE MAE OR FREDDIE MAC OR PRIVATE UNDERWRITERS; AUTHORIZING THE PREPARATION OF RELATED TRUST INDENTURES, ORIGINATION, SALE AND SERVICING AGREEMENTS, BOND PURCHASE AGREEMENTS AND CONTINUING DISCLOSURE AGREEMENTS, MAKING CERTAIN FINDINGS AND DETERMINATIONS; AUTHORIZING THE REQUIRED APPLICATIONS AND FILING TO THE TEXAS BOND REVIEW BOARD, THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT SUCH PROGRAM; AND CONTAINING OTHER MATTERS INCIDENT AND RELATED THERETO”

was duly introduced for the consideration of said Board and read in full. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

    \_ AYES                                    \_ NOES                                    \_ ABSTENTIONS

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to this certificate; that said Resolution has been duly recorded in said Board’s minutes of said meeting; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said Board as indicated therein; that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that said Resolution would be introduced and considered for adoption at said meeting, and each of said officers and members consented, in advance, to the holding of said meeting for such purpose.

SIGNED this October 9, 2009.

\_\_\_\_\_  
Secretary, Texas State Affordable Housing Corporation

**RESOLUTION NO. 09-**

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**

RESOLUTION AUTHORIZING A MODIFIED CARRYFORWARD HOME LOAN PROGRAM, INCLUDING THE ISSUANCE, SALE AND DELIVERY OF SINGLE FAMILY MORTGAGE REVENUE BONDS IN ONE OR MORE SERIES TO PROVIDE FUNDS FOR FIRE FIGHTER AND LAW ENFORCEMENT OR SECURITY OFFICER, AND EMERGENCY MEDICAL SERVICES PERSONNEL, PROFESSIONAL EDUCATORS AND LOW-INCOME PERSONS, INCLUDING SALES OF BONDS TO FEDERAL ENTITIES OR FANNIE MAE OR FREDDIE MAC OR PRIVATE UNDERWRITERS; AUTHORIZING THE PREPARATION OF RELATED TRUST INDENTURES, ORIGINATION, SALE AND SERVICING AGREEMENTS, BOND PURCHASE AGREEMENTS AND CONTINUING DISCLOSURE AGREEMENTS, MAKING CERTAIN FINDINGS AND DETERMINATIONS; AUTHORIZING THE REQUIRED APPLICATIONS AND FILING TO THE TEXAS BOND REVIEW BOARD, THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT SUCH PROGRAM; AND CONTAINING OTHER MATTERS INCIDENT AND RELATED THERETO

WHEREAS, the Texas State Affordable Housing Corporation (the “Issuer”) has been duly created and organized pursuant to and in accordance with the provisions of the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq. Vernon’s Annotated Texas Civil Statutes, as amended, and under the authority of Subchapter Y of Chapter 2306, Texas Government Code, as amended (the “Act”), the Issuer is authorized to establish a program or programs to provide eligible mortgagors with low-interest home mortgage loans;

WHEREAS, the Issuer has previously received certificates of reservation relating to 2007 volume allocation in connection with the Texas Bond Review Board Docket Numbers 3545, 3546 and 3549 totaling \$125,000,000;

WHEREAS, the Issuer has previously elected a carryforward of the 2007 volume allocation in accordance with applicable federal and state law;

WHEREAS, the 2007 volume allocation may be used in connection with any of the qualified mortgage revenue bonds or mortgage credit certificates the Issuer is authorized to issue;

WHEREAS, the Issuer has previously allocated \$50,000,000 of the 2007 volume allocation for mortgage credit certificates;

WHEREAS, the Board of Directors of the Issuer (the “Board of Directors”) has by prior Resolution 08-02 approved a Texas State Affordable Housing Corporation Carryforward Home Loan Program to provide fire fighters and law enforcement or security officers and emergency medical services personnel, professional educators and low-income individuals and families each meeting the applicable requirements of the Act (“Eligible Mortgagors”) with low interest home mortgage loans;

WHEREAS, the Board of Directors desires to modify the original program (as so revised, the “Program”) to include both long-term and short-term bonds, taxable and tax-exempt bonds, and purchases of bonds pursuant to any bond purchase program implemented by the federal government, including, without limitation, purchases of bonds by Fannie Mae or Freddie Mac or any other purchaser permitted under such bond purchase program;

WHEREAS, in order to carry out the revised Program, the Issuer, Wells Fargo Bank, National Association or any other trustee selected by the Issuer (collectively, the “Trustee”), one or more servicer/administrators selected by the Issuer (collectively, the “Servicer/Administrator”) and various commercial lending institutions doing business in the State of Texas (collectively, the “Participants”), will enter into one or more origination, sale and servicing agreements (collectively, the “Agreements”), pursuant to each of which: (a) the Issuer will indicate its intent to issue one or more series of bonds in amounts sufficient to enable the Issuer to acquire Government National Mortgage Association mortgage-backed certificates (the “GNMA Certificates”), Fannie Mae mortgage-backed securities (the “Fannie Mae Certificates”) and Freddie Mac mortgage-backed securities (the “Freddie Mac Certificates”) each backed by certain qualified home mortgage loans made to Eligible Mortgagors (the “Mortgage Loans”); (b) the Trustee will disburse funds on behalf of the Issuer to acquire the GNMA Certificates, the Fannie Mae Certificates and the Freddie Mac Certificates and to perform certain other duties in connection with the Program; (c) the Servicer/Administrator will be responsible for monitoring the Participants’ performance, preparing certain periodic reports, and performing certain other duties, including servicing the Mortgage Loans, in connection with the Program; (d) the Participants will originate and sell the Mortgage Loans; and (e) the Issuer, the Trustee, and the Servicer/Administrator and the Participants will perform certain actions and follow reasonable procedures to ensure compliance with the Act and, if the Bonds are issued on a tax-exempt basis, Section 143 of the Internal Revenue Code;

WHEREAS, the Program may be designed to provide down payment and closing cost assistance to the Eligible Mortgagors and the Issuer believes that the terms of the Mortgage Loans will make the Program attractive to potential Eligible Mortgagors;

WHEREAS, in order to carry out the Program, the Board of Directors has determined that the Issuer shall issue its Single Family Mortgage Revenue Bonds (the “Bonds”) as short-term or long-term bonds on a tax-exempt or taxable basis, in one or more series or subseries; and

WHEREAS, if the Bonds are issued on a tax-exempt basis, in a maximum aggregate amount not to exceed \$75,000,000 plus any additional volume cap amount allocated to the Issuer by the Texas Bond Review Board (less any portion of such total amount allocated by the Issuer for mortgage credit certificates), or if the Bonds are issued on a taxable basis, in a maximum amount not to exceed the maximum permitted amount of tax-exempt Bonds; and

WHEREAS, the Bonds will be issued pursuant to one or more trust indentures and any supplement or supplements thereto prepared in connection with the issuance (or remarketing or refunding) of the one or more series or subseries of the Bonds (collectively, the “Indenture”), each by and between the Issuer and the Trustee, thereby making funds available for acquiring GNMA Certificates, Fannie Mae Certificates and Freddie Mac Certificates, all under and in accordance with the Constitution and laws of the State of Texas;

WHEREAS, the Issuer further proposes to sell the applicable series or subseries of the Bonds, upon the issuance thereof, to Freddie Mac, Fannie Mae, any federal entity, Morgan Keegan & Company, Inc. (as lead underwriter), RBC Capital Markets Corporation (as co-lead underwriter) or any other purchaser (whether an underwriter or a direct purchaser), including but not limited to purchasers under any federal bond purchase program (each a “Purchaser”) in one or more bond purchase agreements to be entered into between the Issuer and the related Purchaser (collectively, the “Purchase Agreements”); and

WHEREAS, the Issuer desires to authorize the preparation, execution and delivery of one or more continuing disclosure agreements to be entered into in connection with the Program (collectively, the “Disclosure Agreements”) as well as one or more preliminary offering documents related to the sale of the series or subseries of Bonds being described therein (collectively, the “Preliminary Offering Documents”);

WHEREAS, the Issuer hereby determines to proceed with the issuance and sale of the Bonds to carry out the Program, the execution of the documents referenced above (collectively, the “Bond Documents”) and the taking of such other actions as may be necessary and appropriate in connection therewith;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS STATE AFFORDABLE HOUSING CORPORATION:

Section 1. Approval of Program. That the Issuer hereby expresses its intent to implement the Program under which the Trustee, on behalf of the Issuer, will acquire GNMA Certificates, Fannie Mae Certificates and Freddie Mac Certificates, backed by mortgages on residences in the State of Texas owned and occupied by Eligible Mortgagors.

Section 2. Public Purposes of Program and Bonds. That the Issuer hereby finds, determines, recites and declares that the adoption and implementation of the Program, including the down payment assistance and the interest rate or rates to be borne by the Mortgage Loans of not to exceed ten percent (10%), and the issuance of the Bonds at interest rates not to exceed ten percent (10%) will promote the public purposes set forth in the Act, including, without limitation, assisting Eligible Mortgagors in acquiring and owning adequate, safe and sanitary housing.

Section 3. Issuance, Execution and Delivery of the Bonds. That the issuance of tax-exempt Bonds in one or more series or subseries in the maximum aggregate amount not to exceed \$75,000,000 plus any additional volume cap allocated to the Issuer by the Texas Bond Review Board (less any such amount allocated by the Issuer for mortgage credit certificates), plus the issuance of taxable Bonds in one or more series or subseries in the maximum aggregate amount not to exceed the maximum permitted amount of tax-exempt Bonds, is hereby authorized

and upon execution and delivery of the Indenture, the officers of the Issuer are each hereby authorized to execute and attest the Bonds and to deliver the Bonds to the Trustee for authentication. Each series or subseries of the Bonds shall mature on the date or dates (not later than December 31, 2049) and in the amounts, shall bear interest and shall be subject to redemption prior to maturity on the date or dates and in the amounts specified in the Indenture which the President and Executive Vice President, either or both, are hereby authorized and directed to execute and deliver as an act of the Issuer.

Section 4. Execution and Delivery of the Indenture. That the Indenture, is hereby authorized and directed to be prepared with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon the advice of bond counsel to the Issuer), as evidenced by the execution of the Indenture by said Chairperson, Vice Chairperson, President or Executive Vice President, and that the proper officers of the Issuer are each hereby authorized and directed to execute and attest the Indenture and to deliver the Indenture to the Trustee.

Section 5. Approval, Execution and Delivery of the Agreement. That the Agreements are hereby authorized and directed to be prepared with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon the advice of bond counsel to the Issuer), as evidenced by the execution of the Agreement by said Chairperson, Vice Chairperson, President or Executive Vice President, and that the proper officers of the Issuer are each hereby authorized and directed to execute and attest the Agreements and to deliver the Agreements to the Trustee, the Servicer/Administrator and each Participant.

Section 6. Purchase Agreements and Sale of Bonds. That the sale and delivery of the Bonds (in one or more series or subseries) to the Purchasers is hereby authorized and approved. The Bonds shall be sold to the Purchasers at the purchase prices specified in the Purchase Agreements. The Issuer hereby authorizes the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer, either individually or in any combination of such officers, for and on behalf of the Issuer, to determine the actual Purchasers and the terms of the Purchase Agreements and to execute and deliver the Purchase Agreements. Upon execution by the parties thereto and delivery thereof, the Purchase Agreements shall be binding upon the Issuer in accordance with the terms and provisions thereof. In addition, the officers of the Issuer are each authorized and directed to execute any necessary certificates evidencing approval of any or all of the matters set forth in this Section 6. In the event it becomes necessary to engage any other investment banking firm or investment banking firms to assist in the sale of the Bonds, the President or the Executive Vice President of the Issuer shall be and hereby is authorized to engage the services of any such investment banking firm or firms.

Section 7. Approval, Execution and Delivery of the Disclosure Agreements. That the Disclosure Agreements are hereby authorized and directed to be prepared with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon the advice of bond counsel or counsel to the Issuer), as evidenced by the execution of the Disclosure Agreements by said Chairperson, Vice Chairperson, President or Executive Vice President, and that the proper officers of the Issuer are

each hereby authorized and directed to execute and attest the Disclosure Agreements and to deliver the Disclosure Agreements to the Trustee.

Section 8. Approval, Execution, Use and Distribution of Offering Documents. That the preparation of the Preliminary Offering Documents and the changes to the Preliminary Offering Documents which will result in the final Offering Documents proposed to be delivered in connection with the sale of each series or subseries of the Bonds (the “Offering Documents”), in substantially the form and substance as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon advice of bond counsel or counsel to the Issuer) as evidenced by their execution thereof, except in the case of Preliminary Offering Documents, are hereby authorized and the Chairperson, Vice Chairperson, President and Executive Vice President of the Issuer are each, individually, hereby authorized and directed, for and on behalf of the Issuer, to execute the Offering Documents. Delivery to the Purchaser of the Preliminary Offering Documents and the Offering Documents is hereby authorized.

Section 9. Execution and Delivery of Other Documents. That the officers of the Issuer are each hereby authorized to consent to, accept, execute and attest such other agreements, investment agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, offering documents, letters of instruction, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Program and the issuance, sale and delivery of the Bonds.

Section 10. Power to Revise Form of Documents. That, notwithstanding any other provision of this Resolution, the Chairperson, Vice Chairperson, President, Executive Vice President, Secretary and any Assistant Secretary of the Issuer are each hereby authorized to make or approve such revisions in the form of the Bond Documents as, in the opinion of counsel to the Issuer or bond counsel, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution and the Program.

Section 11. Delegation to President or Executive Vice President. The President and Executive Vice President of the Issuer, either individually or jointly, are hereby authorized to approve the principal amounts and maturity or maturities and designations of the series and subseries of the Bonds to be issued pursuant to this Resolution, to establish the interest rate or rates to be borne by the Bonds, provided, however, that the interest rate or rates shall never exceed 10% per annum and to determine the rate or rates on the Mortgage Loans, provided however, that such rate or rates shall not exceed 10% per annum. The President and Executive Vice President of the Issuer, either individually or jointly, are further authorized to engage the services of consultants that may be needed, in the opinion of such officer, to fully complete the issuance and delivery of the Bonds.

Section 12. Notice of Intent to Issue Bonds, State Debt Application and Application for Additional Volume Cap; Actions with respect to Federal Bond Purchase Program. The President of the Issuer or any other officer of the Issuer is hereby authorized and directed to file with the Texas Bond Review Board any documents, notices or applications in connection with the Bonds and such officers are further authorized and directed to request that any application be approved by the Executive Director of the Texas Bond Review Board in accordance with Section

181.9(e) of the Rules of the Texas Bond Review Board. In addition, the President or any other officer of the Issuer is hereby authorized and directed to take any and all other actions necessary or incidental to securing the approval of the Bonds from the Texas Bond Review Board, to request additional volume cap (under Section 146 of the Internal Revenue Code) from the Texas Bond Review Board, to request an allocation amount from the United States Treasury or other applicable entity if required under the federal bond purchase program hereinbefore referenced, and to take any other action required in connection with the issuance of Bonds under such federal bond purchase program.

