



T E X A S  
State Affordable Housing Corporation

**December Board Meeting**

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

Thursday, December 13, 2018  
10:30 a.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**  
**December 13, 2018 at 10:30am**

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

**Jerry Romero**  
**Vice Chair**

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

**PUBLIC COMMENT**

**AUDIT COMMITTEE REPORT**

**Jerry Romero**  
**Committee Chair**

**PRESIDENT'S REPORT**

**David Long**

Tab A: Homeownership Finance Report  
Tab B: Development Finance Report  
Tab C: Monthly Financial Reports

**ACTION ITEMS IN OPEN MEETING:**

- |       |  |
|-------|--|
| Tab 1 | Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on November 15, 2018.  |
| Tab 2 | Presentation, Discussion and Possible Approval of the Audit Committee Guidelines.  |
| Tab 3 | Presentation, Discussion and Possible Approval of the Annual Independent Financial Audit for the Fiscal Year Ending August 31, 2018.   |
| Tab 4 | Presentation, Discussion and Possible Approval of the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Tax Exempt Bond Funds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2019. |
| Tab 5 | Presentation, Discussion and Possible Approval of Modifications to the Corporation's Affordable Communities of Texas program ("ACT") policies.   |
| Tab 6 | Presentation, Discussion and Possible Approval of a Resolution Authorizing a Revolving Line of Credit to East Dallas Community Organization in the Amount of \$1,000,000 to Construct New Homes at the Creekside at Carter Square Subdivision in Dallas, Texas.  |
| Tab 7 | Presentation, Discussion and Possible Approval for Publication and Public Comment of the Draft of the Texas State Affordable Housing Corporation's 2019 Annual Action Plan.  |
| Tab 8 | Discussion of the 86th Texas Legislative Session.  |

**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

**ACTION ITEMS IN OPEN MEETING:**

Action in Open Meeting on Items Discussed in Closed Executive Session

**ADJOURN:**

*Individuals who require auxiliary aids or services for this meeting should contact Lacy Brown, ADA Responsible Employee, at 512-220-1174 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that the appropriate arrangements can be made.*

*Section 46.035 of the Texas Penal Code prohibits handgun licensees from carrying their handguns at government meetings such as this one. This prohibition applies to both concealed carry and open carry by handgun licensees. Handgun licensees are required by law to refrain from carrying their handguns at this meeting.*

*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

# Tab A



**Homeownership Programs with Down Payment Assistance  
January 1, 2018 to October 31, 2018**

Month	Closed	# of Loans	% Total
January-18	\$ 80,376,741	485	6.9%
February-18	\$ 87,423,997	521	7.5%
March-18	\$ 118,687,440	704	10.1%
April-18	\$ 121,339,442	723	10.3%
May-18	\$ 136,753,578	812	11.7%
June-18	\$ 146,474,181	847	12.5%
July-18	\$ 127,768,641	755	10.9%
August-18	\$ 134,155,254	768	11.4%
September-18	\$ 110,903,938	648	9.5%
October-18	\$ 108,543,941	629	9.3%
<b>Totals</b>	<b>\$1,172,427,153</b>	<b>6892</b>	<b>100%</b>
Lender	Closed	# of Loans	% Total
Everett Financial, dba Supreme Lending	\$123,463,772	704	10.5%
Fairway Independent Mortgage Corporation	\$85,642,339	529	7.3%
Guild Mortgage Corporation	\$79,911,864	493	6.8%
PrimeLending	\$72,624,861	465	6.2%
Cornerstone Home Lending, Inc.	\$53,449,233	296	4.6%
Nations Reliable Lending, LLC	\$38,743,077	220	3.3%
AmCap Mortgage Limited	\$34,240,566	220	2.9%
Academy Mortgage Corporation	\$33,147,235	195	2.8%
NTFN, Inc.	\$31,850,501	185	2.7%
Highlands Residential Mortgage	\$29,625,390	168	2.5%
DHI Mortgage Company, Ltd.	\$27,898,085	135	2.4%
loanDepot.com LLC	\$27,460,297	146	2.3%
Thrive Mortgage, LLC	\$24,457,840	137	2.1%
Mortgage Financial Services, LLC	\$23,823,831	141	2.0%
Cardinal Financial Company	\$23,605,670	134	2.0%
Movement Mortgage, LLC	\$20,954,882	128	1.8%
SFMC, LP (Service First Mortgage)	\$17,049,417	93	1.5%
First Choice Loan Services, Inc.	\$16,426,639	82	1.4%
CMG Mortgage, Inc. dba CMG Financial	\$15,651,089	79	1.3%
Ark-La-Tex Financial (Benchmark Mtg.)	\$15,550,745	84	1.3%
Certainty Home Loans, LLC	\$14,164,264	88	1.2%
Gardner Financial Services, Ltd.	\$14,101,832	84	1.2%
Hometruster Mortgage Company	\$13,650,332	91	1.2%
Mid America Mortgage, Inc.	\$12,426,383	73	1.1%
Network Funding, LP	\$12,138,291	73	1.0%
SWBC Mortgage Corporation	\$11,789,489	73	1.0%
Primary Residential Mortgage, Inc.	\$10,912,338	70	0.9%
Interlinc Mortgage Services, LLC	\$10,340,261	56	0.9%
New American Funding (Broker Solutions)	\$10,136,610	66	0.9%
FBC Mortgage LLC	\$10,097,845	65	0.9%
HomeBridge Financial Services	\$9,662,764	61	0.8%
Stearns Lending, LLC	\$9,395,766	44	0.8%
Wallick and Volk, Inc.	\$8,876,892	51	0.8%
Right Start Mortgage, Inc.	\$8,732,954	56	0.7%
Cendera Funding, Inc.	\$8,504,872	45	0.7%
Pulte Mortgage LLC	\$8,500,627	38	0.7%
Eagle Home Mortgage, LLC	\$7,942,066	39	0.7%
Security National Mortgage Company	\$7,529,078	45	0.6%
Sente Mortgage Inc.	\$7,499,395	45	0.6%
Origin Bank	\$6,786,886	42	0.6%
Guaranteed Rate	\$6,772,142	38	0.6%
Envoy Mortgage	\$6,585,498	39	0.6%
University Lending Group, LLC	\$5,800,105	38	0.5%
Pilgrim Mortgage, LLC	\$5,749,203	36	0.5%
Open Mortgage LLC	\$5,398,694	32	0.5%
Churchill Mortgage Corporation	\$5,359,349	30	0.5%
Gateway Mortgage Group, LLC	\$5,190,509	30	0.4%
Amerifirst Financial, Inc.	\$5,009,333	32	0.4%
Crosscountry Mortgage, Inc.	\$4,972,216	28	0.4%
Independent Bank	\$4,887,012	29	0.4%
First National Bank Mortgage	\$4,821,528	31	0.4%

At a Glance	
Average Annual Income	\$58,519
Average Purchase Price	\$173,927
Average Loan Amount	\$170,114
Average Household Size	2
Average Interest Rate	5.809%
Program	%
<b>Home Sweet Texas</b>	<b>83.44%</b>
<b>Homes for Texas Heroes</b>	<b>16.56%</b>
Allied Health Faculty	0.06%
Corrections Officer	0.81%
County Jailer	0.16%
EMS Personnel	0.32%
Fire Fighter	0.83%
Peace Officer	1.60%
Professional Nurse Faculty	0.83%
Public Security Officer	0.28%
School Counselor	0.26%
School Librarian	0.03%
School Nurse	0.06%
Teacher	9.75%
Teacher Aide	0.26%
Veteran	1.32%
New/Existing Home	
Existing	84.13%
New	15.87%
Type of Loan	
Conventional - Purchase	31.88%
FHA - Purchase	66.22%
USDA-RHS Purchase	0.13%
VA - Purchase	1.77%
Ethnicity	
American Indian/Alaskan Native	0.22%
Asian/Pacific Islander	1.38%
Black	14.38%
Hispanic	35.69%
Not Defined	7.01%
Other	0.80%
White	40.53%
Top 20 Originating Counties*	# Households
Harris	1168
Tarrant	867
Dallas	753
Bexar	514
Denton	221
Travis	196
Williamson	181
Collin	175
Fort Bend	163
El Paso	146
Hidalgo	133
Kaufman	132
Montgomery	127
Galveston	124
Johnson	107
Nueces	99
Brazoria	98
Bell	90
Ellis	89
Hays	78
*Top 20 of all counties statewide. All remaining counties served 1,431 households combined.	



**Homeownership Programs with Down Payment Assistance  
January 1, 2018 to October 31, 2018**

Mortgage Solutions of Colorado, LLC	\$4,689,677	25	0.4%
First Community Mortgage	\$4,677,609	38	0.4%
CLM Mortgage, LLC	\$4,374,377	22	0.4%
Pacific Union Financial, LLC	\$4,218,411	20	0.4%
American Mortgage & Equity Consultants	\$4,002,844	23	0.3%
Union Home Mortgage	\$3,990,517	25	0.3%
American Financial Network, Inc.	\$3,752,477	23	0.3%
On Q Financial, Inc.	\$3,741,607	23	0.3%
Willow Bend Mortgage Company, LLC	\$3,680,027	23	0.3%
First Continental Mortgage, Ltd.	\$3,142,331	13	0.3%
Wells Fargo Bank, N.A.	\$2,952,687	20	0.3%
Bank of England	\$2,688,295	15	0.2%
Synergy One Lending, Inc.	\$2,685,183	20	0.2%
Gold Star Mortgage Financial Group	\$2,575,277	14	0.2%
Guaranteed Rate Affinity, LLC	\$2,510,900	15	0.2%
BancorpSouth Bank	\$2,436,644	16	0.2%
Nations Lending Corporation	\$2,359,400	14	0.2%
Summit Funding, Inc.	\$2,338,512	13	0.2%
Michigan Mutual, Inc.	\$2,265,838	12	0.2%
Rocky Mountain Mortgage Company	\$2,195,401	15	0.2%
Aim Bank	\$2,116,868	15	0.2%
Patriot Mortgage Company	\$2,098,831	14	0.2%
Happy State Bank	\$2,080,296	17	0.2%
Republic State Mortgage Co.	\$2,042,279	10	0.2%
Texas Bank Mortgage Company	\$2,000,533	14	0.2%
Legacy Mortgage, LLC	\$1,863,682	15	0.2%
LoanStar Home Loans	\$1,826,547	10	0.2%
International City Mortgage, Inc.	\$1,793,707	10	0.2%
Loan Simple, Inc.	\$1,727,985	13	0.1%
LHM Financial Corp., dba CNN Mortgage	\$1,480,063	9	0.1%
GoPrime Mortgage	\$1,412,270	8	0.1%
LegacyTexas Bank	\$1,408,102	7	0.1%
Citywide Home Loans, a Utah Corporation	\$1,286,720	8	0.1%
Southwest Funding, LP	\$1,276,205	8	0.1%
Geneva Financial, LLC	\$1,055,391	6	0.1%
America's Choice Home Loans, LP	\$1,051,997	7	0.1%
Inter National Bank	\$1,024,039	7	0.1%
Inspire Home Loans, Inc.	\$1,014,524	5	0.1%
Affiliated Bank	\$1,005,868	7	0.1%
Castle and Cooke Mortgage	\$985,615	6	0.1%
Resmac, Inc.	\$979,265	6	0.1%
Moria Development/Peoples Mortgage Co	\$968,711	6	0.1%
Home Financing Unlimited, Inc.(Mission)	\$919,776	5	0.1%
The Home Lending Group, LLC	\$812,903	4	0.1%
Victorian Finance LLC	\$777,135	6	0.1%
Peoples Home Equity, Inc.	\$744,072	4	0.1%
Finance of America Mortgage, LLC	\$738,850	4	0.1%
Paramount Residential Mortgage Group	\$700,444	4	0.1%
Goldwater Bank, N.A.	\$672,892	4	0.1%
First Service CU dba eCU Mortgage	\$660,808	4	0.1%
integrity First Financial Group, Inc.	\$652,364	3	0.1%
JNC Mortgage Company, Inc.	\$589,396	3	0.1%
Lone Star National Bank	\$560,067	4	0.0%
Encompass Lending Group, LP	\$477,249	3	0.0%
Extraco Mortgage	\$475,670	3	0.0%
LeaderOne Financial	\$462,467	3	0.0%
First Financial Bank, N.A.	\$454,415	4	0.0%
Finance Home America	\$443,320	3	0.0%
American Pacific Mortgage Corporation	\$439,750	4	0.0%
Colonial Savings, F.A.	\$404,490	2	0.0%
Commerce Home Mortgage, Inc.	\$391,653	2	0.0%
Family First Funding, LLC	\$363,051	2	0.0%
1st Preference Mortgage Corporation	\$350,217	2	0.0%
OVM Financial, Inc.	\$305,366	2	0.0%



