

Texas State Affordable Housing Corporation

Multifamily Tax-Exempt Bond Programs Guidelines for General Partnerships

The Texas State Affordable Housing Corporation (the "Corporation") has adopted these guidelines for its participation in development partnerships formed for the purpose of building or rehabilitating an affordable multifamily property (the "Development") that meets or exceeds the requirements of the Corporation's Multifamily Tax-Exempt Bond Programs policies (the "Policies"). These guidelines set forth the circumstances under which the Corporation will consider taking on the role of General Partner, and the process for reviewing such requests and organizing such partnerships.

1. Eligible Developments:

In order to ensure that the Corporation adheres to its legislative mandate, only Developments that meet the following criteria will be considered.

- a. A ~~d~~Development must meet at least one of the Corporation's Targeted Housing Needs as defined by the current approved Policies;
- b. A ~~d~~Development must reserve at least 10% of its the greater of 5% or five -housing units reserved for Service Enriched Housing for persons with disabilities, or as Permanent Supportive Housing or persons earning up to 30% of the Area Median Income;
- c. A ~~D~~development must be constructed or rehabilitated so that all ground floor units are designed to be visitable for persons with mobility impairments, consistent with 28 CFR 35.151; and
- d. A ~~D~~development must clearly show a financial need for a property tax exemption based on the Corporation's own internal underwriting.

2. Application and Approval Process:

To determine whether or not a ~~D~~development is eligible, Applicants will complete an addendum to the Corporation's standard application for the inducement of multifamily bonds. An additional application fee of \$500 will be required to cover the Corporation's cost of review and due diligence. The Corporation's review will include:

- a. Partial underwriting of the ~~D~~development to better estimate the feasibility of very and extremely-low income housing units;
- b. Additional reviews of the ~~A~~applicant's previous experience with permanent supportive housing or Service Enriched Housing development;
- c. Additional review of property tax implications; and
- d. Review of alternative public entities that might provide the same general partnership benefits.

If the Corporation determines that the proposed General Partnership will benefit the community and proposed ~~D~~development, in the sole determination of the Corporation, staff

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will include a recommendation to approve the proposed partnership with its request to the Corporation's Board to ~~consider~~ a resolution to induce the proposed bonds.

If the Corporation's Board approves staff's proposal for the General Partnership, both the Corporation and ~~Developer-Applicant~~ will execute a Memorandum of Understanding ("MOU") detailing the business terms of the partnership, responsibility for payment of fees, and distribution of future cash flows. The Corporation will not submit a reservation for bond allocation to the Texas Bond Review Board until such time as the Corporation has agreed to and executed the MOU.

3. Ownership Structure:

If the Corporation agrees to participate as General Partner, the Corporation will create one or more of the following subsidiary entities to manage specific functions of the ~~De~~development and ownership of the property. ~~Upon approval of an Inducement Resolution, a Start-Up Fee of \$25,000 will be due from the Applicant to cover the cost of creating one or more of the following subordinate entities and establishing the legal framework for the proposed general partnership.~~

- a. General Partner Entity – A wholly owned subsidiary of the Corporation. The General Partner Entity will be the de facto owner/operator of the ~~De~~development in partnership with all limited and special-limited partners. The General Partner may review and approve engineering and architectural plans for the ~~De~~development. The General Partner entity may also receive a percentage of any typical or customary developer fees due from development proceeds, an ~~a~~Asset ~~o~~ Oversight ~~f~~ Fee from rental revenues of the ~~De~~development and a percentage of ongoing net revenues or cash flow after the payment of all debts and obligations of the ~~De~~development.
- b. General Contractor Entity – A wholly owned subsidiary of the Corporation. The General Contractor will be used to administer all construction contracts, oversee the approval of draws, and conduct other customary due diligence needed to complete the ~~De~~development. The Corporation may utilize a pre-existing General Contractor entity that has been used in previous developments.
- c. Real Property Land Trust – The real property (land) to be used for the ~~De~~development will be owned by the Corporation directly or through a wholly owned subsidiary of the Corporation. The land and all development rights will be leased back to the Limited Partnership or Owner Entity of the ~~De~~development. The Corporation will utilize a long-term lease, not to exceed 99 years, for all General Partnership developments.
- d. Developer Entity – a wholly owned subsidiary of the Corporation, the Developer Entity may be used to manage development activities outside of the purview of the General Partner, General Contractor or Real Property Land Trust.

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4. Fees:

- a. Application Fee: \$500, in addition to the Corporation's standard multifamily bond application fees.
- b. Start-Up Fee: Applicants will be required to fund a significant portion of the Corporation's cost of creating subordinate entities through the Start-Up Fee. The Start-Up fee of \$25,000 will be due and payable to the Corporation upon the approval of the Inducement Resolution.
- c. Asset Management Fee: As part of the Corporation's General Partner responsibilities, the Development's annual operating budget must include a fee of \$45 per door to cover annual inspections, compliance reviews and other asset management responsibilities. The Corporation will earn this fee and be paid out of regular rental revenues. If also participating as an Issuer, ~~the~~ the Corporation will not collect its customary Asset Oversight and Compliance fees ~~when also participating as an Issuer~~.
- d. Annual Audit and Accounting Fee: The Corporation shall be paid from the operating fund of the Development an Annual Audit and Accounting Fee of \$25,000.
- e. Developer Fee: For participating as a General Partner, the Corporation will receive a reasonable proportion (20% to 35%) of the Developer Fee paid by the Development's financial sources and revenues. The Corporation will be paid proportionally for any amount of deferred Developer Fee paid from cash flows earned by the Development.
- f. Cash Flow and Revenue Sharing: Following the repayment of all amounts owed to the Developer and Corporation for the deferred Developer Fee, cash flow from the development may be (1) used to fund supportive services in addition to any services required by the Development's compliance or regulatory agreements; (2) escrowed by the Corporation in a fund (the "Local Services Fund") to support local educational, health and welfare service providers or agencies that benefit residents of the Development; and/or (3) shared equally by the Developer and Corporation.

5. Community Outreach:

The Corporation is intent on ensuring that local support is in place prior to approving its participation as a General Partner. In order to identify such support, Applicants shall be required to submit the following documentation with their inducement application:

- a. A resolution from the city or county government stating support for the proposed development, including resolutions that meet the standards for housing tax credits pursuant to section 2306.67021 of the Texas Government Code;
- b. A letter of support from the local housing finance corporation stating support for the proposed development, unless no local housing finance corporation or other similar entity is available; and

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- c. At least two additional letters of support fulfilling the Corporation's Community Support Threshold as defined by the most recent Multifamily Tax-Exempt Bond Program Request For Proposals and Policies.