Section 13. Ratification of Certain Prior Actions. That all prior actions taken by or on behalf of the Issuer in connection with the Program and the Bonds, are hereby authorized, ratified, confirmed and approved.

Section 14. Purposes of Resolution. That the Board of Directors of the Issuer has expressly determined and hereby confirms that the issuance of the Bonds and the implementation of the Program accomplish a valid public purpose of the Issuer by assisting Eligible Mortgagors in the State of Texas to obtain adequate, safe and sanitary housing, thereby promoting the public health, welfare and safety for such Eligible Mortgagors.

Section 15. Limited Obligations. That each of the series or subseries of the Bonds and the interest thereon shall be limited obligations of the Issuer payable solely from the revenues, funds and assets pledged under the corresponding Indenture to secure payment of such Bonds and under no circumstances shall the series or subseries of the Bonds be payable from any other revenues, funds, assets or income of the Issuer.

Section 16. Obligations of Issuer Only. That each of the series or subseries of the Bonds and the interest thereon shall not constitute an indebtedness, liability, general, special or moral obligation or a pledge or loan of the faith or credit or taxing power, within the meaning of any constitutional or statutory provision whatsoever, of the State of Texas or any other political subdivision or governmental unit of the State of Texas.

Section 17. Conflicting Prior Actions. That all orders, resolutions, or any actions or parts thereof of the Board of Directors of the Issuer in conflict herewith are hereby expressly repealed to the extent of any such conflict.

Section 18. Authorization of Investment. That the Board of Directors of the Issuer hereby authorizes the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer to direct the Trustee to invest any funds received by the Trustee pursuant to the provisions of the applicable Indenture in permitted investments.

Section 19. Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

PASSED, APPROVED AND EFFECTIVE this 9th day of October, 2009.

TEXAS STATE AFFORDABLE HOUSING  
CORPORATION

\* \* \* \* \*



## Development Finance Programs Report

October 9, 2009

### **Agenda Item**

Presentation, Discussion and Possible Approval of the Publication for Public Comment Guidelines, Scoring Criteria and Targeted Areas for the Allocation of Qualified Residential Rental Project Bond Funds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2010.

### **Background:**

Pursuant to §2306.565 of the Texas Government Code, the Corporation directs the Texas Bond Review Board on the issuance of the portion of the residential rental project bond funds set aside for the Corporation under §1372.0231(a) of the Texas Government Code. In accordance with the Corporation's governing statute, we are required to release annually a Request for Proposals (the "RFP") and updated 501(c)(3) bond policies that comply with both state and federal requirements.

The Corporation's Board of Directors, pursuant to §2306.565(b-e) of the Texas Government Code, is also required to adopt targeted areas for the allocation of bonds, review relevant needs assessment information, adopt criteria regarding the solicitation of proposals, and set criteria for scoring and ranking of applications. The attached RFP and 501(c)(3) policies fulfill these statutory requirements.

Staff has conducted a review of several needs assessment sources, including the State Low-Income Housing Plan, market research published by the Real Estate Center at Texas A&M University, and other similar resources. Given the information in these reports, staff is recommending only minor changes to our current program policies in order to maintain flexibility and functionality within both programs. The changes that are being proposed are primarily to improve comprehension of the policies for our applicants and correct minor grammatical issues. The Corporation's bond counsel and financial advisor are reviewing the proposed policies and will provide regulatory updates, as needed.

### **Staff Recommendation:**

Staff recommends that the Board approve the publication for public comment guidelines, scoring criteria and targeted areas for the allocation of qualified residential rental project bond funds under the 2010 multifamily housing private activity bond program RFP and the 2010 501(c)(3) bond program policies.

# Texas State Affordable Housing Corporation

## Draft 2010 Private Activity Bond Program Request for Proposals

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The Texas State Affordable Housing Corporation is requesting proposals from qualified developers for the creation or preservation of multifamily residential rental projects. The Corporation is releasing this Request for Proposals to inform the public of the process and guidelines to be used in selecting qualified projects for financing with residential rental bond funds. **Applications to be considered for an Inducement Resolution at the Corporation's January 2010 Board meeting must be submitted by 5:00 pm on December 11, 2009.** All submissions thereafter must be submitted at least 21 days prior to the Corporation's Board meeting at which it will be considered for an Inducement Resolution.

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### 1. Introduction.

- a. The Texas State Affordable Housing Corporation (the "Corporation") is a state sponsored nonprofit corporation that serves the housing needs of low, very low and extremely low-income Texans and other underserved populations who do not have comparable housing options through conventional financial channels. The Corporation will accept applications from residential rental developers ("Developers") to acquire and rehabilitate, or construct new affordable multifamily rental developments ("Developments"). Pursuant to §2306.565 of the Texas Government Code, the Corporation shall direct the Texas Bond Review Board on the issuance of the portion of state ceiling set aside for the Corporation under §1372.0231(a) of the Texas Government Code. The Corporation's available volume cap will be 10% of the State's available volume cap for residential rental private activity bonds. For 2010 the amount is estimated to be approximately \$48 million.
- b. This Request for Proposals (the "RFP") has been adopted by the Corporation's Board of Directors based on a review of the state's strategic housing needs, the demonstration of local community support, and solicitation from local and regional housing organizations, pursuant to §2306.565 of the Texas Government Code. This RFP defines the methodology that staff shall use to review applications and creates the criteria for scoring and ranking applications.
- c. This RFP shall be extended month-to-month until such time as the Corporation chooses to close the RFP to further submissions, based on the amount of funds awarded or induced by the Corporation's Board. A notice that the RFP has closed will be posted to the Corporation's website, and written notice will be provided to any Developer who submits an application prior to the release of the closing notice. The Corporation reserves the right to re-open the RFP in the event that additional volume cap becomes available or otherwise.
- d. Contact Information. All questions about the RFP and Application Process can be directed in writing to:

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David Danenfelzer  
Texas State Affordable Housing Corporation

2200 E. Martin Luther King Jr. Blvd.  
Austin, Texas 78702  
Tel. 512-477-3555 ext.403  
Fax 512-477-3557  
Email: ddanenfelzer@tsahc.org

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# Texas State Affordable Housing Corporation

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2. **Targeted Housing Needs.** Pursuant to §2306.565(b) of the Texas Government Code, the Corporation's Board has identified target areas of housing need within the State of Texas ("Targeted Housing Needs") for the allocation of qualified residential rental project bond funds. The Targeted Housing Needs are based on research conducted by the Corporation, including a review of the State's strategic housing needs, relevant housing needs assessments and information from local and regional stakeholders. To this end, the Corporation's Board has adopted four Targeted Housing Needs. The Corporation shall only accept applications in response to this RFP that fulfill at least one of the following Targeted Housing Needs.
- a. *At-Risk Preservation and Rehabilitation.* The preservation and rehabilitation of existing affordable rental housing developments shall be defined as existing affordable housing in need of significant structural repairs and mechanical systems updates. The housing must currently have a Regulatory Agreement or Land Use Restriction Agreement (the "LURA") placed on it by a public body and recorded along with the deed of trust. The rehabilitation of housing units must involve at least \$15,000 per unit of rehab, but not more than \$5,000 per unit in site work costs may be included in the calculation. Developments shall include temporary tenant relocation expenses, but may not cause the permanent relocation of existing low-income tenants;
  - b. *Rural Housing.* A rental housing development located within an area that is: (a) outside the boundaries of a primary metropolitan statistical area (PMSA) or metropolitan statistical area (MSA); or (b) within the boundaries of a PMSA or MSA, if the area has a population of 20,000 or less and does not share a boundary with an urban area;
  - c. *Senior and Assisted Living Developments.* Senior and Assisted Living Developments must meet at least one of the following definitions in order to qualify under this Targeted Housing Need category.
    - i. A proposed Development that meets the requirements of the federal Fair Housing Act and: a) is intended for, and solely occupied by, individuals 62 years of age or older; or b) is intended and operated for occupancy by at least one individual 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one individual who is 55 years of age or older; and where the owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older. (See 42 U.S.C. Section 3607(b)); or
    - ii. Is a Development financed under the PAB program in accordance with limitations set by the Internal Revenue Service on Assisted Living Developments, and is a) affordable rental housing combined with minimal medical or supportive services; b) targeted to persons with disabilities, but with at least 60% of units open to any qualified renter; and c) at least 10% of the units are affordable to persons earning less than 30% of the area median income.
  - d. *Hurricane Ike Housing Relief.* The Corporation shall consider any eligible multifamily residential rental housing Development, including rehabilitation and new construction, located in any one, or more Counties affected by Hurricanes Ike and Dolly, as identified in Federal Emergency Management Agencies disaster declarations FEMA – 1791 – DR, Texas and

# Texas State Affordable Housing Corporation

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FEMA – 1780 – DR, Texas, to be eligible for financing under this RFP. The Corporation shall publish a list and map of the counties covered in the declarations on its website.

3. **Application Submission.** The Corporation shall publish an application package to its website. Developers should download and complete the application pursuant to the guidelines for completion as included in the application instructions. The Corporation shall require an application submission fee of \$1,500.

4. **Application Review.**

- a. Applications to be considered for an Inducement Resolution at the Corporation's January 2010 Board meeting must be submitted by 5:00 pm on December 11, 2009. All submissions thereafter must be submitted at least 21 days prior to the Corporation's Board meeting at which it will be considered for an Inducement Resolution. Applications must be received by 5pm, regardless of delivery method, on the date listed on the Corporation's website as the 21 day deadline. The Corporation shall bring before the Board only those applications received in a timely manner that have completed the review process.
- b. The Corporation may delay the presentation of an application to the Board if there are errors, omissions or insufficient documentation that the Corporation deems necessary to complete its review. If an application fails to fulfill the minimum threshold criteria for the private activity bond ("PAB") program, the application will not be accepted by the Corporation for further review.
- c. All applications that have completed the review process shall be presented and recommendations for awards will be determined based on final scores and availability of funds. If the Corporation utilizes all of its volume cap prior to approving an Application, the Application shall be held for a period of 120 days from its date of submission and may be considered for a future award, if volume cap becomes available.

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5. **Threshold Criteria.** All applications submitted to the Corporation shall be required to meet the following minimum Threshold Criteria ("Threshold Criteria") in order to be considered for an allocation of Bonds by the Corporation. Applications not meeting the criteria listed below shall be subject to termination by the Corporation.

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- a. *Affordability Threshold.*

- i. The Corporation seeks to provide housing to a mix of eligible households, including low, very-low and extremely-low income persons. Developers who are successful at receiving an allocation of PABs shall agree to the following minimum terms and conditions through a Regulatory Agreement. At a minimum, all Developments will be required to meet the following income and rent restrictions:

- A. A minimum of twenty percent (20%) of the units in a Qualified Residential Rental Development must have Gross Rents that are restricted to households with incomes no greater than fifty percent (50%) of the Area Median Income ("AMI"), adjusted for family size, or at least forty percent (40%) of the units in the Development must be affordable to persons and families with incomes at or below sixty percent (60%) of the AMI, adjusted for family size.

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- B. Rent Restrictions. Gross monthly rent charged on an income restricted unit will not exceed 30% of the applicable AMI.
- ii. The length of Affordability Requirements shall be maintained for a period of at least 15 years, or as long as the bonds are outstanding.
- b. *Experience Threshold.* All Developers must be able to demonstrate sufficient experience in the development, ownership and/or management of affordable housing developments in order to be considered for an allocation. Developers shall submit evidence that they have been involved in the development or ownership of the greater of 75 units or 50% of the total proposed development units.
- c. *Construction Threshold.* All Development must adhere to all construction, energy efficiency, accessibility and site development standards set by and approved under the 2010 Housing Tax Credit Qualified Allocation Plan (“2010 QAP”) as approved and signed by the Governor of Texas. The Corporation’s Board reserves the right to set standards more stringent than the 2010 QAP, and Developers are encouraged to review both this RFP and the 2010 QAP for any differences.
- d. *Compliance Threshold.* All Developments must adhere to the Corporation’s Compliance Policies, which can be viewed on our website at: [www.tsahc.org](http://www.tsahc.org). Developers and their affiliates shall also be reviewed for compliance history with the Corporation’s and any other state or federal affordable housing program. The Corporation shall require the submission of compliance information and references in order to research a Developer’s compliance history.
- e. *Resident Services Threshold.* The Corporation strives to maintain one of the nation’s best resident services programs in properties that are financed by the Corporation. To obtain this goal and better serve low income tenants, Developers shall be required to maintain a sustained resident services program that provides at least five (5) approved services to tenants on a quarterly basis. Developers must ensure a dedicated budget for services, free transportation to services if off-site, and preferably on-site staff to direct services. The five (5) services must be listed in the Corporation’s Resident Services Program Guidelines, as attached in Appendix A, or as approved by the Corporation.
- f. *Energy Efficiency Threshold.* All Developments must adhere to the standard statewide energy code adopted by the State Energy Conservation Office (“SECO”), unless otherwise exempted by approval of the Corporation’s Board and TDHCA. Developments including either new construction or rehabilitation shall meet these standards. Developers may obtain additional information regarding these standards directly from SECO’s website: <http://www.seco.cpa.state.tx.us/>. This threshold must be certified by the Development architect, consulting engineer, or other third party energy efficiency consultant, prior to closing and based upon a review of the construction specifications or scope of work provided by the Development’s general contractor. Additional incentives for Green Building methods and energy efficiency are included as scoring items.
- g. *Environmental Review Threshold.* Prior to the sale of the obligations, the Developer will be required to conduct a Phase I Environmental Site Assessment. At bond closing, the

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Developer will be required to provide an environmental indemnity in the form to be provided by Bond Counsel.

h. *Relocation Threshold.* All Developments involving the rehabilitation, reconstruction or demolition of existing housing must adhere to the relocation requirements of the 2010 QAP. Developers are encouraged to review these requirements, especially as they may relate to a change in use for commercial or agricultural properties.

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i. *Accessibility Threshold.* All Developments shall be designed, built and rehabilitated in a manner that is consistent with the accessibility requirements of the 2010 QAP. This includes adherence with the Fair Housing Accessibility Standards, Section 504 Accessibility Standards, and §2306.514 of the Texas Government Code. Developers are encouraged to review these guidelines with their architect and/or construction team prior to application submission.

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j. *Unit Amenities Threshold.* All housing Developments must adhere to the standard unit and Development amenity requirements of the 2010 QAP.