**Homeownership Programs with Down Payment Assistance  
January 1, 2018 to October 31, 2018**

Branch Banking and Trust Company	\$258,020	2	0.0%
Southwest Bank	\$255,550	2	0.0%
Diamond Residential Mortgage Corporation	\$216,200	1	0.0%
New Penn Financial, LLC	\$207,178	1	0.0%
First Centennial Mortgage Corporation	\$201,286	1	0.0%
Associated Mortgage Corporation	\$200,091	1	0.0%
Cherry Creek Mortgage Co., Inc.	\$199,335	1	0.0%
Corridor Mortgage Group, Inc.	\$192,429	1	0.0%
Perl Mortgage, Inc.	\$186,459	1	0.0%
Axia Financial, LLC	\$182,529	1	0.0%
American Bank, N.A.	\$167,810	1	0.0%
American Nationwide Mortgage Company	\$157,500	1	0.0%
Infinity Mortgage Holdings, LLC	\$152,192	1	0.0%
Inlanta Mortgage, Inc.	\$127,645	1	0.0%
Guaranty Bank & Trust, N.A.	\$122,735	1	0.0%
First Bank	\$114,460	1	0.0%
<b>Grand Total</b>	<b>\$1,172,427,153</b>	<b>6892</b>	<b>100%</b>



**Mortgage Credit Certificate Program**  
**January 1, 2018 to October 31, 2018**

Month	Closed	# of Loans	% Total
Jan	\$ 13,817,927	82	5%
Feb	\$ 21,336,173	130	7%
Mar	\$ 29,287,232	172	10%
Apr	\$ 35,488,967	215	12%
May	\$ 41,078,989	246	13%
June	\$ 46,674,244	267	15%
July	\$ 37,600,870	223	12%
Aug	\$ 34,519,604	205	11%
Sep	\$ 22,232,824	127	7%
Oct	\$ 23,279,829	129	8%
<b>Totals</b>	<b>\$305,316,659</b>	<b>1796</b>	<b>100%</b>

Lender	Closed	# of Loans	% Total
Everett Financial, dba Supreme Lending	\$40,520,972	233	13.0%
PrimeLending	\$22,173,315	134	7.5%
Guild Mortgage Corporation	\$17,079,382	107	6.0%
Nations Reliable Lending, LLC	\$15,507,619	90	5.0%
Cornerstone Home Lending, Inc.	\$14,503,232	80	4.5%
Fairway Independent Mortgage Corporation	\$13,119,003	75	4.2%
Movement Mortgage, LLC	\$12,676,526	85	4.7%
DHI Mortgage Company, Ltd.	\$7,578,709	36	2.0%
Cardinal Financial Company	\$7,507,086	42	2.3%
Thrive Mortgage, LLC	\$7,432,389	39	2.2%
AmCap Mortgage Limited	\$6,814,676	41	2.3%
Primary Residential Mortgage, Inc.	\$6,639,682	44	2.4%
First Choice Loan Services, Inc.	\$6,315,878	33	1.8%
Open Mortgage LLC	\$6,022,903	36	2.0%
Highlands Residential Mortgage	\$6,013,300	30	1.7%
Pilgrim Mortgage, LLC	\$5,255,134	33	1.8%
Texas Bank Mortgage Company	\$5,246,195	37	2.1%
Hometrust Mortgage Company	\$4,862,666	33	1.8%
Certainty Home Loans, LLC	\$4,279,316	28	1.6%
First Continental Mortgage, Ltd.	\$4,207,929	17	0.9%
Colonial Savings, F.A.	\$4,107,210	21	1.2%
Academy Mortgage Corporation	\$3,900,035	25	1.4%
loanDepot.com LLC	\$3,782,666	23	1.3%
Sente Mortgage Inc.	\$3,404,415	22	1.2%
CMG Mortgage, Inc. dba CMG Financial	\$3,219,832	16	0.9%
Interlinc Mortgage Services, LLC	\$2,972,923	17	0.9%
New American Funding (Broker Solutions)	\$2,911,816	19	1.1%
CLM Mortgage, LLC	\$2,839,713	13	0.7%
Origin Bank	\$2,638,340	19	1.1%
SWBC Mortgage Corporation	\$2,587,758	16	0.9%
SFMC, LP (Service First Mortgage)	\$2,516,976	14	0.8%
Gateway Mortgage Group, LLC	\$2,486,025	13	0.7%
Pulte Mortgage LLC	\$2,284,651	11	0.6%
Cendera Funding, Inc.	\$2,170,632	11	0.6%
Bank of England	\$2,106,952	13	0.7%
Crosscountry Mortgage, Inc.	\$2,042,056	12	0.7%
Envoy Mortgage	\$1,974,222	12	0.7%
Amerifirst Financial, Inc.	\$1,895,700	12	0.7%
NTFN, Inc.	\$1,879,942	11	0.6%
University Federal Credit Union	\$1,798,196	8	0.4%
Stearns Lending, LLC	\$1,727,679	8	0.4%
American Mortgage & Equity Consultants	\$1,703,805	10	0.6%
Gardner Financial Services, Ltd.	\$1,699,947	9	0.5%
BancorpSouth Bank	\$1,662,486	10	0.6%
Guaranteed Rate	\$1,647,770	11	0.6%
Wallick and Volk, Inc.	\$1,593,713	10	0.6%
Network Funding, LP	\$1,560,361	9	0.5%
University Lending Group, LLC	\$1,465,725	10	0.6%
Mid America Mortgage, Inc.	\$1,465,018	8	0.4%
Mortgage Financial Services, LLC	\$1,251,672	7	0.4%

At a Glance	
Total Amount Originated	\$305,316,659
Average Annual Income	\$50,566
Average Purchase Price	\$176,277
Average Loan Amount	\$169,998
Average Household Size	2
Average Interest Rate	5.454%
Program	%
<b>Home Sweet Texas</b>	<b>80.07%</b>
<b>Homes for Texas Heroes</b>	<b>19.93%</b>
Allied Health Faculty	0.00%
Corrections Officer	1.17%
County Jailer	0.11%
EMS Personnel	0.22%
Fire Fighter	0.56%
Peace Officer	1.39%
Professional Nurse Faculty	0.72%
Public Security Officer	0.50%
School Counselor	0.39%
School Librarian	0.06%
School Nurse	0.11%
Teacher	12.14%
Teacher Aide	0.33%
Veteran	2.23%
New/Existing Home	
Existing	83.57%
New	16.43%
Type of Loan	
Conventional - Purchase	36.97%
FHA - Purchase	58.46%
USDA-RHS Purchase	2.00%
VA - Purchase	2.56%
Ethnicity	
American Indian/Alaskan Native	0.27%
Asian/Pac Isle	6.27%
Black	14.73%
Hispanic	34.88%
Not Defined	6.31%
Other	1.20%
White	36.34%
Top 20 Originating Counties*	# of Loans
Harris	393
Tarrant	202
Dallas	184
Bexar	145
Travis	97
Williamson	84
Denton	59
Fort Bend	56
El Paso	49
Collin	41
Kaufman	36
Galveston	34
Montgomery	34
Hays	33
Hidalgo	23
Nueces	23
Brazoria	21
Bell	18
Johnson	17
Ellis	15

\*Top 20 of all counties statewide. All remaining counties served 232 households.



**Mortgage Credit Certificate Program  
January 1, 2018 to October 31, 2018**

Right Start Mortgage, Inc.	\$1,195,959	9	0.5%
Gold Star Mortgage Financial Group	\$1,141,105	6	0.3%
Geneva Financial, LLC	\$1,129,428	6	0.3%
Synergy One Lending, Inc.	\$1,103,405	10	0.6%
Independent Bank	\$1,076,967	7	0.4%
American Financial Network, Inc.	\$845,900	7	0.4%
Bank of America, N.A.	\$782,492	5	0.3%
Victorian Finance LLC	\$728,041	5	0.3%
Home Financing Unlimited, Inc.(Mission)	\$708,326	4	0.2%
Eagle Home Mortgage, LLC	\$704,399	3	0.2%
Nations Lending Corporation	\$687,038	4	0.2%
GoPrime Mortgage	\$675,535	5	0.3%
Pacific Union Financial, LLC	\$668,667	3	0.2%
Inspire Home Loans, Inc.	\$603,230	3	0.2%
International City Mortgage, Inc.	\$583,514	3	0.2%
On Q Financial, Inc.	\$573,421	4	0.2%
Castle and Cooke Mortgage	\$559,183	4	0.2%
Brazos National Bank	\$517,010	3	0.2%
FBC Mortgage LLC	\$496,844	4	0.2%
integrity First Financial Group, Inc.	\$453,912	2	0.1%
Southwest Funding, LP	\$452,531	3	0.2%
Willow Bend Mortgage Company, LLC	\$431,298	3	0.2%
Commerce Home Mortgage, Inc.	\$391,653	2	0.1%
Encompass Lending Group, LP	\$316,220	2	0.1%
Palm Lending LLC	\$279,812	1	0.1%
Guaranteed Rate Affinity, LLC	\$262,273	2	0.1%
Legacy Mortgage, LLC	\$261,900	2	0.1%
Summit Funding, Inc.	\$244,925	1	0.1%
Affiliated Bank	\$242,001	2	0.1%
HomeBridge Financial Services	\$216,015	1	0.1%
Churchill Mortgage Corporation	\$212,087	2	0.1%
Happy State Bank	\$211,055	2	0.1%
Guaranty Bank & Trust, N.A.	\$207,735	2	0.1%
JNC Mortgage Company, Inc.	\$203,603	1	0.1%
Cherry Creek Mortgage Co., Inc.	\$196,296	1	0.1%
The Home Lending Group, LLC	\$185,478	1	0.1%
Family First Funding, LLC	\$182,631	1	0.1%
Trustmark National Bank	\$175,750	1	0.1%
LHM Financial Corp., dba CNN Mortgage	\$172,812	1	0.1%
Branch Banking and Trust Company	\$172,000	1	0.1%
Republic State Mortgage Co.	\$163,661	1	0.1%
Waterloo Lending LLC	\$161,000	1	0.1%
American Pacific Mortgage Corporation	\$160,650	1	0.1%
Security National Mortgage Company	\$160,147	1	0.1%
American Nationwide Mortgage Company	\$157,500	1	0.1%
AmRes Corporation	\$157,003	1	0.1%
Loan Simple, Inc.	\$148,510	1	0.1%
America's Choice Home Loans, LP	\$142,373	1	0.1%
Paramount Residential Mortgage Group	\$141,391	1	0.1%
Lone Star National Bank	\$137,857	1	0.1%
Michigan Mutual, Inc.	\$133,110	1	0.1%
Rocky Mountain Mortgage Company	\$127,153	1	0.1%
First Bank	\$114,460	1	0.1%
Inter National Bank	\$105,245	1	0.1%
<b>Total Committed</b>	<b>\$305,316,659</b>	<b>1796</b>	<b>100%</b>

Tab B

# Texas State Affordable Housing Corporation

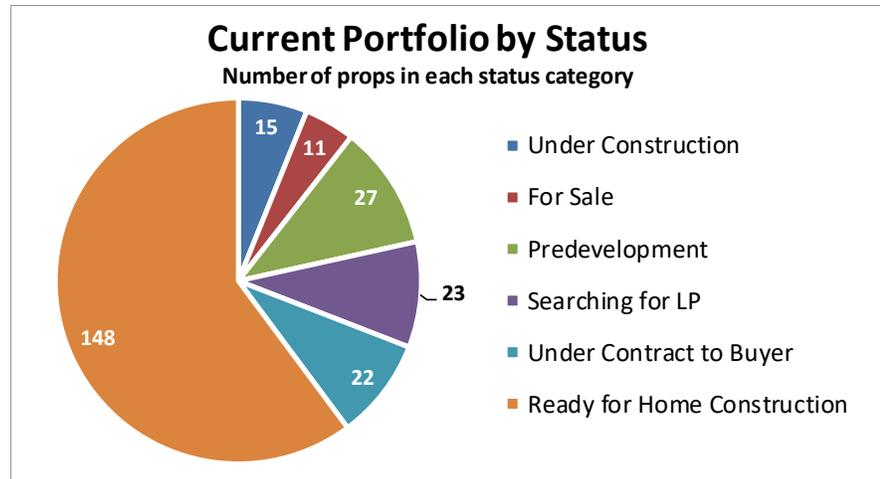
Development Finance Programs Report  
December 2018

## **Affordable Communities of Texas Program (ACT)**

Over the past several months staff has been working on updating our database protocols. During this process, we discovered programming errors in the data that we use to create our reports. We have been working to erase these errors and shore up internal procedures. For this month's Board report we are providing a portfolio report that looks different from what we have been offering the Board over the past few years. This

report provides you with a graph that shows the status of properties in our portfolio. The previous report displayed property counts by program.

Our current portfolio contains 246 total units. While the majority of these units are listed as "Ready for Home Construction", these lots are primarily in our



Texas Neighborhood Stabilization program and consist largely of vacant lots in subdivisions. The report also notes that there are 22 homes under contract to buyers, 15 under construction and 11 for sale. The 27 units listed under "Predevelopment" are sites where we are actively working with Local Partners and anticipate construction and sales activities to begin soon. The remaining 23 properties listed as "Searching for LP" are lots where we do not have an identified Local Partner to redevelop the properties. These lots include some smaller groups of lots in Bastrop and Lufkin where we have had great difficulty identifying Local Partners or Contractors to build at affordable rates.

Staff will continue to rebuild our reports and database procedures in the hope of bringing back the monthly data table that was previously provided. We also invite comment and input from the Board on additional information that we can provide in the future.

## **Texas Housing Impact Fund**

This month's Board Book includes a recommendation for a revolving line of credit for East Dallas Community Organization (EDCO). EDCO is requesting \$1,000,000 to construct single family homes at the Creekside at Carter Square Subdivision in Dallas. The Corporation initially contracted with Builders of Hope Community Development Corporation as the developer of this subdivision and they completed 18 homes between 2013 and 2017. However, due to internal issues, Builders of Hope withdrew from our partnership at the end of 2017. EDCO will build new homes on the remaining 16 lots at Creekside targeted to households earning up to 120% of area median income. A summary of EDCO's application is provided as part of this month's Board Book.

Legacy CDC completed sales for two newly constructed homes in Beaumont in November and anticipates the sale of a third new home before the end of December. Legacy CDC will continue to build new homes

# Texas State Affordable Housing Corporation

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## Development Finance Programs Report December 2018

in 2019, with plans for 6 to 12 new homes next year. Legacy CDC was awarded a \$450,000 revolving line of credit in October 2017.

The Chicon, a 28-unit mixed-use condominium project in Austin, completed two more commercial unit sales in the month of November. The final two residential units are scheduled for sale before the end of 2018. Currently staff anticipates that all unit sales will be completed in January 2019, and the Corporation's \$2 million line of credit will be fully repaid.

### **Multifamily Bond Program**

Two projects located in Midland, Ventura at Tradewinds and Ventura at Fairgrounds, are the focus of staff's effort. The Ventura at Tradewinds transaction is scheduled to close before the end of 2018, and Ventura at Fairgrounds will close the first week of January. Staff is actively working with bond counsel and the developer's team to wrap up bond documents and close the transactions.

Staff is also recommending the approval of our 2019 Multifamily Tax-Exempt Bond Programs Policies and Request for Proposals at this meeting. A full write-up is included in the Board Book.

# Tab C

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**STATEMENT OF NET ASSETS (unaudited)**  
As of October 31, 2018

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**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 5,948,287
Restricted Assets Held by Bond Trustee:	
Cash and Cash Equivalents	1,402,664
Accrued Interest	45,471
Custodial Cash and Cash Equivalents	131,308
Investments, at Fair Market Value	10,033,836
Accounts Receivable & Accrued Revenue	806,787
Accrued Interest Receivable	66,471
Loans Receivable, Current Portion	69,699
Notes Receivable, Current Portion	2,127,791
Prepaid Expenses	<u>101,728</u>

**Total Current Assets:** 20,734,042

**Noncurrent Assets**

Loans Receivable, Net of uncollectible amounts of \$4,834	485,414
Notes Receivable, Net Allowance for Loss of \$500,000	3,343,034
Investments, at Fair Market Value	6,525,143
Mortgage Servicing Rights, Net of Accumulated Amortization of \$2,500,092	227,970
Fixed Assets, Net of Accumulated Depreciation of \$791,029	1,267,111
Owned Real Estate, Federal & Other Programs Net of Amort \$564,009	11,314,627
Restricted Investments Held by Bond Trustee, at Fair Market Value	<u>30,316,354</u>

**Total Noncurrent Assets:** 53,479,653

**TOTAL ASSETS** \$ 74,213,695

*(continued)*

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**STATEMENT OF NET ASSETS - Continued (unaudited)**  
As of October 31, 2018

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**LIABILITIES**

**Current Liabilities**

Accounts Payable and Accrued Expenses	\$	333,190
Notes Payable, Current Portion		52,862
Custodial Reserve Funds		131,308
Due to Federal Programs		2,057,213
Other Current Liabilities		204,641
Payable from Restricted Assets Held by Bond Trustee:		
Bonds Payable, Current Portion		750,000
Accrued Interest on Bonds		169,449

**Total Current Liabilities:** 3,698,663

**Noncurrent Liabilities**

Notes Payable		2,426,534
Revenue Bonds Payable		29,089,019
Unearned Revenue		114,921

**Total Noncurrent Liabilities:** 31,630,474

**Total Liabilities:** 35,329,137

**DEFERRED INFLOWS OF RESOURCES**

Deferred Revenue		188,509
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**Total Deferred Inflows of Resources** 188,509

**NET POSITION**

Invested in Capital Assets		1,267,111
Restricted for:		
Debt Service		1,756,021
Other Purposes		261,137
Unrestricted		35,411,780

**Total Net Position:** \$ 38,696,049

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (unaudited)**  
for the 2 months ending October 31, 2018

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**Operating Revenues**

Interest and Investment Income	\$	343,816
Net Increase (Decrease) in Fair Value of Investments		(530,907)
Single Family Income		779,811
Asset Oversight and Compliance Fees		40,352
Rental Program Income		91,907
Multifamily Income		62,257
Land Bank Income		122,633
Public Support		
Federal & State Grants		2,730
Contributions		1,271
Other Operating Revenue		11,008
<b>Total Operating Revenues</b>	\$	<u>924,878</u>

**Operating Expenses**

Interest Expense on Bonds and Notes Payable	\$	179,177
Salaries, Wages and Payroll Related Costs		448,692
Professional Fees and Services		28,072
Amortization		33,797
Office and Equipment Rental and Maintenance		15,011
Travel and Meals		13,620
Depreciation		41,215
Program and Loan Administration		14,718
Grant Expenditures		2,730
Foundation Fund/Rebuild Texas Grants		162,500
Other Operating Expenses		72,255
<b>Total Operating Expenses</b>	\$	<u>1,011,787</u>

**Net Income** (86,909)

**Total Net Position, Beginning** 38,782,958

**Total Net Position, Ending** \$ 38,696,049

# Tab One

**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**  
**November 15, 2018 at 10:30 a.m.**

**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 Bill Dietz, Chair, at 10:30 a.m., on November 15, 2018, 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**

Bill Dietz, Chair  
Jerry Romero, Vice Chair  
Valerie Cardenas, Member  
Lori Cobos, Member

**Board Member Absent**

Bob Jones, Member

**Staff Present**

Betsy Aldrich, Senior Accounting Manager  
Celina Stubbs, Manager, Asset Oversight and Compliance  
Dave Danenfelzer, Senior Director, Development Finance  
David Long, President  
Frank Duplechain, Homeownership Programs Specialist  
James Matias, Senior Manager, Asset Oversight and Compliance  
Janie Taylor, Executive Vice President  
Joniel Crim, Director, Homeownership Programs  
Katie Claflin, Director, Communications & Development  
Lacy Brown, Corporate Secretary  
Laura Ross, Manager, Communications & Development  
Melinda Smith, Chief Financial Officer  
Michael Wilt, Manager of External Relations  
Nick Lawrence, Controller  
Sarah Ellinor, Manager, Homeownership Programs

## **Guests**

Bill Gehrig, Greenberg Traurig, LLP  
Aaron Gregg, Greenberg Traurig, LLP  
Tim Nelson, Hilltop Securities  
Mitch Weynand, AHA!  
Jolene Keene, AHA!  
Blaine Barker, Dominion  
Chris Spelbring, Raymond James  
Scott Marks, Coats Rose, P.C.  
Routt Thornhill, Coats Rose, P.C.