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k. *Community Support Threshold.* Developers are encouraged to collect community input on their Development proposals. Any letter of support or opposition shall be provided to the Corporation as they are received. Developers shall submit with their response to the RFP two (2) of the following documents in order to demonstrate community support for the proposed development:

- i. A letter of Support from one or more of the following: Mayor; City Manager; City Administrator; School District Superintendent; or County Judge, from where the development is located;
- ii. A resolution of support from the City Council, Local School Board or County Commissioner's Court;
- iii. A letter of support from an affected neighborhood association;
- iv. Evidence that a local government (city or county) entity is providing funding for the development; and/or
- v. A letter of support from the State Representative or Senator representing the district in which the proposed development is located.

l. *Underwriting Threshold.* The Corporation generally applies the same underwriting standards as required by the Texas Department of Housing and Community Affairs ("TDHCA"), pursuant to §§1.31 to 1.37 of the Texas Administrative Code, to ensure consistency with the tax credit underwriting process. The Corporation shall receive all third party reports, including, but not limited to, Property Condition Assessments, Environmental Reports, Market Analysis and Appraisals, that are required to be submitted to TDHCA. The Corporation shall determine the financial feasibility of Developments using the standards set out in §1.32(d) of the Texas Administrative Code. These standards include the following minimum requirements:

- i. All Developments must maintain a Debt Coverage Ratio ("DCR") that falls between a minimum of 1.15 to a maximum of 1.35;

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- ii. The Corporation generally requires an amortization period of not more than 40 years. The Corporation may consider longer amortization schedules for Supportive Housing and extremely low-income housing developments;
  - iii. The Corporation shall include a reserve of replacement expense of not less than \$300 per unit. The Corporation may require a higher reserve amount based on information provided in the Property Condition Assessment (the "PCA");
  - iv. Compliance fees shall be included in the estimate of operating expenses and shall include, at a minimum, the Corporation's Asset Oversight Agent Fee and Compliance Fee, as well as any fees required by TDHCA or other financial sources; and
  - v. The Corporation will include other reasonable and documented expenses, not including depreciation, interest expense, lender or syndicator's asset management fees, or other ongoing partnership fees in its underwriting analysis. Lender or syndicator's asset management fees or other ongoing partnership fees will not be considered in the calculation of debt coverage.
- m. *Property Tax Exemption.* Developers shall certify that they will, or will not, apply for a property tax exemption or payment in lieu of taxes agreement ("PILOT") to reduce the property taxes due to local taxing entities. If a Developer agrees not to apply for a tax exemption or PILOT agreement, the Corporation shall require a restriction be added to the bond documents that prohibits any future application for exemption. If a Developer states that they will or may apply for a tax exemption or PILOT agreement, the Corporation shall require a notification to the local tax appraisal district, school district superintendent and the County Judge where the Development is located that such an exemption or agreement will be requested. Developers will also be required to submit confirmation of any exemptions or final agreements to the Corporation.
6. **Scoring.** Pursuant to §2306.565(e) of the Texas Government Code, the Corporation's Board has adopted the following criteria to score and rank applications to the PAB program. The first three scoring criteria are required by state statute. The remaining criteria support the Corporation's goals to target specific housing needs and underserved areas in the state. The maximum score is 110 points.
- a. *Cost Per Unit of Housing.* Applications may receive up to 15 points for proposing housing developments with total residential costs within the following ranges:
    - i. 15 points for;
      - A. Acquisition & Rehabilitation equal to or less than ~~\$65,000~~ per unit Deleted: 60
      - B. New Construction equal to or less than ~~\$85,000~~ per unit; or Deleted: 80
    - ii. 8 points for;
      - A. Acquisition & Rehabilitation equal to or less than ~~\$75,000~~ per unit Deleted: 70
      - B. New Construction equal to or less than ~~\$95,000~~ per unit. Deleted: 90

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- b. *Proposed Rents.* Applications may receive up to 15 points for proposing Developments that ensure a percentage of rents are affordable to very-low and extremely low-income households. Developments supported by project based rental contracts may not include units supported by project based subsidies in the calculation of the following set-aside selections:
- i. 15 points – at least 5% of units will be reserved for families who earn 30% or less than the area median income; or
  - ii. 15 points – at least 40% of units will be reserved for families who earn 50% or less than the area median income.
- c. *Income Range for Residents.* The Corporation is interested in promoting mixed income housing as a means to improve the lives of residents and build stronger communities. Applications that propose to ensure the following mixed income guidelines shall receive 15 points:
- i. Not more than 80% of the housing units will be reserved for persons earning 60% or less than the area median income; or
  - ii. At least 15% of the housing units will be reserved for persons earning more than 80% of the area median income.
- d. *Small and Mid-sized Cities.* Applications shall receive 10 points for developments located in communities with populations less than 100,000, but not located adjacent to a PMSA or MSA with a total population of more than 500,000.
- e. *At-Risk Preservation.* Applications shall receive 10 points for the acquisition and rehabilitation of developments at-risk of losing affordable housing rental contracts or land use restrictions. Developments must demonstrate that the current land use restriction agreement (“LURA”) or Regulatory Agreement, if applicable, is within 3 years of expiration...
- f. *Green Building Features.* Applications will receive 10 points for obtaining a certification from a qualified third party that the Development meets the minimum certification requirement of the U.S. Green Building Council’s LEED (“LEED”) program. Applications will receive an additional 5 points (maximum of 15 points for this criterion) for meeting the Gold or Platinum certification standards for the LEED program. Certification may be based on the proposed construction plans, and the Development shall obtain an official certification after completion of construction or rehabilitation.
- g. *Accessible Housing Features.* Applications will receive 10 points for certifying that the Development will meet the following housing accessibility standards. Rehabilitation Developments are not exempt from meeting these requirements, if the scoring item is selected:
- i. All housing units accessible through a ground floor entrance shall have at least one no-step entry with a 36” entrance door;
  - ii. All housing and community spaces will be accessible via pathways that meet ADA and Fair Housing accessibility standards;

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- iii. All door ways in ground floor units (including closets, bathrooms, storage areas, etc...) shall have doors with at least a 32 inch clear opening;
  - iv. All doors shall have lever handles and windows shall have accessible release and opening mechanisms;
  - v. All ground floor units shall have at least one ground floor bathroom with an accessible bath tub or roll in shower, and at least one ground floor bedroom;
  - vi. All electrical outlets, switches and control panels shall be no higher than 48 inches and no lower than 15 inches; and
  - vii. All ground floor units shall have kitchens that are accessible pursuant to the Fair Housing Accessibility Guidelines.
- h. *Local Public Funding.* Applications shall receive 5 points for providing evidence that a commitment of financial support, equal to at least \$100 per unit, has been committed by a unit of government to the proposed development. The only qualifying units of government shall be Counties, Cities, Municipal Utility Districts, and Councils of Government. The Corporation considers fee waivers, grants and loans as financial support.
- i. *Letters of Local Support.* Applications shall receive 5 points for submitting at least four letters of support from any combination of the following persons: Mayor; City Manager; County Judge; School District Superintendent; State Representative; or State Senator, whose district includes the Development site.
- j. *Developer Experience.* Applications shall receive 5 points for providing evidence that the Developer currently owns, and maintains in compliance, a number of multifamily housing units at least twice the amount proposed in the Application.
- k. *Resident Services.* Applications shall receive 5 points for agreeing to provide at least five (5) approved services to tenants on a monthly basis. This scoring criterion is a higher standard than the Corporation's threshold criteria for resident services.
- l. *Tie Breaker.* The Corporation shall break all scoring ties by dividing the estimated per unit cost by the number of very-low and extremely-low income units. The application with the lowest ratio shall be determined the winner of the tie break.
7. **Subsequent Filing Requirements.** Prior to final approval of the Bonds by the Corporation's Board or the Texas Bond Review Board, Developers may be required to file such additional documents or statements in support of their Development, as considered relevant and appropriate by the Corporation, which may include, but are not limited to;
- a. Such additional information as requested by the Corporation's Financial Advisor, Bond Counsel, or Issuer's Counsel;
  - b. A draft of any official statement, prospectus, or other offering memoranda through the use of which the proposed obligations are to be offered, sold or placed with a lender, purchaser, or investor, which offering, sale or placement materials shall contain prominent disclosure substantially to the effect that;

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- i. Neither the Corporation nor the State has undertaken to review or has assumed any responsibility for the matters contained therein except solely as to matters relating to the Corporation and to a description of the obligations being offered thereby;
  - ii. All findings and determinations by the Corporation and the State, respectively, are and have been made by each for its own internal uses and purposes in performing its duties under the legislation enabling the Corporation and this RFP;
  - iii. Notwithstanding its approval of the obligations and the Development, neither the State, nor the Corporation endorses or in any manner, directly or indirectly, guarantees or promises to pay such obligations from any source of funds of either or guarantees, warrants, or endorses the creditworthiness or credit standing of the Developer or of any Guarantor of such obligations, or in any manner guarantees, warrants, or endorses the investment quality or value of such obligations; and
  - iv. Such obligations are payable solely from funds and secured solely by property furnished and to be furnished and provided by the Developer and any Guarantor and are not in any manner payable wholly or partially from any funds or properties otherwise belonging to the Corporation or the State.
8. **Public Hearings and Meetings.**
- a. The Corporation's Board, at its own discretion, may call any Developer to a scheduled meeting to review the Developer's experience, qualifications, and/or the characteristics of a Development.
  - b. The Corporation requires Developers to attend a public hearing in each of the communities where a Development is proposed. If the Development includes multiple sites in several cities, the Corporation may require an additional hearing to be conducted at a central location to all development sites. All public hearings shall be held prior to the final approval of the Bond Resolution by the Corporation's Board.
  - c. With respect to public hearings required by the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), the Corporation shall plan and publish notice, at the expense of the Developer, of the hearing in the *Texas Register* and the local newspapers of general circulation in the participating jurisdictions at least fifteen (15) days prior to the planned TEFRA hearing. The *Texas Register* is published only on Fridays and such notice must be provided in advance pursuant to the requirements of the *Texas Register* guidelines. The Corporation will schedule an appropriate date, time and location for TEFRA hearings based on the schedule of publication.
  - d. The TEFRA Hearing may not be held (and notice of such Hearing may not be published) prior to the date the Corporation approves the Inducement Resolution; provided, however, that such hearings may be scheduled and publication of the hearing notice may be prepared prior to selection as long as (a) the Corporation's staff determines that such action is appropriate, (b) the hearing and publication of notice do not actually occur until after selection by the Corporation and (c) the Borrower provides the deposit to the Corporation set forth herein.

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- e. The Corporation also provides notice of TEFRA hearing(s) to certain members of the Texas Legislature, local public libraries, homeowners' associations or other recognized neighborhood organizations or groups, and other interested parties designated by the Corporation. The Corporation will not publish notice of a public hearing until it has received from the Developer:
  - i. The names and addresses of any affected homeowners' associations; and
  - ii. The names of the state legislators, city council members, Mayor, County commissioners, County Judge, School District Superintendent and School Board President, in whose district or precinct (as applicable) the Development(s) are located the information required by the Corporation to give notice of the TEFRA hearing is available from the Corporation. A hearing information form must be returned to the Corporation at least 7 days prior to the date notice must be provided to the *Texas Register*. Failure to timely provide this information to the Corporation may result in a delay in public notice and accordingly, a delay in the closing of the Development.

### 9. Awards.

- a. The Corporation's Board may select Developers and alternate Developers for an inducement of volume cap based on the results of threshold and scoring criteria review from a response to the RFP and oral presentations. The Corporation reserves the right not to approve any inducement of volume cap to any Developer(s), even one that is awarded the most points during the scoring review.
- b. The Corporation reserves the right to retract an award if a Developer is unable to receive a reservation of private activity bond cap prior to June, 1 2009. The Corporation reserves this right in order to allow alternate Developers, or other applications to proceed with an inducement and reservation, and to ensure the maximum utilization of the Corporation's volume cap.
- c. 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 application process are the sole responsibility of the Developer. 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 proposed Developments for possible allocation of private activity bond cap is subject to final allocation approval by the Texas Bond Review Board.

### 10. Bond Review Board Approval.

- a. Obligations issued by the Corporation are subject to approval by the Texas Bond Review Board (the "TBRB"). TBRB rules provide an optional exemption from the formal approval process for Texas State Affordable Housing Corporation multifamily conduit transactions unless such transactions involve an ad valorem tax reduction or exemption. If no ad valorem tax exemption or reduction is requested with respect to the Development, the formal TBRB approval process may not be required. However, if one or more TBRB members request it, the formal TBRB approval process must be followed. If so,

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representatives of the Developer are expected to attend the TBRB planning session and the TBRB meeting at which the Development will be considered for approval. Additional information may be requested by TBRB members and the Developer's cooperation in providing this information is required.

- b. If the formal TBRB approval process is required, the Corporation, with the assistance of its Bond Counsel, will prepare and file the notice of intent and the TBRB Application for the Development. The Corporation will file the notice of intent and the TBRB Application with the TBRB only if it has timely received all required information and documentation for the completion of the TBRB Application from the Developer and/or its consultants.
11. **Fees.** Developers shall be responsible for fees and expenses incurred as a result of bonds issued on their behalf (the "Cost of Issuance"). Up to two percent (2%) of the Cost of Issuance may be financed through bond proceeds and will be considered part of the obligations authorized for issuance by the Corporation, where eligible under the Code. Developers shall commit to pay from other sources any Costs of Issuance not payable from tax-exempt bond proceeds. The following fees are payable at the times and in the amounts as described below. ALL FEES ARE NONREFUNDABLE, EXCEPT AS OTHERWISE PROVIDED HEREIN.
- a. *Application Fee.* Developers shall submit a nonrefundable fee of \$1,500, made payable to the Corporation, upon submission of the Application.
- b. *Inducement Fee.* Developers shall pay a deposit of \$7,500, and an additional \$1,000 for each property for Developments involving more than one (1) site, to cover expenses related to public hearings and the application for PAB allocation to the Texas Bond Review Board, within five (5) business days of the date the Inducement Resolution is approved by the Corporation's Board. Additional reimbursements for expenses related to public hearings and application for private activity bond allocation may be requested by the Corporation.
- c. *Professional Fee Deposit.* Following the issuance of a reservation for volume cap from the Bond Review Board, Developers shall make a deposit with the Corporation which shall be credited against fees and expenses incurred by Bond Counsel, the Financial Advisor and Issuer's Counsel in connection with the proposed financing. Such deposit shall be ~~\$30,000~~, which represents a ~~\$15,000~~ deposit for Bond Counsel fees, a ~~\$7,500~~ deposit for Financial Advisor's fees, and a ~~\$7,500~~ deposit for Issuer's Counsel fees. All fees and expenses incurred by Bond Counsel, the Financial Advisor and Issuer's Counsel in connection with the Developer's transaction shall be deducted from such deposit whether or not the obligations are issued. If the accrued fees and expenses of Bond Counsel, the Financial Advisor and/or Issuer's Counsel exceed the amount of such initial deposit, the Corporation may require the Developer to submit an additional deposit payment.
- d. *Corporation Expenses.* Developers shall reimburse the Corporation for all costs and expenditures incurred by the Corporation, prior to and after the selection of the Development by the Board, to analyze the appropriateness and willingness of the Corporation to provide bond financing for the Developer's transaction, including, but not limited to, the reimbursement of costs and expenditures for (i) on-site visitation of multifamily residential developments to be financed (or the site[s] therefore), (ii) any reports deemed necessary or appropriate by the Corporation and not otherwise provided by the

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Developer, (iii) all costs and expenses (including travel and related expenses) of conducting public hearings and related meetings [described herein], and (iv) such other activities, inspections and investigations as are deemed necessary or appropriate by the Corporation in connection with its determination of the suitability of the Proposed Development for financing assistance to be offered by the Corporation. The Corporation will invoice the Developer for such costs and expenditures, and the Developer shall pay such invoices within ten (10) days of receipt. Failure to make prompt payment of such invoices may result in a termination of the participation of the Corporation and its consultants in the financing.