## **Public Comment**

No public comment was given.

Mr. Dietz informed the Board and those in attendance that in the interest of some time-sensitive issues related to Tab Items 2 and 3, they would be taking those two items first.

**Tab 2            Presentation, Discussion and Possible Approval of a Resolution Authorizing the Issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Tradewinds Apartments) Series 2018, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.**

Mr. Long introduced Mr. Neslon, Hilltop Securities. Mr. Nelson pointed out that the only change from the write-up included in the board packet is the name of the initial purchaser, which will be Associated Investments. Mr. Nelson asked the Board for approval for the resolution presented under Tab 2. Mr. Dietz inquired if the Board had already seen this. Mr. Romero stated that it had already been induced. Mr. Nelson confirmed it had been induced back in July.

Ms. Cobos made a motion for approval of a Resolution Authorizing the Issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Tradewinds Apartments) Series 2018, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith. Mr. Romero seconded the motion; Mr. Dietz asked for public comment and none was given. A vote was taken and the motion passed unanimously.

**Tab 3            Presentation, Discussion and Possible Approval of a Resolution Authorizing the Issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Fairgrounds Apartments) Series 2018, a**

**Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.**

Mr. Nelson explained that this resolution was similar to the previous resolution, noting the transaction was structured and the development team was the same. He reminded the Board that this was also induced in July and would close on January 10. He asked for approval of the resolution under Tab 3.

Mr. Romero made a motion for approval of a Resolution Authorizing the Issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Ventura at Fairgrounds Apartments) Series 2018, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith. Ms. Cobos seconded the motion; Mr. Dietz asked for public comment and none was given. A vote was taken and the motion passed unanimously.

### **President's Report**

Mr. Long informed the Board that program reports can be found on Tabs A through D, and as requested a summary of the Foundations Fund projects are included in this month's board packet. Mr. Long stated that the Corporation's Loan Committee met the previous day and in addition to reviewing and discussing reports related to existing loans, the committee discussed and considered a loan to Accessible Housing Austin or AHA!. Mr. Long stated that the loan is on the agenda for consideration by the Board. Mr. Long asked Ms. Cardenas and Mr. Romero for any additional comments. Ms. Cardenas stated that the Committee discussed ways to enhance the loan review process.

Mr. Long provided an overview of the various trainings and events conducted by the Homeownership team since the last Board Meeting, including Mr. Duplechain and his continuous efforts with the Overcoming Down Payment Hurdle classes. Since the last Board Meeting Mr. Duplechain had conducted seven classes and reached out to over 200 Realtors in the process. Mr. Long informed the Board that Ms. Davila was attending a conference in Florida week for education on the software we use for our program compliance.

Mr. Long then recognized Mr. Romero and the Wells Fargo Housing Foundation for the \$15,000 contribution in support of our counselor training programs. The funding will directly support our weeklong training in Dallas. Mr. Romero added that Wells Fargo has been a big supporter of the Corporation for a long time and had awarded over \$1 million as an equity investment 12 years ago that was recycled almost five times.

Mr. Long informed the Board of the \$5,000 grant from BBVA Compass Foundation. These funds will also support our June 2019 Housing Connection training. The Corporation also

received a \$250,000 program investment from the Austin Community Foundation. The award is structured as a three-year loan commitment at a 2% interest rate. The Corporation will use the funds to support the AHA! at Briarcliff project.

Mr. Long then informed the Board on the staff's activities during the last month. Mr. Wilt participated on a panel at the Community Action Network Regional Housing Summit in San Antonio earlier that month. Ms. Claflin and Mr. Long attended a workshop in La Grange regarding the long-term disaster recovery funds available for Hurricane Harvey relief. Mr. Long also noted he, Ms. Taylor and Mr. Wilt had a follow up meeting with Senator Lucio's office regarding housing related items that may come up during session. Mr. Wilt attended a meeting with the U.S. Interagency Council on Homelessness (USICH) to discuss how TSAHC's participation with USICH and the Texas Interagency Council. Mr. Long informed the Board that Ms. Taylor and Mr. Danenfelzer had attended a training at the National Development Finance Summit and Mr. Danenfelzer was part of a panel presentation during the training.

Mr. Long concluded his report acknowledging the professionals in attendance and noting the next Board Meeting is scheduled for December 13, 2018.

**Tab 1            Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on October 18, 2018.**

Mr. Dietz pointed out that they had a redline copy of the revised minutes of the Board Meeting held on November 15, 2018, as Ms. Cobos had recommended changes. Ms. Cobos stated that the redline revisions of the minutes were intended to clarify the discussion had on legislative outreach efforts, program policy changes and the strategic plan presentation. Mr. Long confirmed that he had received Ms. Cobos's edits and had provided them to the Board Members. Mr. Long indicated that copies of Ms. Cobos's redline version of the minutes were available at the back of the room for the public. Ms. Cardenas added that she appreciated Ms. Cobos making the revisions.

Mr. Romero made a motion to approve the minutes of the Board Meeting held on November 15, 2018, including the changes that were presented by Ms. Cobos. Ms. Cardenas seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken and the motion passed unanimously.

**Tab 4            Presentation, Discussion and Possible Approval of an Amended Loan Commitment to Accessible Housing Austin in the Amount of \$995,000 for the AHA! at Briarcliff Apartment Project.**

Mr. Long noted that this loan was original brought to the Board as a \$695,000 loan however, over the past several months the costs for the project changed. Mr. Long stated that the Loan Committee met the day before and discussed an increase of about \$300,000 making this project request amount \$995,000. The Loan Committee approved the request; the 24 month construction loan for up to 24 months with a 2.5% interest rate and the permanent loan for 180 months at a 5.75% interest rate.

Ms. Cardenas noted that the two year construction phase is outside of the 180 months that would be financed at the permanent rate of 5.75%. So in essence, the total project from beginning to fully amortizing is 204 months. Mr. Long concurred.

Mr. Romero informed the Board that the Loan Committee had a detailed discussion regarding interest rates and how to ensure that they are being equitable in assessing fees and rates to developers. Mr. Long re the Board that during his president's report he mentioned the funding from the Austin Community Foundation which was factored into the consideration for offering a lower rate during the 24 month construction phase.

Mr. Romero discussed the increased loan amount was being recommended due to higher than anticipated construction costs. Ms. Cardenas added that part of the Committee's tightening up of policies included making sure loan commitments are re-evaluated in a timely manner, noting that normal business practice is for commitments of 30 to 90 days.

Mr. Romero then asked Ms. Keene Executive Director of Accessible Housing Austin (AHA!) if she was fairly certain that construction would be complete within the 24 month period. Ms. Keene informed Mr. Romero that they are expecting the construction period to last 12 months. Mr. Romero suggested the documents to state up to a 24 month construction period. Mr. Long agreed and stated that the documentation would be reviewed by legal counsel to make sure that all the approved loan terms were incorporated into the loan documents.

Ms. Cobos thanked Ms. Cardenas and Mr. Romero for their diligence and evaluation of the loan request for AHA!.

Mr. Romero made a motion for Approval of an Amended Loan Commitment to Accessible Housing Austin in the Amount of \$995,000 for the AHA! at Briarcliff Apartment Project. Ms. Cardenas seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken and the motion passed unanimously.

## **Tab 5            Presentation, Discussion and Possible Approval of the General Counsel of the Corporation.**

Mr. Long began his presentation by referencing a summary in the Board book of the staff scoring of the RFP responses that were received for general counsel for the Corporation. Mr. Long indicated that responses were received from four firms, Coats Rose, Greenberg Traurig, Naman, Howell, Smith & Lee, and The Fulton Group.

Mr. Long explained that seven staff members had evaluated the responses and a summary of the staff were included in the Board book. Ms. Cardenas inquired about staff experience with the firms that were not serving as the Corporation's current counsel. Mr. Long responded that we had not worked directly with the other firms, however Naman, Howell, Smith & Lee has served as trustee counsel on several of the Corporation's single-family bond transaction and staff had prior working relationships with attorney's at Coats Rose due to their expertise in the industry. Ms. Cardenas explained her question was better understand the staff scoring. Mr. Long

responded that the RFP process used by the Corporation provides respondents an equal opportunity to provide answers to the key areas of consideration outlined in the RFP, including fees, experience in the affordable housing industry, subject matter experience and capacity as legal counsel. Staff individually reviewed and scored the four firms based on the responses provided. We rank them base on their responses.

Ms. Cobos asked for further clarification regarding the staff took to review the RFP responses. Mr. Long noted that the staff members that reviewed and scored the RFP have either a working relationship with current general counsel or administer programs that from time to time might work with counsel. They each received a copy of the RFP, the responses and a score sheet that identified the categories of the RFP. Mr. Long went on to explain that after the individual staff review, he conducted\ a group meeting to discuss specific portions of responses by the various firms. There was a confirmation of the scores and a summary of those scores was provided in the Board book.

Mr. Dietz stated that it appears that the internal scoring system used weighed different categories differently such as a maximum of 40 points for subject matter versus maximum of 10 points for experience with similar organizations. Ms. Cardenas stated she wants to make sure that everything was answered with objectivity rather than subjectivity. Mr. Long explained that he did not participate in the scoring process and the scoring information provided to the Board reflected an honest assessment from staff based on their review on the RFP responses provided.

Mr. Long informed the Board that both firms that scored the highest, Coats Rose and Greenberg Traurig, were in attendance today.

Mr. Romero asked who developed the RFP and the key points for scoring. Mr. Long stated that the RFP was developed internally and based on staff input regarding the areas of expertise and importance to the Corporation. Mr. Long added staff also incorporated language from the prior RFP's issued by the Corporation including the last General Counsel RFP.

Mr. Dietz noted that for the record the two highest scoring firms were in attendance and suggested the representatives from each firm come forward and speak with the Board and provide them with the opportunity to respond to questions regarding their firms experience.

Mr. Dietz asked representatives from Coats Rose to come forward and speak with the Board. Mr. Thornhill introduced himself along with his partner Mr. Marks, and provided the Board with some professional background on themselves and their firm's experience and capacity. A detailed discussion between the Board and the representatives from Coats Rose followed.

After no further questions from the Board, Mr. Marks and Mr. Thornhill made final comments regarding the importance of have Texas based attorneys and attorneys involved in the affordable housing industry.

Mr. Dietz then asked representatives from Greenberg Traurig to come forward and speak with the Board. Mr. Gehrig introduced himself along with his partner Mr. Gregg, and provided the Board with some professional background on themselves and their firm's experience and

capacity. A detailed discussion between the Board and the representatives from Greenberg Traurig followed.

After no further questions from the Board, Mr. Gehrig and Mr. Gregg made final comments to the Board and concluded their presentation.

Mr. Dietz asked if it would be appropriate to limit the scope of future information gathering to the two top scoring firms. Ms. Cobos made a motion to limit the search to the law firms of Coats Rose and Greenberg Traurig and postpone the final decision on the general counsel decision until the December Board Meeting. Mr. Romero seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken and the motion passed unanimously.

#### **Tab 6            Staff Presentation and Discussion of the Texas Foundations Fund.**

Ms. Claflin provided the Board with an overview of the Texas Foundations Fund, which was created in 2008 by the Corporation as a grant-making program for local nonprofits to address the needs of households earning up to 50% of the median family income in Texas. Ms. Claflin stated that staff conducted a survey prior to launching the program to determine what housing activities to fund and what priorities to focus on. Ms. Claflin noted that the survey determined that critical home repair, accessibility modifications of homes and supportive housing services were highly unmet needs. The survey also revealed that these needs were critical for people with disabilities and those living in rural areas. Moreover, the staff and Board determined those would be the focus of the program.

Ms. Claflin stated that since inception the Corporation has had 10 annual funding rounds and one round specifically to assist after Hurricanes Ike and Dolly. Ms. Claflin stated that the Board approves the amount available for each funding round through the annual budget process, and the Board initially allocated \$250,000 for each funding round. In most recent years, the Board increased the funding for the program and this round we will have \$350,000 available. In 2016, TSAHC changed the structure of the Texas Foundation Funds from a competitive grants program to a matching grants program that is available to all eligible applicants meeting certain threshold requirements. Ms. Claflin concluded her remarks by stating that when the program structure changed it allowed TSAHC to serve more organizations and reach more communities throughout Texas.

Mr. Wilt then provided the Board with both a high-level look and a granular look at the program over the years. Mr. Wilt stated that the Corporation has awarded more than \$3.2 million over the duration of the program. Mr. Wilt provided further detail explaining that the Corporation had awarded grants to 46 organizations serving 98 of the 254 Texas counties. He stated that the grants have funded home repairs for 414 households and have helped fund supportive services for 11,000 households.

Mr. Wilt explained that home repairs consist of primarily roof repairs and accessibility features such as wheelchair ramps, but we have also funded other health and safety modifications and repairs such as septic systems in rural areas. Mr. Wilt then explained that supportive services grants help three types of households: single adults, families with children, and youth aging out

of foster care. Mr. Wilt listed the types services that are provided for those individuals as a result of our funding. Those services include job training and after-school programs for children.

Mr. Wilt then went over where in the state our grant funding is assisting families. Explaining what regions have received more funding.

Mr. Romero thanked staff for providing all their information today and showing the Board Members how a fairly small amount can help cover a lot of the state. He stated the importance of continuing the program and helping organizations that are doing great work. Mr. Wilt added that since moving from competitive to non-competitive program structure TSAHC has not dropped off in their coverage of the state. Mr. Dietz inquired how long we've been doing the non-competitive process. Mr. Wilt explained that we've done two cycles of two-year agreements. Mr. Dietz asked if the process was working well. Mr. Wilt responded that it is working very well because we're able to serve more organizations, including organizations that we were not able to serve when the application was competitive. Mr. Dietz concluded that the Texas Foundations Fund is a good program and an important program for a lot of the Texas population.

### **Adjournment**

Mr. Long reminded the Members the next Board Meeting is scheduled for December 13, 2018. Mr. Dietz asked if there was any further business before the Board; none was offered.

Mr. Dietz adjourned the meeting at 12:25 PM.

Respectfully submitted by \_\_\_\_\_  
Lacy Brown, Corporate Secretary

# Tab Two

## **TEXAS STATE AFFORDABLE HOUSING CORPORATION AUDIT COMMITTEE GUIDELINES**

These guidelines are intended to define the purposes, membership and responsibilities of the Audit Committee of the Texas State Affordable Housing Corporation (“the Corporation”).

### **I. PURPOSES**

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee’s primary duties and responsibilities are to:

1. Monitor the integrity of the Corporation’s budgeting process, financial reporting process and systems of internal controls regarding finance, accounting, legal and ethics compliance.
2. Monitor the independence and performance of the Corporation’s independent financial auditors who shall report directly to the Audit Committee.
3. Facilitate communication among the independent auditors, management, the CFO and the Board of Directors.
4. Monitor compliance by the Corporation and its directors, officers and employees with applicable laws, regulations, contracts, agreements, and grants and the Corporation’s code of ethics and conflict of interest policies.
5. Establish procedures for the receipt, retention and treatment of financial matters complaints and the confidential anonymous submission by employees regarding questionable accounting, fraud or abuse.
6. Report on its activities to the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to the independent auditors as well as anyone at the Corporation. The Audit Committee has the ability to retain, at the Corporation’s expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties. However, it is not the duty or responsibility of the Audit Committee or its members to conduct auditing or accounting review procedures, and each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and outside the Corporation from which it receives information and (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations.

## **II. COMPOSITON AND MEETINGS**

The Audit Committee shall be comprised of four members, as determined by the Board of Directors, two of whom shall be directors of the Corporation. Any other board member will be eligible to serve as an alternate member of the Audit Committee and will serve if one of the other member Board directors is absent from the meeting. The Corporation's President and Chief Financial Officer will serve as Ad Hoc members of the Committee. The two member board directors shall be free from any relationship that would interfere with the exercise of his or her independent judgment. All members of the Audit Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of the Audit Committee shall have accounting or related financial management expertise.

Audit Committee members shall be appointed on recommendation by the full Board of Directors. If a Chair of the Audit Committee is not designated or present, the members of the Audit Committee may designate a Chair by majority vote of the Audit Committee.

A quorum for a meeting of the Audit Committee shall consist of at least three committee members, two of which must be Board members.

Audit Committee members will be reimbursed for travel and other actual and reasonable expenses incurred in the conduct of official Audit Committee business. No member of the Audit Committee may accept any additional consulting, advisory or other compensatory fee from the Corporation or other organization.

The Audit Committee shall meet a minimum of two times annually or more frequently if circumstances dictate.

## **III. RESPONSIBILITIES AND DUTIES**

To carry out its purposes, the Audit Committee shall have the following duties and responsibilities:

### **Review Procedures**

1. Review and assess the adequacy of these guidelines at least annually and submit any proposed changes to the Board of Directors for approval.
2. Review and approve the Corporation's proposed fiscal year operating budget and any amendments thereto for ~~the~~ submission to the Board of Directors for approval.
3. Review and approve the audited financial statements and any amendments thereto for submission to the Board of Directors for approval. The review

should include discussion with management and independent auditors of significant issues regarding accounting and auditing principles, practices and judgments.

4. In consultation with ~~the~~ management, the CFO and independent auditors, consider the integrity of the company's financial reporting processes and controls. Discuss significant financial and non-financial risk exposures and the steps management has taken to monitor, control, and report such exposures. Review significant findings prepared by the independent auditors together with management's responses.
5. Consider and approve, if appropriate, major changes to the Corporation's accounting principles as suggested by the independent auditors, management or CFO and any items required to be communicated by the independent auditors in accordance with Statement on Auditing Standards No. 115.

### **Independent Auditors**

1. The independent auditors are ultimately accountable to the Audit Committee and the Board of Directors. The Audit Committee shall approve the appointment of auditors, review their independence, qualifications and performance ~~and of the auditors and annually appoint the independent auditors or~~ approve any discharge of auditors when circumstances warrant.
2. On an annual basis, the Audit Committee should review and discuss with the independent auditors all significant relationships they have with the Corporation that could impair the auditors' independence.
3. Prior to releasing the audit report, discuss the results of the audit with the independent auditors. Discuss certain matters required to be communicated to the Audit Committee in accordance with Statement on Auditing Standards No. 114 and No. 115, OMB Uniform Guidance, and any other standards required by applicable federal or state law or regulation.
4. Review with the independent auditor any management letter provided by the auditor and the Corporation's response to that letter.

While the Audit Committee has the responsibilities and powers set forth in these guidelines, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations.

# Tab Three

**TEXAS STATE  
AFFORDABLE HOUSING  
CORPORATION**

**Financial Statements  
and Supplemental Information  
as of and for the Year Ended  
August 31, 2018 and  
Independent Auditors' Report**

# TEXAS STATE AFFORDABLE HOUSING CORPORATION

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**INDEPENDENT  
AUDITORS' REPORT**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors of  
Texas State Affordable Housing Corporation:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Texas State Affordable Housing Corporation (the "Corporation"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of August 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The schedule of revenues and expenses by activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of revenues and expenses by activity has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 13, 2018** on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Austin, Texas  
**December 13, 2018**

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# TEXAS STATE AFFORDABLE HOUSING CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended August 31, 2018

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This discussion and analysis of Texas State Affordable Housing Corporation's (the "Corporation") financial performance provides an overview of the Corporation's financial activities for the fiscal year ended August 31, 2018. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

## FINANCIAL HIGHLIGHTS

- The Corporation's total assets were \$76.1 million; of this amount \$33.9 million represent assets associated with the single family bond program, \$23 million represents unrestricted cash equivalents and investments and \$9.4 million represents real estate held under the Neighborhood Stabilization Program ("NSP"), the Affordable Communities of Texas ("ACT") Program, and the Rental Program. Total assets decreased approximately \$11.2 million during 2018 primarily due to the reduction in single family bond activity.
- The Corporation's liabilities totaled \$37.1 million of which \$31.6 million related to the single family bond program, \$2.5 million consisted of notes payable and \$2.1 million represented NSP funds owed to the Texas Department of Housing and Community Affairs. Total liabilities decreased approximately \$19.6 million in 2018 resulting primarily from the repayment of the Corporation's single family bond debt.
- At the close of the fiscal year ending August 31, 2018 the Corporation's assets exceeded its liabilities by \$38.8 million. Of this amount, \$34.9 million may be used to meet the Corporation's ongoing obligations to the public and creditors and \$1.3 million is invested in capital assets.
- The Corporation's operating revenues for 2018 totaled \$15.7 million and operating revenue exceeded operating expense by approximately \$8.4 million. The major revenue sources were interest and investment income of \$2.2 million, single family program income of \$11.3 million, and other operating revenue of \$0.8 million. Revenue increased in 2018 by approximately \$5.7 million due to an increase in income from Single Family programs. The Corporation follows the provisions of the Governmental Accounting Standards Board ("GASB") Statements No. 31 and 72, which require that certain types of investments be reported at fair value on the balance sheet.
- Operating expenditures for fiscal year 2018 consisted primarily of interest expense on bonds and notes payable of \$1.3 million, salary expense of \$2.6 million, and program & loan administration expense of \$0.9 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Corporation as prescribed by GASB Statement No. 34.

The Corporation operates as a single enterprise fund; therefore the basic financial statements presented are the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. As with all proprietary funds, the financials are presented using the economic resources measurement focus.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Corporation as a whole. These statements include *all* assets and liabilities of the Corporation using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report the Corporation's *net position* and changes in it. Net position is the difference between assets and liabilities and deferred inflows of resources, which is one way to measure the Corporation's financial health, or *financial position*. Over time, *increases or decreases* in the Corporation's net position are one indicator of whether its *financial health* is improving or deteriorating.