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- e. *Financial Advisor Fees.* The fee to be paid to the Corporation's Financial Advisor, acting in a standard Financial Advisor role, shall be 1) for the first \$15,000,000 of bond principal, the fee shall be \$10,000 plus \$2.00/\$1,000 of the principal amount of debt issued with a minimum fee of \$20,000 (unless otherwise agreed to by the Corporation's Financial Advisor) and 2) for amounts above \$15,000,000 the fee shall be reduced to \$1.00/1000 for that amount over \$15,000,000. In addition, the Corporation's Financial Adviser shall also serve as the bidding agent for an additional fee with respect to all investment contracts to be entered into in connection with the investment of bond proceeds and revenues of the Developments. If the financing structure proposed by the Developer requires non-standard services to be performed by Financial Advisor or involves unique financing features including, but not limited to, multiple sites or complexes in a project, extreme credit quality concerns, hedge agreements, swap agreements, or trust structures the fees to be charged by the Financial Advisor shall be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Reservation Application to the Bond Review Board.
- f. *Bond Counsel Fees.* The fee to be paid to Bond Counsel, acting in a standard Bond Counsel role, shall be \$4/\$1,000 of the principal amount of debt issued for the first \$20,000,000 of the principal amount of debt issued, \$3/\$1,000 of the principal amount of debt issued for the next \$20,000,000 of the principal amount of debt issued, and \$2/\$1,000 of the principal amount of debt issued thereafter, with a minimum fee of \$25,000 (unless otherwise agreed to by Bond Counsel). If the financing structure proposed by the Developer requires non-standard services to be performed by Bond Counsel or involves unique financing features including, but not limited to, multiple sites or complexes in a project, extreme credit quality concerns, hedge agreements, swap agreements, or trust structures the fees to be charged by Bond Counsel shall be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Reservation Application to the Bond Review Board. In addition to the fees paid to Bond Counsel, the Developer will reimburse Bond Counsel for all out-of-pocket expenses incurred by Bond Counsel in connection with the Development. Such expenses include TEFRA notice publication, public hearing notices, Attorney General filing fees, and the preparation and filing of the TBRB Applications and supplements thereto.
- g. *Issuer's Counsel Fees.* The fee to be paid to Issuer's Counsel, acting in a standard Issuer's Counsel role, shall be \$1.00/\$1,000 of the principal amount of debt issued for the first \$10,000,000, \$0.80/\$1,000 of the principal amount of debt issued for the next \$10,000,000, and \$0.70/\$1,000 of the principal amount of debt issued thereafter, with a minimum fee of \$7,500 (unless otherwise agreed to by Issuer's Counsel.) In addition to the fees paid to

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Issuer's Counsel, the Developer will reimburse Issuer's Counsel for all out-of-pocket expenses incurred by Issuer's Counsel in connection with the Development. If the financing structure proposed by the Developer requires non-standard services to be performed by Issuer's Counsel or involves unique financing features including, but not limited to, multiple sites or complexes in a project, extreme credit quality concerns, hedge agreements, swap agreements, or trust structures the fees to be charged by Issuer's Counsel shall be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Reservation Application to the Bond Review Board.

- h. *Closing Fees.* Concurrently with the closing of the financing, the Developer shall pay or cause to be paid all fees and expenses in connection with the issuance of the obligations including, Bond Counsel Fees, Financial Advisor Fees, Issuer's Counsel Fees, and the actual amount of any closing or acceptance fees of any trustee for the obligations, any fees and premiums for casualty and title insurance, any security filing costs, any fees for placing the obligations, any fees and expenses of any compliance agent appointed in connection with the review of any property, any out-of-pocket expenses incurred by professionals acting on behalf of the Corporation, and any other costs and expenses, including issuance expenses, relating to the obligations, their security, and the Development. Developers shall pay or cause to be paid a closing fee to the Texas Bond Review Board the greater of \$1,000 or 0.025% of the principal amount of the bonds certified as provided by §1372.039(a)(1), Government Code. Additionally, the Corporation shall receive a Closing Fee of \$0.50 per \$1,000 principal amount of obligations issued, with a minimum closing fee of \$5,000.
- i. *Administrative Fee.* Until the final maturity of the obligations, the Developer will pay an Administrative Fee, remitted through the respective bond trustee to the Corporation on such basis as designated by the Corporation, in an amount equal to ten (10) basis points annually of the aggregate principal amount of the obligations outstanding, with a minimum annual fee of \$5,000. The first annual payment of the Administrative Fee shall be paid at closing. The Administrative Fee is exclusive of the trustee's fee, compliance agent fee, rebate analysts' fee, asset-oversight management fee (if required), audit fee, independent analyst fee, and any other costs or extraordinary costs as permitted under the respective bond documents. Payment of the Administrative Fee is to be covered by the bond credit enhancement and/or secured under the first mortgage on the property assigned to the bond trustee. The Corporation may require the payment of the Administrative Fee to be guaranteed by the Development owner and/or general partner(s).
- j. *Trustee's Fees.* The Developer shall select a bond trustee from a list of bond trustees approved by the Corporation to administer the funds and accounts pursuant to the trust indenture between the Corporation and the trustee bank. All trustee fees and expenses, including fees of trustee's counsel, shall be approved by the Corporation, and will be paid by the Developer.
- k. *Auditor's Fees.* The Corporation may at any time over the life of the Development appoint an auditor to review the financial transactions under the bond documents, the compliance agent, and a rebate analyst to perform an analysis of rebate requirements with respect to the issue. Such fees and costs shall be paid by the Developer.

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1. *Continuing Costs.* Developers shall pay to the Corporation, in the manner described in the Development documents, the following amounts:
  - i. ~~An annual asset oversight and compliance fee of \$45 per unit for the Development, plus \$750 for each property with less than 100 units in a pooled transaction (as such fee may be adjusted in accordance with the Asset Oversight and Compliance Agreement). The Corporation may require the owner of the Development and/or related entities or person to guaranty the payment of these fees;~~
  - ii. ~~Any amounts payable pursuant to any indemnity contract or agreement executed in connection with any financing by the Corporation completed as herein contemplated, and~~
  - iii. The amount allocable to each Developer (whose financing has been completed) of costs and expenses incurred by the Corporation in the administration of the indemnity contract or agreement, any program established in connection with the financing of a Development, and any obligations of the Corporation, including an annual accounting and/or audit of the financial records and affairs of the Corporation. The amount of costs or expenses paid or incurred by the Corporation under this clause shall be divided and allocated equally among all Developers whose financings have been completed.
- m. *Changes in Fees.* The Corporation reserves the right at any time to change, increase or reduce the fees payable under this RFP. All fees imposed subsequent to closing by the Corporation under this RFP will be imposed in such amounts as will provide funds, as nearly as may be practical, equal to that amount necessary to pay the administrative costs of conducting the business and affairs of the Corporation, plus reasonable reserves therefore.
- n. *Failure to Timely Pay Fees and Costs.* The Corporation will not consider submissions for future transactions proposed by Developers who are delinquent in the payment of any fees described herein.
12. **Document Preparation.** Bond Counsel shall have the primary responsibility for the preparation of the legal instruments and documents to be utilized in connection with the financing of the Development by the Corporation. No bonds or other obligations will be sold or delivered unless the legality and validity thereof have been approved by Bond Counsel. The Developer and its legal counsel shall cooperate fully with Bond Counsel, the Financial Advisor, the Issuer's Counsel and the Corporation's agents in the preparation of such materials.
13. **Material Changes to Financing Structure.** Any and all material proposed changes to the financing structure, ownership of the Development, or scope or materials of or for the Proposed Development, from that set forth in the application must be disclosed to the Corporation immediately in writing and approved by the Corporation.
14. **Time Limits.** In the event that the Development does not close within the time frame established by the Corporation, the Corporation reserves the right to terminate its participation in the financing.
15. **Final Approval by the Corporation.** The Corporation's Board shall consider final action on the Bonds after the completion of the public hearings and upon recommendation by the

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Deleted: <#>An annual asset oversight fee of \$25 per unit for the Development (as such fee may be adjusted in accordance with the Asset Oversight Agreement). The Corporation may require the owner of the Development and/or related entities or person to guaranty the payment of these fees;¶  
<#>An annual compliance fee of \$20 per unit for the Development (as such fee may be adjusted in accordance with the Compliance Agreement). The Corporation may require the owner of the Development and/or related entities or person to guaranty the payment of these fees;¶

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Corporation's staff. If approved, the Board shall adopt a resolution, in such form as is recommended by Bond Counsel, authorizing the issuance of obligations to provide financing for the Development. Final approval will be granted only upon:

- a. Receipt by the Board of evidence satisfactory to it that the Developer has complied in all material respects with this RFP not otherwise waived by the Board; and
- b. An affirmative determination of the Board that:
  - i. All requirements for and prerequisites to final approval under this RFP have either been satisfied or waived and are in form and substance satisfactory to the Board; and
  - ii. The operation of the Development(s) will constitute a lawful activity, is qualified for approval by the State, complies with and promotes the purposes of the Corporation and satisfies the requirements of the Corporation.

16. **Closing of the Development.** Following the public hearing(s) and final approval by the Corporation and the TBRB, if necessary, the Corporation will proceed to close the financing in accordance with the documents approved by the Corporation and when finally approved by the Texas Attorney General and Bond Counsel in accordance with the terms of the sale or placement.

- a. *Structure of Bond Sale.* Developers shall be responsible for determining the structures of the sale of bonds, but are encouraged to contact the Corporation's Financial Advisor for information regarding Bond transactions in Texas. Developers are required to execute an agreement in connection with awarding the sale of the Corporation's obligations to an underwriter or to an institutional purchaser through a private placement that obligates the Developer to the payment of the costs of issuing such obligations as more fully described herein.
- b. *Public Sale Requirements.* Bonds to be sold publicly, whether by competitive bid or negotiated sale, shall have and be required to maintain a debt rating the equivalent of at least an "A" rating assigned to long-term obligations by a nationally recognized rating agency acceptable to the Corporation. If the Bond Rating is based upon a credit enhancement agreement provided by an institution other than the Developer or Development Owner, the form and substance of the credit enhancement must be approved by the Corporation and its Financial Advisor, and through the Bond Resolution, approved by the Corporation's Board. Remedies relating to failure to maintain appropriate credit ratings shall be provided in the financing documents relating to the Development.
- c. Obligations with an investment grade rating of "A" or higher may be in minimum denominations of \$5,000, if any. For the Corporation to approve transactions that are rated "A-" (or its equivalent) or higher but less than "A," the obligations must be sold in minimum initial denominations of \$100,000 and in integrated multiples of any amount for amounts in excess of \$100,000.
- d. *Limited Offering Requirements.* If the obligations do not have an investment grade rating of "A-" (or its equivalent) or higher, the Corporation will consider such obligations to be non-rated for purposes of this subsection. The Corporation may require that the obligations be rated or permit, at its sole discretion, the issuance of the obligations without a rating. The

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Corporation requires that non-rated obligations be privately placed or offered on a limited basis with transfer and other restrictions. In order for a non-rated transaction to be considered by the Corporation, the placement must comply with the following minimum requirements: (i) the sale must be made to a “qualified institutional buyer” as defined in Rule 144A of the Securities Act of 1933 (a “QIB”) or an “institutional accredited investor” as defined in Rule 501(a)(1), (2), or (3) of Regulation D under such act (an “Institutional Accredited Investor”) and cannot be an underwriting or purchase with an intent to resell any portion of the obligations, (ii) if they are sold to QIBs or Institutional Accredited Investors, the obligations must be issued in minimum denominations of not less than \$250,000 and integral multiples of any amount in excess thereof, (iii) at such time as the bond financing is presented to the Corporation for final approval, the Developer (or placement agent, if applicable) must (a) identify the Purchaser of the obligations and (b) provide a written commitment from the Purchaser in form and content customarily used by real estate lending institutions outlining the terms and conditions of such commitment to purchase the obligations, (c) the Purchaser must represent that it is in the business of originating or acquiring and owning for its account, tax-exempt bonds or mortgage loans on multifamily rental housing properties, (d) there shall be no offering statement of the Corporation, or when a placement agent is involved in the sale of the obligations, there may be a placement memorandum prepared by the agent for the Purchaser, and (e) the Corporation may require that one physical obligation be issued with a legend stating that the initial and any subsequent purchaser(s) of such bond shall be a QIB or an Institutional Accredited Investor, as applicable. In the case of a private placement transaction, the Developer or placement agent, upon delivery of the obligations, shall provide the Corporation with an executed investment letter from the investor purchasing the obligations substantially to the effect that: (1) it is engaged in the business, among others, of investing in tax-exempt securities and is a QIB or an Institutional Accredited Investor, as applicable; (2) it has made an independent investigation into the financial position and business condition of the Developer and therefore waives any right to receive such information; (3) it has received copies of the financing documents pursuant to which such obligations are issued, and (4) that it has purchased for its own account and not with the intent to sell them. A complete form of such investment letter will be provided by the Corporation.

- e. Any variation to the requirements set forth above must be requested in writing by the Developer and must be approved by the Corporation, and be acceptable to the Bond Counsel, Financial Advisor, and Issuer’s Counsel.
- f. *Required Approvals.* No Developer, or any representative of any Developer or the Corporation, shall represent, directly or indirectly, to any lender (interim or otherwise) supplier, contractor, or other person, firm, or entity that the Corporation has agreed or is firmly committed to issue any obligations in relation to any Development or Response, or Reservation Detail until the Board has given final approvals for the issuance thereof under this RFP, and then subject to the governmental approvals required by this RFP and the approval of the Attorney General of the State of Texas, the approval of Bond Counsel and subject to any requirements imposed by the Corporation’s Articles of Incorporation.

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- g. *Offering Statement.* No Developer, or any representative of the Developer or the Corporation, shall ever make any representation, directly or indirectly, express or implied, of any fact contrary to the disclosures required to be made by this RFP.
  - h. *Registration.* Neither the Developer nor any securities firm, underwriter, broker, dealer, salesman, or other person, firm, or entity shall offer, sell, distribute, or place any obligations authorized by the Corporation by any process, method, or technique or in any manner, transaction, or circumstances or to any person or persons, the effect of which would be to require such obligations to be registered or would require filings to be made with regard thereto under the laws of the state or jurisdiction where such offer, sale, distribution, or placement is made without first registering the same or making the filings regarding the same required by such laws.
17. **Failure to Comply with this RFP.** The Corporation will not consider submissions from Developers for a potential Development if the Developer is a borrower (or a related party thereto) in connection with obligations previously issued by the Corporation and such borrower (or related party) is not in compliance with the requirements set forth in this RFP or is delinquent in the payment of any fees or costs set forth in this RFP with respect to such prior issued obligations of the Corporation.
18. **OTHER REQUIREMENTS.** THE CORPORATION MAY IMPOSE ADDITIONAL OR DIFFERENT REQUIREMENTS ON A DEVELOPER THAN THOSE PROVIDED IN THIS RFP IN THE EVENT THAT THESE ADDITIONAL OR DIFFERENT REQUIREMENTS BECOME NECESSARY TO PROVIDE THE BEST OPPORTUNITY FOR APPROVAL BY THE CORPORATION'S BOARD OF DIRECTORS AND/OR THE TEXAS BOND REVIEW BOARD.