The Corporation's activities are accounted for as a special purpose government, or single enterprise fund.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

## THE FINANCIAL STATEMENTS

### Statement of Net Position

	2018	2017	Increase (Decrease)	
			Amount	Percentage
<b>ASSETS:</b>				
Current Assets	\$ 22,160,383	\$ 15,684,055	\$ 6,476,328	41.29%
Noncurrent Assets	53,938,017	71,647,354	(17,709,337)	(24.72%)
Total Assets	76,098,400	87,331,409	(11,233,009)	(12.86%)
<b>LIABILITIES:</b>				
Current Liabilities	4,213,987	10,864,618	(6,650,631)	(61.21%)
Noncurrent Liabilities	32,910,885	45,909,144	(12,998,259)	(28.31%)
Total Liabilities	\$ 37,124,872	\$ 56,773,762	\$ (19,648,890)	(34.61%)
<b>DEFERRED INFLOWS OF RESOURCES-</b>				
Deferred Revenue	\$ 190,570	\$ 202,623	\$ (12,053)	(5.95%)
<b>NET POSITION:</b>				
Invested in Capital Assets	1,250,602	1,281,180	(30,578)	(2.39%)
Restricted for Debt Service	2,267,518	2,879,883	(612,365)	(21.26%)
Restricted for Other Purposes	350,096	10,030	340,066	3,390.49%
Unrestricted	34,914,742	26,183,931	8,730,811	33.34%
Total Net Position	\$ 38,782,958	\$ 30,355,024	\$ 8,427,934	27.76%

Net position increased from \$30.4 million to \$38.8 million in fiscal year 2018. Of total net position, \$1,250,602 is invested in capital assets. Restricted assets totaled \$2,617,614, and the remaining balance of \$34,914,742 is unrestricted and available for corporate programs, payment of obligations, and fulfillment of the Corporation's public purpose.

The Corporation's total assets decreased from \$87.3 million to \$76.1 million during fiscal year 2018. The largest single factor contributing to this decrease was the reduction in the Corporation's bond activity.

As of August 31, 2018, the Corporation's current assets totaled \$22.2 million and current liabilities equaled \$4.2 million resulting in available net working capital of \$18 million.

Noncurrent assets consist of restricted investments held by the bond trustee of \$32,324,032; owned real estate totaling \$9,370,707; noncurrent investments of \$6,870,955; notes receivable of \$3,393,970; the Corporation's loan portfolio equaling \$495,437; and purchased mortgage servicing rights totaling \$232,314. The Corporation's capital assets consist of furniture and fixtures, land, and a building used in operations totaling \$1,250,602, net of accumulated depreciation.

Noncurrent liabilities consisted of bonds payable totaling \$30,342,627; notes payable of \$2,435,163; and unearned revenue of \$133,095.

## Statement Revenues, Expenses and Changes in Net Position

	2018	2017	Increase (Decrease)	
			Amount	Percentage
<b>REVENUES:</b>				
Interest and Investment Income	\$ 2,208,291	\$ 3,140,885	\$ (932,594)	(29.69%)
Net Increase (Decrease) in Fair Value of Investment	(279,811)	325,112	(604,923)	(186.07%)
Single Family Income	11,335,028	4,919,971	6,415,057	130.39%
Land Bank Income	244,571	218,720	25,851	11.82%
Public Support	725,570	262,205	463,365	176.72%
Other	1,477,277	1,128,906	348,371	30.86%
<b>Total Income</b>	<b>\$ 15,710,926</b>	<b>\$ 9,995,799</b>	<b>\$ 5,715,127</b>	<b>57.18%</b>
<b>EXPENSES:</b>				
Interest Expense on Bonds & Notes Payable	1,265,746	2,415,809	(1,150,063)	(47.61%)
Salaries, Wages & Payroll Related Costs	2,612,993	2,479,801	133,192	5.37%
Program and Loan Administration	908,483	788,631	119,852	15.20%
Foundations Fund/ Rebuild Texas Grants	568,000	302,500	265,500	87.77%
Other	1,927,770	1,693,614	234,156	13.83%
<b>Total Expenses</b>	<b>\$ 7,282,992</b>	<b>\$ 7,680,355</b>	<b>(397,363)</b>	<b>(5.17%)</b>
Operating Gain	8,427,934	2,315,444	6,112,490	263.99%
Beginning Net Position	30,355,024	28,039,580	2,315,444	8.26%
Ending Net Position	\$ 38,782,958	\$ 30,355,024	\$ 8,427,934	27.76%

Interest and investment income decreased \$0.9 million from the previous year. This resulted primarily from the decrease in single family bond activity. No new single family bonds were issued during fiscal year 2018. All of the existing bond programs, however, continued to pay down resulting in decreased cash and mortgage-backed security balances and a corresponding decrease in interest income.

The Corporation experienced an increase in revenue during fiscal year 2018 compared to fiscal year 2017 resulting from an increase in single family income. Single family income increased approximately \$6.4 million from 2017 due to a change in the Corporation's downpayment assistance program. The Corporation's investments consist primarily of mortgage-backed securities. The increases and decreases associated with mortgage-backed securities represent unrealized gains and losses and are required to be recorded in compliance with the provisions of GASB Statements No. 31 and 72.

Land Bank income increased approximately \$26,000 from the previous year resulting primarily from an increase in activity related to the ACT Program. Public Support increased approximately \$463,000 from the previous fiscal year. This was due to donations received in relation to the Rebuild Texas grant program.

Interest expense on bonds and notes payable decreased \$1.2 million from the previous year. This is a direct result of the decrease in single family bond activity.

Other expenses are comprised of professional fees, amortization, office and equipment rental and maintenance, travel, depreciation and grant expenditures.

## **BUSINESS TYPE ACTIVITIES**

For the purposes of financial reporting, the Corporation is a special purpose government operating as a single enterprise fund. All activities of the Corporation are categorized as business type activities and are accounted for in the financial statements.

## **BUDGETARY HIGHLIGHTS**

The Corporation is not required to adopt a legal budget and has not done so, therefore, no budgetary highlights or comparison are required.

## **RELEVANT DECISIONS AND ECONOMIC FACTORS**

Public Purpose - The Corporation is organized, operated and administered exclusively for the promotion of social welfare, and is a section 115 and 501(c)(3) nonprofit corporation under the Internal Revenue Code of 1986, as amended. The Corporation's mission is to serve the housing needs of moderate and lower income Texans who are not afforded housing finance options through conventional lending channels.

## LEGISLATIVE REPORTING REQUIREMENTS

The number and amount of private grants, donations, or other funds applied for and received by the Corporation during fiscal year 2018, as well as the use of these funds, were as follows:

<u>FY 2018 Grant Applications Submitted</u>	<u>Status</u>	<u>Amount Requested</u>	<u>Amount Received</u>	<u>Program/Activity</u>
Insperty	Received	\$ 5,000	\$ 5,000	Housing Connection Program
Frost Bank	Received	\$ 5,000	\$ 5,000	Housing Connection Program
Bank of America	Received	\$ 30,000	\$ 3,200	Housing Connection Program
JP Morgan Chase	Received	\$ 10,000	\$ 10,000	Housing Connection Program
Rebuild Texas Fund	Received	\$ 500,000	\$ 500,000	HEART Disaster Recovery Grant Program
Meadows Foundation	Received	\$ 100,000	\$ 100,000	HEART Disaster Recovery Grant Program
Texas Capital Bank	Received	\$ 7,500	\$ 7,500	Texas Housing Impact Fund

The number, amount, and purpose of loans provided to affordable housing developers during fiscal year 2018 were as follows:

- Loan in the amount of \$374,325 was provided to a non-profit developer for the purpose of financing interim construction on single family homes.
- Loan in the amount of \$315,216 was provided to a non-profit developer for the purpose of financing interim construction on single family homes.

The amount and source of funds deposited into a fund created by the Corporation for the purpose of providing grants and the number, amount and purpose of any grants provided during fiscal year 2018 were as follows:

- \$318,000 was set aside in the Texas Foundations Fund for the purpose of making grants to nonprofit organizations and rural government entities for the costs associated with the construction, rehabilitation, and/or critical repair of single family homes, as well as, the provision of supportive housing services within multifamily housing. During the year, twenty-nine (29) such grants were made in the aggregate amount of \$318,000.
- \$100,000 was set aside for the HEART (Housing and Economic Assistance to Rebuild Texas) Program for the purpose of providing funding to organizations that are helping with the Hurricane Harvey relief effort. During the fiscal year, these funds were not yet used.

The total amount of revenue earned by the Corporation in excess of its expenditures equaled \$8,427,934 for fiscal year 2018.

## **CONTINUANCE SUBJECT TO REVIEW**

Under the Texas Sunset Act, the Corporation will be abolished effective September 1, 2023 unless continued in existence as provided by the Act.

## **CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, investors, and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Texas State Affordable Housing Corporation at 2200 E. Martin Luther King Jr. Blvd., Austin, Texas 78702, phone 512-477-3555.

**BASIC  
FINANCIAL STATEMENTS**

# TEXAS STATE AFFORDABLE HOUSING CORPORATION

## STATEMENT OF NET POSITION AS OF AUGUST 31, 2018

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### ASSETS

#### Current Assets

Cash and Cash Equivalents	\$ 6,116,500
Restricted Assets Held by Bond Trustee:	
Cash and Cash Equivalents	1,498,988
Accrued Interest	45,472
Custodial Cash and Cash Equivalents	126,751
Investments, at Fair Value	10,033,836
Accounts Receivable and Accrued Revenue	1,513,193
Accrued Interest Receivable	188,581
Loans Receivable, Current Portion	69,698
Notes Receivable, Current Portion	2,453,611
Prepaid Expenses	113,753
	<hr/>
Total Current Assets	22,160,383

#### Noncurrent Assets

Loans Receivable, Net of Uncollectible Amounts of \$4,834	495,437
Notes Receivable, Net of Allowance for Loan Loss of \$500,000	3,393,970
Investments, at Fair Value	6,870,955
Mortgage Servicing Rights, Net of Accumulated Amortization of \$2,495,747	232,314
Capital Assets, Net of Accumulated Depreciation of \$778,696	1,250,602
Owned Real Estate, Net of Accumulated Depreciation of \$535,127	9,370,707
Restricted Investments Held by Bond Trustee, at Fair Value	32,324,032
	<hr/>
Total Noncurrent Assets	53,938,017

### TOTAL ASSETS

\$ 76,098,400

*(continued)*

The notes to the financial statements are an integral part of this statement.

# TEXAS STATE AFFORDABLE HOUSING CORPORATION

## STATEMENT OF NET POSITION (Continued) AS OF AUGUST 31, 2018

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### LIABILITIES

#### Current Liabilities

Accounts Payable and Accrued Expenses	\$	409,582
Notes Payable, Current Portion		52,862
Custodial Reserve Funds		126,751
Due to Federal Programs		2,137,491
Other Current Liabilities		228,954
Payable from Restricted Assets Held by Bond Trustee:		
Revenue Bonds Payable, Current Portion		750,000
Accrued Interest on Revenue Bonds		508,347
		<hr/>
Total Current Liabilities		4,213,987

#### Noncurrent Liabilities

Notes Payable		2,435,163
Revenue Bonds Payable		30,342,627
Unearned Revenue		133,095
		<hr/>
Total Noncurrent Liabilities		32,910,885
		<hr/>
Total Liabilities		37,124,872

### DEFERRED INFLOWS OF RESOURCES

Deferred Revenue		<hr/> 190,570
		<hr/>
Total Deferred Inflows of Resources		190,570

### NET POSITION

Invested in Capital Assets		1,250,602
Restricted for:		
Debt Service		2,267,518
Other Purposes		350,096
Unrestricted		<hr/> 34,914,742
		<hr/>
Total Net Position	\$	38,782,958

The notes to the financial statements are an integral part of this statement.

# TEXAS STATE AFFORDABLE HOUSING CORPORATION

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED AUGUST 31, 2018

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Operating Revenues	
Interest and Investment Income	\$ 2,208,291
Net Increase (Decrease) in Fair Value of Investments	(279,811)
Single Family Income	11,335,028
Asset Oversight and Compliance Fees	236,431
Loan Servicing Fees	103,785
Multifamily Income	303,669
Land Bank Income	244,571
Public Support:	
Federal and State Grants	82,504
Contributions	643,066
Other Operating Revenue	833,392
	<hr/>
Total Operating Revenues	\$ 15,710,926
	<hr/>
Operating Expenses	
Interest Expense on Bonds and Notes Payable	\$ 1,265,746
Salaries, Wages and Payroll Related Costs	2,612,993
Professional Fees and Services	498,714
Amortization	227,001
Office and Equipment Rental and Maintenance	101,878
Travel and Meals	101,962
Depreciation	247,695
Program and Loan Administration	908,483
Grant Expenditures	127,879
Texas Foundation and Rebuild Texas Fund Grants	568,000
Other Operating Expenses	622,641
	<hr/>
Total Operating Expenses	\$ 7,282,992
	<hr/>
Net Income	8,427,934
Total Net Position, Beginning	30,355,024
	<hr/>
<b>Total Net Position, Ending</b>	<b>\$ 38,782,958</b>
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

# TEXAS STATE AFFORDABLE HOUSING CORPORATION

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AUGUST 31, 2018

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Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 22,808,005
Payments to Employees	(1,986,061)
Payments of Benefits and Other Payroll Related Costs	(626,933)
Payments to Suppliers of Goods and Services	<u>(4,039,344)</u>
Net Cash Provided By Operating Activities	<u>16,155,667</u>
Cash Flows from Non-Capital Financing Activities	
Payments of Principal on Notes Payable	2,500,000
Proceeds from Notes Payable	(5,600,308)
Payments of Principal related to Bond Maturities and Calls	<u>(14,390,000)</u>
Net Cash Used For Non-Capital Financing Activities	<u>(17,490,308)</u>
Cash Flows from Capital and Related Financing Activities	
Payments for Additions to Capital Assets	(46,487)
Purchase and Rehabilitation of Single Family Homes	(107,451)
Proceeds from Sale of Single Family Homes Under ACT Program	392,403
Rehabilitation of Multifamily Rental Property	(25,400)
Rehabilitation of Office Building	<u>(25,000)</u>
Net Cash Provided By Capital and Related Financing Activities	<u>188,065</u>
Cash Flows from Investing Activities	
Proceeds from Sale and Maturities of Investments Held by Bond Trustee	16,250,939
Proceeds from Sale of Unrestricted Investments	5,236,132
Purchase of Unrestricted Investments	<u>(16,067,723)</u>
Net Cash Provided By Investing Activities	<u>5,419,348</u>
Net Increase in Cash and Cash Equivalents	4,272,772
Cash and Cash Equivalents at Beginning of Year	<u>3,469,467</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,742,239</u>

(continued)

The notes to the financial statements are an integral part of this statement.

# TEXAS STATE AFFORDABLE HOUSING CORPORATION

## STATEMENT OF CASH FLOWS (Continued) FOR THE YEAR ENDED AUGUST 31, 2018

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### Reconciliation of Operating Income to Net Cash Provided By Operating Activities

Net Income from Operations	\$ 8,427,934
Adjustments To Reconcile to Net Cash Provided By Operations:	
Depreciation and Amortization Expense	474,696
Unrealized Loss on Investments	1,843,693
Loss on Redemption of Bonds	1,187,842
Recognition of Premium due to Bond Redemption	(1,938,213)
Securities Received from Bond Redemptions	(2,309,286)
Gain on Sale of Rental Program and ACT Property	(218,322)
Loss on Sale of Donated Property	58,229
Loss on Disposal of Assets	226,426
In-kind Grants	(2,584)
Amortization of Down Payment Assistance	6,494
Amortization of Bond Premium	(27,832)
Provision for Estimated Losses	(21,486)
Changes in Current Assets and Liabilities:	
Decrease in Accounts Receivable and Accrued Revenue	93,208
Decrease in Downpayment Assistance Receivable	7,908,071
Increase in Accrued Interest Receivable	(70,456)
Decrease in Loans Receivable	47,609
Decrease in Notes Receivable	464,710
Increase in Prepaid Expenses	(11,277)
Increase in Down Payment Assistance Loans	30,951
Increase in Accounts Payable and Accrued Expenses	(152,694)
Increase in Deferred and Unearned Revenue and Other Liabilities	137,954
Net Cash Provided By Operating Activities	<u>\$ 16,155,667</u>

### SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS

Debt Forgiven - Affordable Communities of Texas Veterans' Program	<u>\$ 187,162</u>
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The notes to the financial statements are an integral part of this statement.

**NOTES TO THE  
FINANCIAL STATEMENTS**

# TEXAS STATE AFFORDABLE HOUSING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2018

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### 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Activities

**Reporting Entity** - Texas State Affordable Housing Corporation (the "Corporation") was incorporated on May 6, 1994 under the Texas Non-Profit Corporation Act, Article 1396.1.01 et seq., Vernon's Annotated Texas Civil Statutes as amended, and is legally separate from the State of Texas and does not receive State appropriated funding. Under Government Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, the Corporation is a special purpose government and a component unit of the State of Texas for financial reporting purposes. In addition, there are no component units included within the reporting entity of the Corporation.

The Governing Board consists of five directors, all of which are appointed by the Governor of the State of Texas. The public purpose of the Corporation is to perform such activities and services that the Corporation's Board of Directors determines will promote public health, safety, and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income, and to perform activities and services related to this purpose and for other purposes as set forth in Chapter 2306, Subchapter Y, of the Government Code, as amended.

The Corporation is organized, operated and administered as a non-profit organization in accordance with Section 501(c)(3) of the Internal Revenue Code.

**Dissolution of Entity** - The Corporation is subject to Chapter 325 of the *Texas Government Code* (the "Texas Sunset Act"). Unless continued in existence as provided by the Texas Sunset Act, the Corporation will be abolished effective September 1, 2023.

Upon dissolution of the Corporation, title to or other interest in real or personal property or rights thereto owned by the Corporation shall be transferred pursuant to Chapter 2306, Subchapter Y of the Government Code.

**Basis of Presentation** - The accompanying financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles as prescribed by GASB. The Corporation presents its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. For financial reporting purposes, the Corporation is considered a special purpose government.

## **Corporate Lines of Business**

### ***Servicing Operations***

Servicing Operations account for the Corporation's activities as Master Servicer for the Texas Department of Housing and Community Affairs' (the "Department" or "TDHCA") single-family mortgage revenue bond program issues 52, 53, and 54, and servicer of the Corporation's own portfolio of single and multifamily loans. The Corporation subcontracts the servicing related to the Department's single-family mortgage revenue bond programs.

### ***Asset Oversight and Compliance***

Asset Oversight and Compliance - These operations are used to account for asset oversight and compliance monitoring activities performed by the Corporation for multifamily bond properties for which the Corporation acted as conduit issuer.

### ***Single Family Programs***

**Single Family Bond Program** - Through the Single Family Bond Program (the "SFB Program"), the Corporation provides below market 30-year fixed rate mortgage loans to eligible first-time homebuyers through the issuance of tax exempt single family mortgage revenue bonds. The Corporation's SFB Programs provide down payment and closing cost assistance to the borrower in the form of a grant in an amount up to 5% of the loan amount.

The Corporation also offers a single family Mortgage Credit Certificate Program (the "MCC Program"). Under the MCC Program, qualified homebuyers are eligible to take a portion of the annual interest paid on their mortgage as a special tax credit, up to \$2,000, each year that they occupy the home as their principal residence.

**Single Family TBA Program** - Under the TBA Program, the Corporation finances first-lien mortgage loans to enable qualified borrowers to purchase single family residences in the State of Texas. The TBA program is a non-bond financing program which utilizes the conventional loan market through a third-party provider (the "TBA provider"). The TBA provider agrees to purchase mortgage loans (which have been pooled and securitized into mortgage-backed securities) from the Corporation for a period of approximately 90 to 120 days, at a specified price based on the interest rate of the mortgage loan. The TBA provider provides pricing each day based on market fluctuations in interest rates. The program is referred to as TBA (to be announced) because the specific mortgage-backed security to be delivered is not known at the time the trade is initially made but is "to be announced" at a later date before the trade is settled.

**Affordable Communities of Texas** - Using its statutory authority to own property tax-free, the Corporation has created the Affordable Communities of Texas Program (the "ACT Program") which is the first statewide land bank and land trust program in Texas. The land bank provides for the acquisition and temporary holding (up to ten years) of land or buildings for the purpose of redeveloping the properties for affordable housing. The land trust provides for the acquisition and long-term holding of land or buildings for the purpose of redevelopment for affordable housing. A property held by the land bank will be owned in perpetuity by the Corporation and leased for residential housing that benefits low-income households. The ACT Program is financed by the Corporation utilizing federal and private funding along with property donations from financial institutions.

**Texas Housing Impact Fund** - The Texas Housing Impact Fund (“THIF”) provides financing for the acquisition, construction and redevelopment of single family homes for low-income families in rural communities and high need areas. See Note 4.

**Rental Program** - The Corporation’s Single Family Rental Program (the “SFR Program”) provides affordable, below-market rental homes in high opportunity neighborhoods in the Austin Metropolitan Statistical Area (the “MSA”) to eligible low income families. The Corporation’s Multifamily Rental Program (“the “MFR Program”) consists of a 15 unit apartment complex, Rollins Martin Apartments in Austin, TX. Additionally, the Corporation owns an office building, which it leases to other 501(c)(3) nonprofits.

### ***Multifamily Programs***

**Multifamily 501(c)(3) Bond Program** - The Corporation acts as a conduit issuer of multifamily mortgage revenue bonds for qualified 501(c)(3) owners of multifamily housing developments. Each multifamily property owner must agree to restrict a certain number of the units so that they are affordable in their market place. Additionally, each property must provide significant resident and/or community services with excess revenues.

**Multifamily Private Activity Bond Program** - Under the Multifamily Private Activity Bond Program (the “MPAB Program”), the Corporation administers 10 percent of the State’s volume cap allocation of private activity bonds for multifamily residential rental housing each year. For the 2018 program year, the amount available for issuance was approximately \$65 million. The Corporation’s MPAB Program provides financing for new construction, or acquisition and rehabilitation of existing multifamily rental properties. The Corporation is required by statute to target areas, such as cities and counties, and to issue requests for proposals to developers to provide the type of housing requested by the target area. In exchange for receiving the lower tax-exempt revenue bond interest rate, multifamily complexes financed through the MPAB Program must provide a minimum number of affordable units.