## APPENDIX A

### **TSAHC Resident Services Program Guidelines**

It is the Texas State Affordable Housing Corporation's goal to have the nation's leading Resident Services Program. To reach this goal, and better serve your residents, we need your help on site. TSAHC has created basic guidelines and report systems to help with this process.

The following is a list of activities/courses that can be implemented. If you are interested in starting an activity or course that is not on the list, please propose the new activity to the Manager of Asset Oversight and Compliance for approval. Please make sure that it will encourage economic self sufficiency and/or promote homeownership opportunities.

- Career Services
  1. Computer Literacy
  2. GED Classes
  3. Job Skills/Training
  4. Resume/ Job Search Workshop
  5. Job Fair
  
- Children's Services
  1. After School Care
  2. Swimming Lessons
  3. On-site Daycare
  4. On-site Tutoring Sessions
  5. Performing Arts
  6. Halloween Safety
  7. Site library
  
- Community Awareness
  1. Crime Watch
  2. Self Defense Course
  3. Child Id/Fingerprinting Program
  4. Fire Safety
  5. Domestic Violence Shelter/ Programs
  6. Host Support Groups Such as AA, Anger Management, etc.
  7. Community Gardens
  8. Community Service Activities (i.e. Habitat for Humanity)
  
- Domestic Skills
  1. Budgeting
  2. Tax Prep. Courses
  3. Low Cost Healthy Cooking

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4. Organization Classes
  5. Cleaning Supply Safety
- Medical and Health Services
    1. Basic First Aid and CPR
    2. Caring for the Disabled
    3. Health and Screening Services
    4. HIV/AIDS Classes
    5. Vaccinations/ Flu Shots
    6. Weight Loss Club
    7. Diabetes/ Heart Disease Courses
    8. Babysitting Safety Courses
  - Personal Development
    1. Counseling Services
    2. Credit Counseling
    3. English as a Second Language Courses
    4. Home Ownership Counseling
    5. Parenting Classes
    6. Anger Management Courses
    7. Family Counseling
  - Transportation Services
    1. Grocery Store
    2. Library
    3. Medical Visits
    4. Cultural Events

Inappropriate activities include children's movie time, patio decorating contests, gambling trips, resident parties, Easter Egg Hunts or other activities along these lines. Properties are welcome to offer these activities, but they will not count towards fulfilling the Resident Services obligation.

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## 1. Introduction.

- a. The Texas State Affordable Housing Corporation (the “Corporation”) is a state sponsored nonprofit corporation that serves the housing needs of low, very low and extremely low-income Texans and other underserved populations who do not have comparable housing options through conventional financial channels. The Corporation has produced these policies in order to codify its administration of the Multifamily 501(c)(3) Bond Program, pursuant to §§2306.554 and 2306.564 of the Texas Government Code.
- b. The Corporation shall accept applications from qualified nonprofit 501(c)(3) organizations (the “Developer”) to acquire and rehabilitate, or construct a new affordable multifamily rental development (“Development”). Properties currently owned by a Developer may apply to utilize 501(c)(3) bonds for the purpose of refinancing existing debt for affordable housing units already covered by a land use restriction agreement (a “LURA”), or a Regulatory Agreement, as applicable, if, in the sole determination of the Corporation, the proposed refinancing will either (1) significantly extend the affordability of a Development, or (2) will assist in preserving the affordability of a Development that may be infeasible as currently financed.
- c. This Policy has been adopted by the Corporation’s Board of Directors based on a review of the State’s housing needs and shall be reviewed annually pursuant to §2306.564 of the Texas Government Code. This Policy defines the methodology that staff shall use to review applications and creates the criteria for scoring and ranking applications, if applicable.
- d. Contact Information. All questions about the Policy and Application Process can be directed in writing to:

Manager of Development Finance  
Texas State Affordable Housing Corporation  
2200 E. Martin Luther King Jr. Blvd.  
Austin, Texas 78702  
Tel. 512-477-3562  
Fax 512-477-3557  
Email: ddanenfelzer@tsahc.org

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2. **Targeted Housing Needs.** The Corporation may consider any eligible Development for funding under the 501(c)(3) bond program, however the Corporation targets the use of this financing to the following specific types of Development (“Targeted Housing Needs”) within the State of Texas.

- a. *Preservation and Rehabilitation of Affordable Housing.* The preservation and rehabilitation of existing affordable rental housing developments shall be defined as existing affordable housing in need of significant structural repairs and mechanical systems updates. The housing must currently have a LURA, or Regulatory Agreement placed on it by a public body and recorded in the appropriate real estate records along with the deed of trust. The rehabilitation of housing units must involve at least \$15,000 per unit of rehabilitation, but not more than \$5,000 per unit in site work costs may be included in the calculation. Developments shall include temporary tenant relocation expenses, but may not cause the permanent relocation of existing low-income tenants.

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- b. *Rural Housing.* A rental housing development located within an area that is: (a) outside the boundaries of a primary metropolitan statistical area (PMSA) or metropolitan statistical area (MSA); or (b) within the boundaries of a PMSA or MSA, if the area has a population of 20,000 or less and does not share a boundary with an urban area.
  - c. *Supportive Housing Development.* Supportive housing is a combination of affordable housing with services that help people live more stable, productive lives. Supportive housing should be designed for people who face serious challenges, such as homelessness, very low incomes, and serious persistent issues that may include substance abuse, mental illness, and HIV/AIDS. The Corporation requires at least 10 percent of the Development's total units are set aside for supportive housing tenants, and those tenants receive intensive supportive housing services. Supportive housing units must come online immediately and be reserved during the entire affordability period.
  - d. *Assisted Living.* Assisted Living facilities may be financed under the 501(c)(3) bond program in accordance with limitations set by the Internal Revenue Service on such developments. The Corporation defines Assisted Living as:
    - i. Affordable rental housing combined with minimal medical or supportive services;
    - ii. Housing targeted to persons with disabilities, but with at least 60% of units open to any qualified renter; and
    - iii. With at least 10% of the units affordable to persons earning less than 30% of the area median income.
3. **Application Submission.** The Corporation shall publish an application package to its website. Developers should download and complete the application pursuant to the guidelines for completion as included in the application instructions. The Corporation requires an application submission fee of \$2,500.
4. **Application Review.**
- a. The Corporation shall accept applications on an ongoing basis. Applications must be submitted at least 35 days prior to the Corporation's Board meeting at which it may be considered for an Inducement Resolution. The Corporation shall bring before the Board only those applications received in a timely manner that have completed the review process.
  - b. The Corporation may delay the presentation of an application to the Board if there are errors, omissions or insufficient documentation that the Corporation deems necessary to complete its review. If an application fails to fulfill the minimum threshold criteria for the 501(c)(3) Bond Program the application may be terminated by the Corporation.
5. **Threshold Criteria.** All applications submitted to the Corporation shall be required to meet the following minimum Threshold Criteria ("Threshold Criteria") in order to be considered for an allocation of bonds by the Corporation. Applications not meeting the criteria listed below shall be subject to termination by the Corporation.

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- a. *Affordability Threshold.*
  - i. The Corporation seeks to provide housing to a mix of eligible households, including low, very-low and extremely-low income persons. Developers who are successful at

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receiving an allocation of 501(c)3 bonds shall agree to the following minimum terms and conditions through a Regulatory Agreement. At a minimum, all Developments will be required to meet the following income and rent restrictions:

- A. A minimum of twenty percent (20%) of the units must have gross rents that are restricted to households with incomes no greater than fifty percent (50%) of the Area Median Income (“AMI”), adjusted for family size, **or** at least forty percent (40%) of the units must be affordable to households with incomes at or below sixty percent (60%) of the AMI, adjusted for family size; and
- B. At least seventy-five (75%) of the units must be rents to households earning 80% of below the AMI, adjusted for family size, and in accordance with Section 145 of the Internal Revenue Service Code.
- C. Rent Restrictions. Gross monthly rent charged on an income restricted unit will not exceed 30% of the applicable AMI.
  - ii. The length of Affordability Requirements shall be maintained for a period of at least 15 years, or for the term of the bonds, which ever is longer.
- b. *Experience Threshold.* All Developers must be able to demonstrate sufficient experience in the development, ownership and/or management of affordable housing developments in order to be considered for an allocation. Developers shall submit evidence that they have been involved in the development or ownership of the greater of 75 units or 50% of the total proposed Development units.
- c. *Construction Threshold.* Developments must adhere to all construction, energy efficiency, accessibility and site development standards set by and approved under the most current Housing Tax Credit Qualified Allocation Plan (“QAP”) as approved and signed by the Governor of Texas. The Corporation’s Board reserves the right to set standards more stringent than the QAP, and Developers are encouraged to review both this Policy and the QAP for any differences.
- d. *Compliance Threshold.* All Developments must adhere to the Corporation’s Compliance Policies, which can be viewed on our website at: [www.tsahc.org](http://www.tsahc.org). Developers and their affiliates shall also be reviewed for compliance history with the Corporation’s and any other state or federal affordable housing programs. The Corporation shall require the submission of compliance information and references in order to research a Developer’s compliance history. Developers may be disqualified if there is any evidence of continuing noncompliance at the Developer’s other Developments.
- e. *Public Benefit Threshold.* Pursuant to §2306.563 of the Texas Government Code and this Policy, the Corporation requires that all nonprofit organizations that receive an issuance of qualified 501(c)3 bonds must invest at least one dollar in projects and services that benefit income-eligible persons for each dollar of property taxes that is not imposed on the Development as a result of a property tax exemption received under §§11.182 and 11.1825, of the Texas Tax Code. Projects and services must benefit income-eligible persons in the county in which the Development supported with the tax exemption is located and must consist of: (1) rent reduction; (2) capital improvement projects; or (3) social, educational, or

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economic development services, referred to hereafter as qualified public benefits (“QPB”). The Corporation has determined that the following guidelines are reasonable for the calculation and accounting of QPB:

- i. The Corporation shall require that the value of any property tax exemption be included in the operating budget of the Development and escrowed with the Trustee in an account (the “QPB Account”) prior to the repayment of any debt, management fees, performance fee, or any other fees that the Corporation determines relevant. The QPB account may be funded in advance with funds withdrawn for repayment of QPB, or may be included on the operating ledger as an account payable with QPB expenditures credited against the balance. On or before January 1st of each calendar year starting after the closing of the bonds, the Developer shall provide to the Corporation an estimate of the value of property tax exemption for that calendar year based on the appraised value provided to the Development by the county tax appraiser where the Development is located. The balance of funds to be escrowed, or credited in the QPB Account may be reduced each month in an amount equal to the value of QPB expended by the Development each month. In the event that QPB Account has a balance of funds existing, or owed as an account payable, if applicable, at the end of the calendar year the Developer or its guarantors shall advance the balance to the appropriate taxing entities on a pro rata basis. The QPB Account imposed by this section shall be reduced by an amount equal to each dollar that, in lieu of taxes, a Developer pays to a taxing unit for which the Development receives an exemption prior to the end of the calendar year.
- ii. The Corporation has determined that the value of QPBs shall be calculated in the following manner:
  - A. The value of rent reductions shall be calculated using the difference between the most recent fair market rent (the “FMR”) published by the U.S. Department of Housing and Urban Development, (the “HUD”) and the actual rent collected in each lease agreement. Rent reductions must be accounted for on a monthly basis, documented in each individual lease agreement that receives the benefit, and a notice given to each resident of the annual value of their rent reduction. Units that receive rental assistance payments of any kind are excluded from rent reduction calculations.
  - B. The value of capital improvements shall be determined on a case-by-case basis for each Development and be specific to each Development or property within a pooled transaction. Capital improvement costs shall not include regular maintenance, general repairs, or make ready costs associated with the daily operations of the Development, or any rehabilitation completed by the Developer with the use of bond proceeds, deferred developer fees, grants, or other “equity-type” sources provided to the Development. The Development may include the cost of approved capital improvements paid for with proceeds from taxable debt, and may amortize the cost of those capital improvements over a five (5) year period. The repayment of taxable debt for capital improvements pursuant to this section B that actually reduces the equivalent amount of such taxable debt payable

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shall be paid out of escrowed funds or credited against the QPB Account. Capital improvements may not account for more than 75% of the total annual QBP requirement.

- C. The value of social, educational, or economic development services shall be determined based on the actual dollar amount expended by the Development towards such services at the time such services are provide to residents. The Development may only include the cost of services approved by the Corporation and shall not include the value or cost of services provided to residents free of cost by third party entities.
- iii. The Corporation shall require each Developer to certify that the Public Benefit Threshold has been met in accordance with this policy, and any future revisions of this policy, in their annual audit, to be filed with the Corporation within 120 days of the beginning of each fiscal year of the Development.
- f. *Resident Services Threshold.* The Corporation strives to maintain one of the nation's best resident services programs in properties that are financed by the Corporation. To obtain this goal and better serve low-income tenants, Developers shall be required to maintain a sustained resident services program that provides at least five (5) approved services to tenants on a quarterly basis. Developers must ensure a dedicated budget for services, free transportation to services if off-site, and preferably on-site staff to direct services. The five (5) services must be listed in the Corporation's Resident Services Program Guidelines, as approved by the Corporation.
- g. *Energy Efficiency Threshold.* All Developments must adhere to the standard statewide energy code adopted by the State Energy Conservation Office ("SECO"), unless otherwise exempted by approval of the Corporation's Board. Developments including either new construction or rehabilitation shall meet these standards. Developers may obtain additional information regarding these standards directly from SECO's website: <http://www.seco.cpa.state.tx.us/>. This threshold must be certified to by the Development architect, consulting engineer, or other third party energy efficiency consultant, prior to closing and based upon a review of the construction specifications or scope of work provided by the Development's general contractor. Additional incentives for Green Building methods and energy efficiency are included as scoring items.
- h. *Environmental Review Threshold.* Prior to the sale of the obligations, the Developer will be required to conduct a Phase I Environmental Site Assessment. At bond closing, the Developer will be required to provide an environmental indemnity in the form to be provided by counsel to the Corporation.
- i. *Relocation Threshold.* All Developments involving the rehabilitation, reconstruction or demolition of existing housing must adhere to the relocation requirements of the ~~2010~~ QAP. Developers are encouraged to review these requirements, especially as they may relate to a change in use for commercial or agricultural properties.
- j. *Accessibility Threshold.* All Developments shall be designed, built and rehabilitated in a manner that is consistent with the accessibility requirements of the Federal Fair Housing Accessibility Standards, and §2306.514 of the Texas Government Code. Developers are encouraged to review these guidelines with their architect and/or construction team prior to

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application submission. Developments involving rehabilitation or reconstruction must include the specifications and cost of updating accessibility features in their development cost summary.

k. *Unit Amenities Threshold.* All housing Developments must adhere to the standard unit and Development amenity requirements of the 2010 QAP.

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l. *Community Support Threshold.* Developers are encouraged to collect community input on their Development proposals. Any letter of support or opposition shall be provided to the Corporation as they are received. Developers shall submit with their application two (2) of the following documents in order to demonstrate community support for each proposed Development:

- i. A letter of Support from one or more of the following: Mayor; City Manager; City Administrator; School District Superintendent ; or County Judge, from where the development is located;
- ii. A resolution of support from the City Council, Local School Board or County Commissioner's Court;
- iii. A letter of support from an affected neighborhood association;
- iv. Evidence that a local government (city or county) entity is providing funding for the development; and/or
- v. A letter of support from the State Representative or Senator representing the district in which the proposed Development is located.

m. *Underwriting Threshold.* The Corporation shall require third party reports, including, but not limited to, Property Condition Assessments, Environmental Reports, Market Analysis and Appraisals, as necessary to complete its underwriting review. The Corporation shall determine the financial feasibility of Developments using financial ratios and analysis techniques acceptable to the Corporation including the following minimum requirements:

- i. All Developments must maintain a minimum Debt Coverage Ratio ("DCR") of 1.20. HOPE VI and USDA Rural Development transactions may underwrite to a DCR less than 1.15 based upon documentation provided by HUD or USDA;
- ii. The Corporation generally requires an amortization period of not more than 40 years. The Corporation may consider longer amortization schedules for Supportive Housing and extremely low-income housing Developments;
- iii. The Corporation shall include a reserve of replacement expense of not less than \$300 per unit. The Corporation may require a higher reserve amount based on information provided in the Property Condition Assessment (the "PCA");
- iv. Compliance fees shall be included in the estimate of operating expenses and shall include, at a minimum, the Corporation's Asset Oversight Agent Fee and Compliance Fee, as well as any fees required by other financial sources; and

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- v. The Development's financial structure must include equity investments, grants, or other forms of financial equity that are equivalent to at least 15% of the total Development costs or value, as calculated by the Corporation.
  - n. *Property Tax Exemption.* Developers shall certify that they will, or will not, apply for a property tax exemption or payment in lieu of taxes agreement ("PILOT") to reduce the property taxes due to local taxing entities. If a Developer agrees not to apply for a tax exemption or PILOT agreement, the Corporation shall require a restriction be added to the bond documents that prohibits any future application for exemption. If a Developer states that they will or may apply for a tax exemption or PILOT agreement, the Corporation shall require a notification to the local tax appraisal district, school district superintendent and the County Judge where the Development is located that such an exemption or agreement will be requested. Developers will also be required to submit confirmation of any exemptions or final agreements to the Corporation. In addition, all of the QPB requirements must be met.
6. **Scoring.** The Corporation's Board has adopted the following criteria to score applications to the 501(c)(3) bond program. The Corporation's scoring system is not intended to rank applicants for competitive purposes, rather it is intended to advance certain Development standards and policy initiatives. Developers may choose any combination of scoring items in order to achieve a score of at least 45 points. Forty-Five (45) points is the minimum score required in order to be considered for an inducement.
- a. *Proposed Rents.* Applications may receive up to 15 points for proposing Developments that ensure a percentage of rents are affordable to very-low and extremely low-income households. Developments will be required to reserve units for the selected income groups regardless of the availability of rental assistance.
    - i. 15 points – at least 10% of units will be reserved for families who earn 30% or less than the area median income; or
    - ii. 10 points – at least 40% of units will be reserved for families who earn 50% or less than the area median income.
  - b. *Income Range for Residents.* The Corporation is interested in promoting mixed income housing as a means to improve the lives of residents and build stronger communities. Applications that propose to ensure the following mixed income guidelines shall receive 15 points:
    - i. Not more than 80% of the housing units will be reserved for persons earning 60% or less than the area median income; and
    - ii. At least 15% of the housing units will be reserved for persons earning more than 80% of the area median income.
  - c. *High Income Areas.* Applications shall receive 10 points for proposing Developments located in a census tract that has a median income at least 110% of the County's median income.
  - d. *Small and Mid-sized Cities.* Applications shall receive 10 points for developments located in communities with populations less than 100,000, but not located adjacent to a PMSA or MSA with a total population of more than 500,000.
  - e. *At-Risk Preservation.* Applications shall receive 10 points for the acquisition and rehabilitation of Developments at-risk of losing affordable housing rental contracts or land use

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restrictions. Developments must demonstrate that the current LURA or Regulatory Agreement is within 3 years of expiration.

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- f. *Supportive Housing.* Applications shall receive 10 points for reserving at least 15% of their units for Supportive Housing, as defined by this Policy.
- g. *Green Building Features.* Applications will receive 10 points for obtaining a certification from a qualified third party that the Development meets the minimum certification requirement of the U.S. Green Building Council's LEED ("LEED") program. Applications will receive an additional 5 points (maximum of 15 points for this criterion) for meeting the Gold or Platinum certification standards for the LEED program. Certification may be based on the proposed construction plans, and the Development shall obtain an official certification after completion of construction or rehabilitation.
- h. *Accessible Housing Features.* Applications will receive 10 points for certifying that the Development will meet the following housing accessibility standards. Rehabilitation Developments are not exempt from meeting these requirements, if the scoring item is selected:
  - i. All housing units accessible through a ground floor entrance shall have at least one no-step entry with a 36" entrance door;
  - ii. All housing and community spaces will be accessible via pathways (sidewalks, ramps, etc...) that meet ADA and Fair Housing accessibility standards;
  - iii. All door ways in ground floor units (including closets, bathrooms, storage areas, etc...) shall have doors with at least a 32 inch clear opening;
  - iv. All doors shall have lever handles, and windows shall have accessible release and opening mechanisms;
  - v. All ground floor units shall have at least one ground floor bathroom with an accessible bath tub or roll in shower, and at least one ground floor bedroom;
  - vi. All electrical outlets, switches and control panels shall be no higher than 48 inches and no lower than 15 inches; and
  - vii. All ground floor units shall have kitchens that are accessible pursuant to the Fair Housing Accessibility Guidelines.
- i. *Local Public Funding.* Applications shall receive 10 points for providing evidence that a commitment of financial support, equal to at least \$100 per unit, has been committed by a unit of government to the proposed Development. The only qualifying units of government shall be counties, cities, municipal utility districts, and councils of government. The Corporation considers fee waivers, grants and loans as financial support.
- j. *Resident Services.* Applications shall receive 10 points for agreeing to provide at least five (5) approved resident services to tenants on a monthly basis. This scoring criterion is a higher standard than the Corporation's threshold criteria for resident services.

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- k. *Developer Experience.* Applications shall receive 5 points for providing evidence that the Developer currently owns, and maintains in compliance, a number of multifamily housing units at least twice the amount proposed in the Application.
7. **Subsequent Filing Requirements.** Prior to final approval of the Bonds by the Corporation's Board or the Texas Bond Review Board, Developers may be required to file such additional documents or statements in support of their Development, as considered relevant and appropriate by the Corporation, which may include, but are not limited to;
- a. Such additional information as requested by the Corporation's Financial Advisor, Bond Counsel, or Issuer's Counsel;
  - b. A draft of any official statement, prospectus, or other offering memoranda through the use of which the proposed obligations are to be offered, sold or placed with a lender, purchaser, or investor, which offering, sale or placement materials shall contain prominent disclosure substantially to the effect that;
    - i. Neither the Corporation nor the State has undertaken to review or has assumed any responsibility for the matters contained therein except solely as to matters relating to the Corporation and to a description of the obligations being offered thereby;
    - ii. All findings and determinations by the Corporation and the State, respectively, are and have been made by each for its own internal uses and purposes in performing its duties under the legislation enabling the Corporation and this Policy;
    - iii. Notwithstanding its approval of the obligations and the Development, neither the State, nor the Corporation endorses or in any manner, directly or indirectly, guarantees or promises to pay such obligations from any source of funds of either or guarantees, warrants, or endorses the creditworthiness or credit standing of the Developer or of any Guarantor of such obligations, or in any manner guarantees, warrants, or endorses the investment quality or value of such obligations; and
    - iv. Such obligations are payable solely from funds and secured solely by property furnished and to be furnished and provided by the Developer and any Guarantor and are not in any manner payable wholly or partially from any funds or properties otherwise belonging to the Corporation or the State.
8. **Public Hearings and Meetings.**
- a. The Corporation's Board, at its own discretion, may call any Developer to a scheduled meeting to review the Developer's experience, qualifications, and/or the characteristics of a Development.
  - b. The Corporation requires Developers to attend a public hearing in each of the communities where a Development is proposed. If the Development includes multiple sites in several cities, the Corporation may require an additional hearing to be conducted at a central location to all development sites. All public hearings shall be held prior to the final approval of the Bond Resolution by the Corporation's Board.
  - c. With respect to public hearings required by the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), the Corporation shall plan and publish notice, at the expense of the Developer, of the hearing in the *Texas Register* and the local newspapers of general circulation

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in the participating jurisdictions at least fifteen (15) days prior to the planned TEFRA hearing. The *Texas Register* is published only on Fridays and such notice must be provided in advance pursuant to the requirements of the *Texas Register* guidelines. The Corporation will schedule an appropriate date, time and location for TEFRA hearings based on the schedule of publication.

- d. The TEFRA Hearing may not be held (and notice of such Hearing may not be published) prior to the date the Corporation approves the Inducement Resolution; provided, however, that such hearings may be scheduled and publication of the hearing notice may be prepared prior to selection as long as (a) the Corporation's staff determines that such action is appropriate, (b) the hearing and publication of notice do not actually occur until after selection by the Corporation and (c) the Borrower provides the deposit to the Corporation set forth herein.
- e. The Corporation also provides notice of TEFRA hearing(s) to certain members of the Texas Legislature, local public libraries, homeowners' associations or other recognized neighborhood organizations or groups, and other interested parties designated by the Corporation. The Corporation will publish on its website a hearing information form (the "Hearing Information Form"), which must be completed at least seven (7) days prior to the date notice must be provided to the *Texas Register*. The Corporation will not publish notice of a public hearing until it has received the Hearing Information Form, which shall include the following information from the Developer:
  - i. The names and addresses of any affected homeowners' associations; and
  - ii. The names of the state legislators, city council members, Mayor, County commissioners, County Judge, School District Superintendent and School Board President, in whose district or precinct (as applicable) the Development(s) are located. Failure to timely provide this information to the Corporation may result in a delay in public notice and accordingly, a delay in the closing of the financing for the Development.

## 9. Awards.

- a. The Corporation's Board may select Developers for an inducement of 501(c)(3) bonds based on the results of threshold and scoring criteria review from an application and oral presentations. The Corporation reserves the right not to approve any inducement of 501(c)(3) bonds to any Developer(s), even one that fulfills the Corporation's threshold and scoring criteria.
- b. 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 application process are the sole responsibility of the Developer. 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 proposed Developments for possible allocation of 501(c)(3) bonds is subject to final allocation approval by the Texas Bond Review Board.

## 10. Bond Review Board Approval.

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- a. Obligations issued by the Corporation are subject to approval by the Texas Bond Review Board (the "TBRB"). TBRB rules provide an optional exemption from the formal approval process for Texas State Affordable Housing Corporation multifamily conduit transactions unless such transactions involve an ad valorem tax reduction or exemption. If no ad valorem tax exemption or reduction is requested with respect to the Development, the formal TBRB approval process may not be required. However, if one or more TBRB members request it, the formal TBRB approval process must be followed. If so, representatives of the Developer are expected to attend any TBRB planning session and any TBRB meeting at which the Development will be considered for approval. Additional information may be requested by TBRB members and the Developer's cooperation in providing this information is required.
  - b. If the formal TBRB approval process is required, the Corporation, with the assistance of its Bond Counsel, will prepare and file the notice of intent and the TBRB Application for the Development. The Corporation will file the notice of intent and the TBRB Application with the TBRB only if it has timely received all required information and documentation for the completion of the TBRB Application from the Developer.
11. **Fees.** Developers shall be responsible for fees and expenses incurred as a result of bonds issued on their behalf (the "Cost of Issuance"). Up to two percent (2%) of the Cost of Issuance may be financed through bond proceeds and will be considered part of the obligations authorized for issuance by the Corporation, where eligible under the Code. Developers shall commit to pay from other sources any Costs of Issuance not payable from tax-exempt bond proceeds. The following fees are payable at the times and in the amounts as described below. ALL FEES ARE NONREFUNDABLE, EXCEPT AS OTHERWISE PROVIDED HEREIN.
- a. *Application Fee.* Developers shall submit a nonrefundable fee of \$2,500, made payable to the Corporation, upon submission of the Application.
  - b. *Inducement Fee.* Developers shall pay a deposit of \$7,500, and an additional \$1,000 for each property for Developments involving more than one (1) site, to cover expenses related to public hearings and application to the Texas Bond Review Board, within ten (10) business days of the date the Inducement Resolution is approved by the Corporation's Board. Additional reimbursements for expenses related to public hearings and application may be requested by the Corporation.
  - c. *Professional Fee Deposit.* After inducement and prior to the submission of the application for 501(c)(3) bonds to the Texas Bond Review Board, Developers shall make a deposit with the Corporation which shall be credited against fees and expenses incurred by Bond Counsel, the Financial Advisor and Issuer's Counsel in connection with the proposed financing. Such deposit shall be ~~\$30,000~~, which represents a ~~\$15,000~~ deposit for Bond Counsel fees, a ~~\$7,500~~ deposit for Financial Advisor's fees, and a ~~\$7,500~~ deposit for Issuer's Counsel fees. All fees and expenses incurred by Bond Counsel, the Financial Advisor and Issuer's Counsel in connection with the Developer's transaction shall be deducted from such deposit whether or not the obligations are issued. If the accrued fees and expenses of Bond Counsel, the Financial Advisor and/or Issuer's Counsel exceed the amount of such initial deposit, the Corporation may require the Developer to submit an additional deposit payment.

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- d. *Corporation Expenses.* Developers shall reimburse the Corporation for all costs and expenditures incurred by the Corporation, prior to and after the selection of the Development by the Board, to analyze the appropriateness and willingness of the Corporation to provide bond financing for the Developer's transaction, including, but not limited to, the reimbursement of costs and expenditures for (i) on-site visitation of multifamily residential developments to be financed (or the site[s] therefor), (ii) any reports deemed necessary or appropriate by the Corporation and not otherwise provided by the Developer, (iii) all costs and expenses (including travel and related expenses) of conducting public hearings and related meetings [described herein], and (iv) such other activities, inspections and investigations as are deemed necessary or appropriate by the Corporation in connection with its determination of the suitability of the Proposed Development for financing assistance to be offered by the Corporation. The Corporation will invoice the Developer for such costs and expenditures, and the Developer shall pay such invoices within ten (10) days of receipt. Failure to make prompt payment of such invoices may result in a termination of the participation of the Corporation and its consultants in the financing.
- e. *Financial Advisor Fees.* The fee to be paid to the Corporation's Financial Advisor, acting in a standard Financial Advisor role, shall be 1) for the first \$15,000,000 of bond principal, the fee shall be \$10,000 plus \$2.00/\$1,000 of the principal amount of debt issued with a minimum fee of \$20,000 (unless otherwise agreed to by the Corporation's Financial Advisor) and 2) for amounts above \$15,000,000 the fee shall be reduced to \$1.00/1000 for that amount over \$15,000,000. In addition, the Corporation's Financial Adviser shall also serve as the bidding agent for an additional fee with respect to all investment contracts to be entered into in connection with the investment of bond proceeds and revenues of the Developments. If the financing structure proposed by the Developer requires non-standard services to be performed by Financial Advisor or involves unique financing features including, but not limited to, multiple sites or complexes in a project, extreme credit quality concerns, hedge agreements, swap agreements, or trust structures the fees to be charged by the Financial Advisor shall be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Bond Application to the Bond Review Board.
- f. *Bond Counsel Fees.* The fee to be paid to Bond Counsel, acting in a standard Bond Counsel role, shall be \$4/\$1,000 of the principal amount of debt issued for the first \$20,000,000 of the principal amount of debt issued, \$3/\$1,000 of the principal amount of debt issued for the next \$20,000,000 of the principal amount of debt issued, and \$2/\$1,000 of the principal amount of debt issued thereafter, with a minimum fee of \$30,000 (unless otherwise agreed to by Bond Counsel). If the financing structure proposed by the Developer requires non-standard services to be performed by Bond Counsel or involves unique financing features including, but not limited to, multiple sites or complexes in a project, extreme credit quality concerns, hedge agreements, swap agreements, or trust structures the fees to be charged by Bond Counsel shall be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Bond Application to the Bond Review Board. In addition to the fees paid to Bond Counsel, the Developer will reimburse Bond Counsel for all out-of-pocket expenses incurred by Bond Counsel in connection with the Development. Such expenses include TEFRA notice publication, public hearing notices,

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Attorney General filing fees, and the preparation and filing of the TBRB Applications and supplements thereto.

- g. *Issuer's Counsel Fees.* The fee to be paid to Issuer's Counsel, acting in a standard Issuer's Counsel role, shall be \$1.00/\$1,000 of the principal amount of debt issued for the first \$10,000,000, \$0.80/\$1,000 of the principal amount of debt issued for the next \$10,000,000, and \$0.70/\$1,000 of the principal amount of debt issued thereafter, with a minimum fee of \$7,500 (unless otherwise agreed to by Issuer's Counsel.) In addition to the fees paid to Issuer's Counsel, the Developer will reimburse Issuer's Counsel for all out-of-pocket expenses incurred by Issuer's Counsel in connection with the Development. If the financing structure proposed by the Developer requires non-standard services to be performed by Issuer's Counsel or involves unique financing features including, but not limited to, multiple sites or complexes in a project, extreme credit quality concerns, hedge agreements, swap agreements, or trust structures the fees to be charged by Issuer's Counsel shall be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Bond Application to the Bond Review Board.
- h. *Closing Fees.* Concurrently with the closing of the financing, the Developer shall pay or cause to be paid all fees and expenses in connection with the issuance of the obligations including, Bond Counsel Fees, Financial Advisor Fees, Issuer's Counsel Fees, and the actual amount of any closing or acceptance fees of any trustee for the obligations, any fees and premiums for casualty and title insurance, any security filing costs, any fees for placing the obligations, any fees and expenses of any compliance agent appointed in connection with the review of any property, any out-of-pocket expenses incurred by professionals acting on behalf of the Corporation, and any other costs and expenses, including issuance expenses, relating to the obligations, their security, and the Development. Developers shall pay or cause to be paid a closing fee to the Texas Bond Review Board the greater of \$1,000 or 0.025% of the principal amount of the bonds certified as provided by §1372.039(a)(1), Government Code. Additionally, the Corporation shall receive a Closing Fee of \$0.50 per \$1,000 principal amount of obligations issued, with a minimum closing fee of \$5,000.
- i. *Administrative Fee.* Until the final maturity of the obligations, the Developer will pay an Administrative Fee, remitted through the respective bond trustee to the Corporation on such basis as designated by the Corporation, in an amount equal to ten (10) basis points annually of the aggregate principal amount of the obligations outstanding, with a minimum annual fee of \$5,000. The first annual payment of the Administrative Fee shall be paid at closing. The Administrative Fee is exclusive of the trustee's fee, compliance agent fee, rebate analysts' fee, asset-oversight management fee, audit fee, independent analyst fee, and any other costs or extraordinary costs as permitted under the respective bond documents. Payment of the Administrative Fee is to be covered by the bond credit enhancement and/or secured under the first mortgage on the property assigned to the bond trustee. The Corporation may require the payment of the Administrative Fee to be guaranteed by the Development owner and/or general partner(s).
- j. *Trustee's Fees.* The Developer shall select a bond trustee from a list of bond trustees approved by the Corporation to administer the funds and accounts pursuant to the trust indenture between the Corporation and the trustee bank. All trustee fees and expenses, including fees

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of trustee's counsel, shall be approved by the Corporation, and will be paid by the Developer.

- k. *Auditor's Fees.* The Corporation may at any time over the life of the Development appoint an auditor to review the financial transactions under the bond documents, the compliance agent, and a rebate analyst to perform an analysis of rebate requirements with respect to the issue. Such fees and costs shall be paid by the Developer.
  - l. *Continuing Costs.* Developers shall pay to the Corporation, in the manner described in the Development documents, the following amounts:
    - i. An annual asset oversight and compliance fee of \$45 per unit for the Development, plus \$750 for each property with less than 100 units in a pooled transaction (as such fee may be adjusted in accordance with the Asset Oversight and Compliance Agreement). The Corporation may require the owner of the Development and/or related entities or person to guaranty the payment of these fees;
    - ii. Any amounts payable pursuant to any indemnity contract or agreement executed in connection with any financing by the Corporation completed as herein contemplated, and
    - iii. The amount allocable to each Developer (whose financing has been completed) of costs and expenses incurred by the Corporation in the administration of the indemnity contract or agreement, any program established in connection with the financing of a Development, and any obligations of the Corporation, including an annual accounting and/or audit of the financial records and affairs of the Corporation. The amount of costs or expenses paid or incurred by the Corporation under this clause shall be divided and allocated equally among all Developers whose financings have been completed.
  - m. *Changes in Fees.* The Corporation reserves the right at any time to change, increase or reduce the fees payable under this Policy. All fees imposed subsequent to closing by the Corporation under this Policy will be imposed in such amounts as will provide funds, as nearly as may be practical, equal to that amount necessary to pay the administrative costs of conducting the business and affairs of the Corporation, plus reasonable reserves therefore.
  - n. *Failure to Timely Pay Fees and Costs.* The Corporation will not consider submissions for future transactions proposed by Developers who are delinquent in the payment of any fees described herein.
12. **Document Preparation.** Bond Counsel shall have the primary responsibility for the preparation of the legal instruments and documents to be utilized in connection with the financing of the Development by the Corporation. No bonds or other obligations will be sold or delivered unless the legality and validity thereof have been approved by Bond Counsel. The Developer, Bond Purchaser and their respective legal counsels shall cooperate fully with Bond Counsel, the Financial Advisor, the Issuer's Counsel and the Corporation's agents in the preparation of such materials.
13. **Material Changes to Financing Structure.** Any and all material proposed changes to the financing structure, ownership of the Development, or scope or materials of or for the proposed

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Texas State Affordable Housing Corporation  
PO Box 12637, Austin, Texas 78711

# Texas State Affordable Housing Corporation

Draft 2010 Multifamily 501(c)(3) Bond Policies

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Development, from that set forth in the application must be disclosed to the Corporation immediately in writing and approved by the Corporation.

14. **Time Limits.** In the event that the Development does not close within the time frame established by the Corporation, the Corporation reserves the right to terminate its participation in the financing.
15. **Final Approval by the Corporation.** The Corporation's Board shall consider final action on the Bonds after the completion of the public hearings and upon recommendation by the Corporation's staff. If approved, the Board shall adopt a resolution, in such form as is recommended by Bond Counsel, authorizing the issuance of obligations to provide financing for the Development. Final approval will be granted only upon:
  - a. Receipt by the Board of evidence satisfactory to it that the Developer has complied in all material respects with this Policy not otherwise waived by the Board; and
  - b. An affirmative determination of the Board that:
    - i. All requirements for and prerequisites to final approval under this Policy have either been satisfied or waived and are in form and substance satisfactory to the Board; and
    - ii. The operation of the Development(s) will constitute a lawful activity, is qualified for approval by the State, complies with and promotes the purposes of the Corporation and satisfies the requirements of the Corporation.
16. **Closing of the Transaction.** Following the public hearing(s) and final approval by the Corporation and the TBRB, if necessary, the Corporation will proceed to close the financing in accordance with the documents approved by the Corporation and when finally approved by the Texas Attorney General and Bond Counsel in accordance with the terms of the sale or placement.
  - a. *Structure of Bond Sale.* Developers shall be responsible for determining the structures of the sale of bonds, but are encouraged to contact the Corporation's Financial Advisor for information regarding Bond transactions in Texas. Developers are required to execute an agreement in connection with awarding the sale of the Corporation's obligations to an underwriter or to an institutional purchaser through a private placement that obligates the Developer to the payment of the costs of issuing such obligations as more fully described herein.
  - b. *Public Sale Requirements.* Bonds to be sold publicly, whether by competitive bid or negotiated sale, shall have and be required to maintain a debt rating the equivalent of at least an "AA" rating assigned to long-term obligations by a nationally recognized rating agency acceptable to the Corporation. If the Bond Rating is based upon a credit enhancement agreement provided by an institution other than the Developer or Development Owner, the form and substance of the credit enhancement must be approved by the Corporation and its Financial Advisor, and through the Bond Resolution, approved by the Corporation's Board. Remedies relating to failure to maintain appropriate credit ratings shall be provided in the financing documents relating to the Development.
  - c. Obligations with an investment grade rating of "AA" or higher may be in minimum denominations of \$5,000, if any. For the Corporation to approve transactions that are rated

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“A-” (or its equivalent) or higher but less than “AA,” the obligations must be sold in minimum initial denominations of \$100,000 and in integrated multiples of any amount for amounts in excess of \$100,000.

- d. *Limited Offering Requirements.* If the obligations do not have an investment grade rating of “A-” (or its equivalent) or higher, the Corporation will consider such obligations to be non-rated for purposes of this subsection. The Corporation may require that the obligations be rated or permit, at its sole discretion, the issuance of the obligations without a rating. The Corporation requires that non-rated obligations be privately placed or offered on a limited basis with transfer and other restrictions. In order for a non-rated transaction to be considered by the Corporation, the placement must comply with the following minimum requirements: (i) the sale must be made to a “qualified institutional buyer” as defined in Rule 144A of the Securities Act of 1933 (a “QIB”) or an Institutional Accredited Investor as defined in Rule 501(a)(1), (2), or (3) of Regulation D under such act (an “Institutional Accredited Investor”) and cannot be an underwriting or purchase with an intent to resell any portion of the obligations, (ii) if they are sold to QIBs or Institutional Accredited Investors, the obligations must be issued in minimum denominations of not less than \$250,000 and integral multiples of any amount in excess thereof, (iii) at such time as the bond financing is presented to the Corporation for final approval, the Developer (or placement agent, if applicable) must (a) identify the Purchaser of the obligations and (b) provide a written commitment from the Purchaser in form and content customarily used by real estate lending institutions outlining the terms and conditions of such commitment to purchase the obligations, (c) the Purchaser must represent that it is in the business of originating or acquiring and owning for its account, tax-exempt bonds or mortgage loans on multifamily rental housing properties, (d) there shall be no offering statement of the Corporation, or when a placement agent is involved in the sale of the obligations, there may be a placement memorandum prepared by the agent for the Purchaser, and (e) the Corporation may require that one physical obligation be issued with a legend stating that the initial and any subsequent purchaser(s) of such bond shall be a QIB or an Institutional Accredited Investor, as applicable. In the case of a private placement transaction, the Developer or placement agent, upon delivery of the obligations, shall provide the Corporation with an executed investment letter from the investor purchasing the obligations substantially to the effect that: (1) it is engaged in the business, among others, of investing in tax-exempt securities and is a QIB or an Institutional Accredited Investor, as applicable; (2) it has made an independent investigation into the financial position and business condition of the Developer and therefore waives any right to receive such information; (3) it has received copies of the financing documents pursuant to which such obligations are issued; and (4) that it has purchased for its own account and not with the intent to sell them. A complete form of such investment letter will be provided by the Corporation.
- e. Any variation to the requirements set forth above must be requested in writing by the Developer and must be approved by the Corporation, and be acceptable to the Bond Counsel, Financial Advisor, and Issuer’s Counsel.
- f. *Required Approvals.* No Developer, or any representative of any Developer or the Corporation, shall represent, directly or indirectly, to any lender (interim or otherwise) supplier, contractor, or other person, firm, or entity that the Corporation has agreed or is firmly committed to issue any obligations in relation to any Development detail until the

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Board has given final approvals for the issuance thereof under this Policy, and then subject to the governmental approvals required by this Policy and the approval of the Attorney General of the State of Texas, the approval of Bond Counsel and subject to any requirements imposed by the Corporation's Articles of Incorporation.

- g. *Offering Statement.* No Developer, or any representative of the Developer or the Corporation, shall ever make any representation, directly or indirectly, express or implied, of any fact contrary to the disclosures required to be made by this Policy.
  - h. *Registration.* Neither the Developer nor any securities firm, underwriter, broker, dealer, salesman, or other person, firm, or entity shall offer, sell, distribute, or place any obligations authorized by the Corporation by any process, method, or technique or in any manner, transaction, or circumstances or to any person or persons, the effect of which would be to require such obligations to be registered or would require filings to be made with regard thereto under the laws of the state or jurisdiction where such offer, sale, distribution, or placement is made without first registering the same or making the filings regarding the same required by such laws.
17. **Failure to Comply with this Policy.** The Corporation will not consider submissions from Developers for a potential Development if the Developer is a borrower (or a related party thereto) in connection with obligations previously issued by the Corporation and such borrower (or related party) is not in compliance with the Corporation's requirements or is delinquent in the payment of any fees or costs with respect to such previously issued obligations of the Corporation.
18. **OTHER REQUIREMENTS.** THE CORPORATION MAY IMPOSE ADDITIONAL OR DIFFERENT REQUIREMENTS ON A DEVELOPER THAN THOSE PROVIDED IN THIS POLICY IN THE EVENT THAT THESE ADDITIONAL OR DIFFERENT REQUIREMENTS BECOME NECESSARY TO PROVIDE THE BEST OPPORTUNITY FOR APPROVAL BY THE CORPORATION'S BOARD OF DIRECTORS AND/OR THE TEXAS BOND REVIEW BOARD.

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## Texas Foundations Fund

### Action Item

Presentation, Discussion and Possible Approval of Guidelines for the 2009 Texas Foundations Fund.

### Summary

The mission of the Texas Foundations Fund is to improve the living standards of Texas residents of very low and extremely low income by providing grants to build new single family homes, repair existing owner-occupied single family homes, enhance accessibility for the elderly and disabled, and provide supportive housing services for residents of multifamily rental units.

After two successful funding rounds, the Texas State Affordable Housing Corporation released two surveys requesting feedback on the application, approval, and administrative processes of the Texas Foundations Fund. Based on the feedback received, the Corporation clarified the Guidelines.

The Corporation gave the public the opportunity to comment on the Guidelines for the Texas Foundations Fund. The public comment period ran from Monday, September 14, 2009 to Monday, September 28, 2009.

The Corporation received comment from Motivation Education & Training, Inc (MET). MET is a private nonprofit 501(c)(3) organization funded by a variety of public and private grants and contracts. The organization was primarily founded for the purpose of providing academic and vocational training to migrant and seasonal farm workers, with the objective of furthering economic self-sufficiency for MET participants.

We appreciate both the verbal and written comment supplied by Kathy Tyler from MET. MET's recommendation was to establish an exclusive farmworker housing fund. This fund could then provide grants to nonprofit organizations and local housing authorities to:

1. preserve existing single family farmworker-owned homes,
2. provide grants to preserve multifamily facilities for farmworkers, and
3. provide capacity building funds for greater proficiency in property and asset management.

The current Guidelines do not allow funding for construction or rehabilitation of multifamily rental housing because there are various and more extensive sources of funding for the rehabilitation and/or construction of multifamily rental developments. Neither is capacity building currently an eligible activity under the Texas Foundations Fund.

However, MET would be eligible for a Texas Foundations Fund award to preserve single family farmworker-owned homes and achieve one of three recommendations they submitted. In fact, the Corporation plans on giving priority to at least one proposal serving a "Rural Community". Most of the areas identified by MET as residences of farmworkers fall within the "Rural Community" definition.

### Staff Recommendation

It is staff's recommendation to approve the Guidelines as proposed with no changes made from the draft publication.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION  
TEXAS FOUNDATIONS FUND GUIDELINES**

Mission:

To improve the living standards of Texas residents of very low-income and extremely-low income by building new single family homes, repairing existing single family homes, enhancing accessibility for the elderly and disabled, and providing supportive housing services for residents of multifamily rental units.

Objectives:

To provide grants to nonprofit organizations and rural governmental entities (or their instrumentalities) for (i) the construction, rehabilitation, and/or critical repair of single family homes for homeowners who are Texas residents of very low-income or extremely low-income, with a particular emphasis on serving very low-income disabled and rural Texans and (ii) the provision of additional supportive housing services for very low-income residents of multifamily rental units.

Source of Funds:

The Texas State Affordable Housing Corporation (the “Corporation”) shall use funds allocated to the Texas Foundations Fund from either (i) transfers of unrestricted funds of the Corporation or (ii) third party charitable donations to serve very low-income and extremely-low income Texans. To the extent allowed by law, the Corporation may use up to 50% of the Texas Foundations Fund’s resources for grant programs on an annual basis.

All donations letters/gifts instruments from third party donors shall be in a form acceptable to the Corporation. Example documents can be provided upon request.

Program Requirements:

A. Grants to Governmental or Nonprofit Entities:

Grants of up to \$50,000 each will be given to selected 501(c)(3) nonprofits or rural governmental entities serving very low-income and extremely low-income individuals for either (i) the purpose of construction, rehabilitation, and/or critical repair of single-family homes or (ii) the provision of supportive housing services for residents of multifamily rental units.

Rural governmental entities (and their instrumentalities), to be eligible for a grant, must be 1) cities with populations less than 50,000 not located in a federal Metropolitan Statistical Area or 2) counties with populations less than 100,000.

Nonprofit grantees must have as part of their mission constructing and/or rehabilitating affordable housing in Texas and must have had experience in Texas constructing, rehabilitating, or providing critical repairs on single family homes or had experience providing supportive housing services to very low-income Texas residents in multifamily rental units. An award will not be given to an entity that solely provides supportive services, but rather will be awarded only to those entities that provide housing with supportive services.

**B. Restrictions on Occupants of Homes Built or Repaired with Fund Support:**

The construction, rehabilitation and/or critical repair of single family homes must meet the minimum threshold for Texas residents of very low-income, which is for individuals or families who own or will own a single family home and are at 50 percent or below of the area median family income.

**C. Restrictions on Multifamily Residents who Benefit from Supportive Housing Services with Fund Support:**

Eligible supportive housing activities are services provided on-site to very low-income residents (residents whose income is 50 percent or below of the area median family income) living in income restricted units in multifamily rental units. Eligible supportive services would include, but are not limited to, the provision of alcohol and drug counseling, mental health counseling, or services provided on site by a health care provider. Funding CANNOT be used for construction of units, but only for the provision of services. Again, an award will not be given to an entity that solely provides supportive services, but rather will be awarded only to those entities that provide housing with supportive services.

**Grant Use:**

Use of the grant is restricted to direct costs associated with the construction, rehabilitation, and/or critical repair of single family homes or the provision of supportive housing services. Grant proceeds may not be used for off-site infrastructure, general operating costs, or developer fees and profits. Furthermore, all work performed under this grant award must be free of charge to the low income individual.

In instances of performing a new construction activity, awardees must show how the grant amount goes to benefit the low-income homeowner either through the reduction of the purchase price or downpayment assistance equal to the grant amount. New construction Applicants must also provide a 0% interest loan with terms no longer than 30 years to the assisted individual, with no portion of grant funds included in the loan. Furthermore, individuals assisted with new construction funds must contribute at least 200 hours of sweat equity and participate in a homebuyer education course prior to closing on the home.

Administrative costs of up to 5 percent of a particular grant amount will be allowed. No grant is intended to be used to build operating capacity for the selected organization.

**Grant Selection:**

The Corporation will accept proposals through a competitive process. A notice of funding availability will be published on an annual basis when the Board of Directors determines that sufficient funds exist to award grants.

Proposals will be first considered by the Corporation's Advisory Council, whose members will be appointed by the Corporation's Board of Directors, with final approval provided by the Board of Directors.

The Advisory Council will evaluate the proposals to determine whether the stated objective is likely to be accomplished and the level of quality and timeliness that can be expected from the applicant based on financial capacity and previous performance. Proposals must give a history of similar projects completed and any experience that shows they are qualified to carry out their proposal in such a way that results in a high quality product delivered on time. To receive consideration, applicants cannot have an operating deficit at the time of the submission of the proposal. Proposal evaluations will take into consideration compliance with applicable local building codes, accessibility standards, and environmental review requirements.

Part of the stated objective is to give priority to serving the housing needs of very low-income and extremely low-income disabled and rural Texans, so the Advisory Council will give priority to proposals serving those individuals. The Advisory Council will also evaluate whether the Corporation's grant will be leveraged by matching funds or volunteer efforts, and will give priority to those proposals as well. The Advisory Council will make its recommendations to the Corporation's Board of Directors, which will award or deny the grants.

*Grant Agreement:*

The Corporation shall require each grantee to execute a grant agreement that outlines the purpose of the award, eligible expenditures, the schedule of funding disbursements, the Corporation's right to inspection of properties or service records, review of financial documents, and ongoing reporting requirements. The grant agreement will contain performance measures that must be met, with the result of failed performance being the delay or cancelation of any future disbursements, cancelation of a grant award, or a request for repayment of the grant award.

**MINUTES AND CERTIFICATION**

THE STATE OF TEXAS                   §  
  §  
TEXAS STATE AFFORDABLE           §  
HOUSING CORPORATION               §

I, the undersigned officer of the Texas State Affordable Housing Corporation, do hereby certify as follows:

1. The Board of Directors of said corporation convened on the 9<sup>th</sup> day of October, 2009, at the designated meeting place in Austin, Texas, and the roll was called of the duly constituted members of said Board and officers, to wit:

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Office</u>
Robert Elliott Jones	Chairperson
Jo Van Hovel	Vice Chairperson
Cynthia Leon	Director
William H. Dietz	Director
Jeran Akers	Director

**OFFICERS**

<u>Name</u>	<u>Office</u>
David Long	President (non-Board member)
Katherine Closmann	Executive Vice President (non-Board member)
Melinda Smith	Chief Financial Officer (non-Board member)
Laura Ross	Secretary (non-Board member)
Cynthia Gonzales	Assistant Secretary (non-Board member)

and all of said persons were present except \_\_\_\_\_, thus constituting a quorum. Whereupon, among other business, the following was transacted, to-wit: a written resolution (the "Resolution") bearing the following caption was introduced:

**RESOLUTION NO. 09-\_\_\_\_**

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**

“Resolution Regarding the Approval of Amended and Restated Guidelines for the Texas Foundations Fund, a Segregated Fund of the Corporation, the Approval of Additional Unrestricted Funds of the Corporation to be Transferred to the Texas Foundations Fund and Concerning Other Matters Incident and Related thereto”

was duly introduced for the consideration of said Board and read in full. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

\_ AYES

\_ NOES

\_ ABSTENTIONS

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that said Resolution has been duly recorded in said Board's minutes of said meeting; that the above and foregoing paragraph is a true, full and correct excerpt from said Board's minutes of said meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said Board as indicated therein; that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that said Resolution would be introduced and considered for adoption at said meeting, and each of said officers and members consented, in advance, to the holding of said meeting for such purpose.

SIGNED this October 9, 2009.

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Secretary, Texas State Affordable Housing  
Corporation

RESOLUTION NO. 09-\_\_\_\_\_

TEXAS STATE AFFORDABLE HOUSING CORPORATION

“Resolution Regarding the Approval of Amended and Restated Guidelines for the Texas Foundations Fund, a Segregated Fund of the Corporation, the Approval of Additional Unrestricted Funds of the Corporation to be Transferred to the Texas Foundations Fund and Concerning Other Matters Incident and Related thereto”

WHEREAS, the Texas State Affordable Housing Corporation (the “Corporation”) has been duly created and organized pursuant to and in accordance with the provisions of the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq. Vernon’s Annotated Texas Civil Statutes, as amended, and under the authority of Subchapter Y of Chapter 2306, Texas Government Code, as amended (the “Act”);

WHEREAS, in compliance with the Act, the Corporation previously created the Texas Foundations Fund as a segregated fund of the Corporation, established pursuant to Resolution 08-05 (the “Creation Resolution”), adopted on February 15, 2008 (the “Texas Foundations Fund”), to be comprised of certain unrestricted funds of the Corporation and of third party charitable donations and to be used to provide grants to certain Texas local governments (and/or their instrumentalities) and nonprofit corporations in Texas that benefit Texas residents of very low-income and extremely low-income with respect to various housing needs;

WHEREAS, the Board of Directors of the Corporation (the “Board of Directors”) hereby determines to amend and restate the Texas Foundations Fund Guidelines in accordance with the form of the Amended and Restated Guidelines presented to Board of Directors at the meeting of the Board of Directors at which this resolution was approved (the “Amended and Restated Guidelines”);

WHEREAS, in accordance with Resolution 08-20 (the “Hurricane Resolution”), adopted on October 10, 2008, the Corporation previously added an additional \$250,000 of its unrestricted funds to the Texas Foundations Fund for special relief in areas of Texas affected by certain hurricanes, of which \$50,000 has not been awarded (the “Remaining Hurricane Amount”);

WHEREAS, the Corporation hereby determines that it is in the best interest of the Texas Foundations Fund to remove the restrictions on the Remaining Hurricane Amount placed on it by the Hurricane Resolution and allow the Remaining Hurricane Amount to be used for the general purposes of the Texas Foundations Fund;

WHEREAS, the Corporation hereby determines to provide an additional deposit to the Texas Foundations Fund in an amount up to \$200,000.00 from the Corporation’s unrestricted funds as excess earnings (the “Additional Deposit”) for the general purposes described of the Texas Foundations Fund;

WHEREAS, the Board of Directors has determined that the Additional Deposit has been made out of the excess earnings of the Corporation and the Board of Directors has further determined that sufficient provision has been made for the full payment of the expenses, bonds, and other obligations of the Corporation and for any establishment of reserves by the Board of Directors in accordance with Texas Government Code § 2306.557;

WHEREAS, the Board of Directors hereby desires to provide the President of the Corporation with the authority to reduce the amount of the Additional Deposit by any amount received as a donation to the Corporation or the Texas Foundations Fund to be used for the general purposes of the Texas Foundations Fund prior to the next date such funds are provided as awards from the Texas Foundations Fund (“Additional Donations”);

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Texas State Affordable Housing Corporation:

Section 1. Approval of the Amended and Restated Guidelines. That the Amended and Restated Guidelines in the form presented to the Board of Directors at the meeting at which this Resolution was approved are hereby approved and that the proper officers of the Corporation are each hereby authorized and directed to post the Amended and Restated Guidelines for publication and/or placement on the website of the Corporation.

Section 2. Approval of Removal of Restrictions on Remaining Hurricane Amount. That the removal of the restrictions created by the Hurricane Resolution on the Remaining Hurricane Amount is hereby approved and the Remaining Hurricane Amount shall be available for the general purposes of the Texas Foundations Fund in accordance with the Amended and Restated Guidelines

Section 3. Approval of the Additional Deposit Into the Texas Foundations Fund. That the proper officers of the Corporation are hereby authorized to transfer up to \$200,000.00 of unrestricted funds as excess earnings of the Corporation for deposit into the Texas Foundations Fund as the Additional Deposit.

Section 4. Approval of Reduction of Additional Deposit. That the President of the Corporation is hereby provided the authority to reduce the amount of the Additional Deposit authorized by this Resolution to the extent the Corporation receives Additional Donations to be used for the general purposes of the Texas Foundations Fund prior to the date such funds are provided as awards from the Texas Foundations Fund.

Section 4. Appropriation of Funds from Additional Deposit. That all amounts in the Texas Foundations Fund from the Additional Deposit, Remaining Hurricane Amount and Additional Donations will be appropriated in accordance with the Amended and Restated Guidelines for the general purposes of the Texas Foundations Fund. In addition, all applications for awards of amounts in the Texas Foundations Fund for grants or otherwise shall first be reviewed by the Advisory Council (as defined in the Creation

Resolution) and then, if approved by the Advisory Council, recommended to the Board of Directors for final approval or denial.

Section 5. Execution and Delivery of Other Documents. That the officers and authorized managers of the Corporation are each hereby authorized to consent to, accept, execute and attest such other certificates, documents, instruments, letters of instruction, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of the Texas Foundations Fund and this Resolution, all in accordance with the Amended and Restated Guidelines, such other documents shall include, but not be limited to, notices of funds availability, donation acceptance letters/agreements, gift instruments, grant proposals, grant award requirement checklists, grant award agreements and similar type documents.

Section 6. Ratification of Certain Prior Actions. That all prior actions taken by or on behalf of the Corporation in connection with the Texas Foundations Fund are hereby authorized, ratified, confirmed and approved.

Section 7. Purposes of Resolution. That the Board of Directors has expressly determined and hereby confirms that the approval of the Amended and Restated Guidelines and the deposit of the Additional Deposit into the Texas Foundations Fund accomplishes a valid public purpose of the Corporation.

Section 8. Conflicting Prior Actions. That all orders, resolutions, or any actions or parts thereof of the Board of Directors in conflict herewith are hereby expressly repealed to the extent of any such conflict.

Section 9. Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

PASSED, APPROVED AND EFFECTIVE this 9<sup>th</sup> day of October, 2009.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

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