**Multifamily Direct Lending** - The Multifamily Direct Lending Program (the “MDL Program”) provides financing for the purpose of increasing and preserving the stock of affordable multifamily housing units provided in Texas. Lending efforts are targeted to all reputable entities engaged in affordable housing development that focus on rural Texas and small cities, as well as other underserved and difficult to develop areas. See Note 4.

### **Significant Accounting Policies**

**Basis of Accounting** - The Corporation prepares its financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of the timing of the related cash flows. GASB Statement No. 62, which was adopted in 2013, codifies all Financial Accounting Standards Board (“FASB”) and AICPA pronouncements issued before November 30, 1989 that do not conflict with GASB pronouncements. As a result, the Corporation no longer has to consider pre-1989 FASB or AICPA pronouncements nor will it be permitted to apply “new” FASB pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents** - For the purpose of reporting cash flows, cash and cash equivalents consist of cash and short-term investments with a maturity at the date of purchase of three months or less, which are highly liquid, and can be readily exchanged for cash at amounts equal to their stated value.

**Investments** - The Corporation's investment policies and types of investments are governed by Section 2256 of the Texas Government Code (the "Public Funds Investment Act"). The Corporation's management believes that it complied with the requirements of the Public Funds Investment Act and the Corporation's investment policy. The Corporation follows the provisions of GASB Statement No. 31 and 72, which requires certain types of investments to be reported at fair value on the statement of net position. The Corporation utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. The fair value of the Corporation's mortgage backed securities has been estimated by each bond issues' trustee using a pricing service.

In accordance with GASB Statement No. 31 and 72, changes in the fair value of investments are reported in the statement of revenues, expenses and changes in net position as a net increase or decrease in the fair value of investments.

**Loans Receivable** - Mortgage loans originated by the Corporation are carried at the unpaid principal balance outstanding, net of allowances for possible loan losses.

Mortgage loans purchased by the Corporation are carried at the amortized cost of loans acquired, net of allowances for possible loan losses.

**Notes Receivable** - Notes receivable is comprised of loans made under the MDL Program, the MPAB Program and the Single Family Interim Construction and Acquisition Program. Notes are carried at the unpaid principal balance outstanding.

**Allowance for Possible Losses** - Losses are charged to the allowance for possible loan losses when the loss actually occurs or when a determination is made that a loss is likely to occur. During the year, management estimates the level of future losses to determine whether the allowance is adequate to absorb anticipated losses in the existing mortgage loans. Based on these estimates, a provision for possible losses on loans is credited to the allowance in order to adjust the allowance to levels estimated to be adequate to absorb reasonably foreseeable losses.

While management uses available information to recognize losses in the loan portfolio, future adjustments may be necessary due to changes in economic conditions. However, it is the judgment of management that the allowances are currently adequate to absorb reasonably foreseeable losses in the existing portfolios.

**Amortization of Bond Premium** - As of August 31, 2018 the premium related to the SFB Programs totaled approximately \$345,000 with accumulated amortization of \$182,000. Due to the redemption of outstanding bonds, approximately \$1,966,000 in bond premium was recognized throughout the year.

**Deferred Outflows and Deferred Inflows of Resources** - The Corporation complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the Corporation's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the Corporation's acquisition of net position applicable to a future reporting period.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 9 for additional information on deferred inflows of resources.

**Fair Value Measurements** - The Corporation complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

**Purchased Mortgage Servicing Rights** - Purchase Mortgage Servicing Rights are recorded at cost and are amortized in relation to the remaining value of the related mortgage balances at the end of each period so that the value of the servicing rights equals the same percentage of the outstanding mortgage balance as when originally purchased. Amortization expense for fiscal year 2018 was approximately \$40,000; accumulated amortization as of August 31, 2018 equaled approximately \$2.5 million.

**Capital Assets** - All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated acquisition value on the date donated. Expenses for betterments that materially extend the useful life of an asset are capitalized at cost. Land owned by the Corporation is not depreciated. Furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets, usually 3 to 5 years. The building is depreciated using the straight-line method over 30 years. The Corporation capitalizes assets with a cost greater than \$1,500 and a useful life of more than one year.

**Compensated Absences** - Employees of the Corporation earn annual leave on a monthly basis. Each employee is entitled to earned but unused annual leave pay up to a maximum 180 hours if employed less than two years, 243 hours if employed less than five years, 329 if employed less than ten years, 444 hours if employed less than 15 years, and 599 if employed more than 15 years as compensation upon termination of employment. The total compensated absences accrued liability as of August 31, 2018 was approximately \$206,000.

**Reserve and Custodial Accounts** - The Corporation holds certain cash reserves totaling approximately \$127,000 as of August 31, 2018 for the benefit of two multifamily projects that are financed by the Corporation.

**Net Position** - When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Donated Property Valuation** - When the Corporation receives donated property, a Broker's Price Opinion (the "BPO") is obtained, which estimates the acquisition value. The BPO typically offers a range of values. The property is booked at the lowest value in the range offered in the BPO.

**Operating and Nonoperating Revenues and Expenses** - Operating revenues and expenses generally result from providing services in connection with the bond programs, lending programs, and federal and other grants. Operating expenses are primarily related to interest expense on bonds and general administrative expenses. The Corporation considers all of its revenues and expenses to be operating revenues and expenses.

**Recently Issued Accounting Pronouncements** - In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended August 31, 2021.

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

### Cash and Cash Equivalents

Cash and cash equivalents at August 31, 2018 consisted of bank deposits totaling \$2,078,542, deposits in the Federal Home Loan Bank totaling \$118,365, and money market accounts totaling \$3,919,593.

Restricted cash and cash equivalents at August 31, 2018 totaled \$1,498,988 and were maintained in money market mutual funds by the bond trustee. The Corporation also maintained two custodial accounts with a combined total of \$126,751 pledged as reserves on two multifamily projects. These funds were maintained in interest bearing demand accounts.

### Investments

GASB Statement 72 regarding Fair Value Measurement and Application for financial reporting purposes categorizes financial instruments within three different levels of risk dependent upon the measure of their fair value and pricing.

Because the investments are restricted by Policy and state law to active secondary market, the market approach is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

The exit or fair market prices used for these fair market valuations of the portfolio are all Level 1 and Level 2 and represent unadjusted quoted prices in active markets for identical assets and liabilities that have been accessed at the measurement date.

As of August 31, 2018 the securities to be priced in the portfolio are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
US Agency Obligations	\$ 11,918,672	\$ -	\$ -	\$ 11,918,672
US Agency MBS	-	4,885,655	-	4,885,655
Total Fair Value	\$ 11,918,672	\$ 4,885,655	\$ -	\$ 16,804,327
Investments not subject to GASB 72				<u>100,464</u>
Total Unrestricted Investments				<u>\$ 16,904,791</u>

The Corporation's unrestricted investments consisted of the following at August 31, 2018:

<u>Description/Maturity</u>	<u>Interest Rate</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Certificate of Deposit - 5/4/19	0.250%	\$ 100,464	\$ 100,464	\$ -
Federal Agency Coupon Securities - 8/23/19*	1.300%	1,000,000	988,285	(11,715)
Federal Agency Coupon Securities - 3/21/19	2.125%	1,999,677	1,998,014	(1,663)
Federal Agency Coupon Securities - 6/28/19	1.100%	1,000,000	989,383	(10,617)
Federal Agency Coupon Securities - 8/28/19	1.300%	2,470,800	2,471,440	640
Treasury Coupon Securities - 1/31/19	1.250%	498,611	497,989	(622)
Treasury Coupon Securities - 2/28/19	1.500%	2,492,901	2,490,625	(2,276)
Treasury Coupon Securities - 4/30/19	1.625%	<u>497,938</u>	<u>497,636</u>	<u>(302)</u>
Total Short Term Investments		10,060,391	10,033,836	(26,555)
Pass through securities GNMA - 10/20/2034	5.990%	4,122	4,555	433
Pass through securities GNMA - 2036-2038*	5.49 - 6.10%	2,181,481	2,337,663	156,182
Pass through securities FNMA - 2035-2037*	5.49 - 5.75%	793,627	812,707	19,080
Pass through securities FHLMC - 2036-2038*	5.49 - 6.11%	1,610,199	1,730,730	120,531
Federal Agency Coupon Securities - 1/23/20	2.090%	<u>1,985,972</u>	<u>1,985,300</u>	<u>(672)</u>
Total Long Term Investments		<u>\$ 6,575,401</u>	<u>\$ 6,870,955</u>	<u>\$ 295,554</u>
Total Investments		<u>\$ 16,635,792</u>	<u>\$ 16,904,791</u>	<u>\$ 268,999</u>

\*Pledged as collateral against cash advances from the Federal Home Loan Bank of Dallas.  
See Note 10.

Because the investments are restricted by Policy and state law to active secondary market, the market approach is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

Mortgage-backed securities are valued using Level 2 inputs that are based on market data obtained from independent sources. The investments are reported by the Corporation at fair value in accordance with GASB Statement No. 72.

The Corporation's restricted investments held by bond trustee consisted of the following at August 31, 2018:

<u>Description/Maturity</u>	<u>Interest Rate</u>	<u>Cost</u>	<u>Fair Market Value</u>	<u>Unrealized Gain/(Loss)</u>
GNMA/FNMA Investments - 2040/2042	3.5-4.75%	<u>31,545,607</u>	<u>32,324,032</u>	<u>778,425</u>
Total Restricted Investments		<u>\$ 31,545,607</u>	<u>\$ 32,324,032</u>	<u>\$ 778,425</u>

Interest income on investments held by the bond trustee includes the following amounts:

Single Family Mortgage Revenue Bonds Series 2007B, D	\$ 63,545
Single Family Mortgage Revenue Bonds Series 2009A, B/2011A, B/2013A	<u>1,453,416</u>
	<u>\$ 1,516,961</u>

Compared to the prior fiscal year, the fair value of investments held by the bond trustee as of August 31, 2018 has decreased by approximately \$16.2 million. The Corporation follows GASB Statement No. 31 and 72, whereby investments are required to be reported at fair value at the statement of net position date rather than at cost, except for money-market investments and participating interest-earning investment contracts and certain external investment pools, which may be reported at fair value or at amortized cost, provided that the fair value of these investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. In addition, GASB Statement No. 31 also affects the way in which unrealized gains and losses are recognized for financial reporting purposes.

The Corporation holds approximately \$32.3 million (valued under GASB Statement No. 72 at fair value) in mortgage backed securities issued by Ginnie Mae ("GNMA"), Fannie Mae ("FNMA") and Freddie Mac ("FMCC") through the Corporation's SFB Programs. These securities have a face value of approximately \$31.5 million and unrealized gain of approximately \$0.78 million as of August 31, 2018. The Corporation is susceptible to risk that the market for such mortgage backed securities could decline, which would eventually result in a loss of value for the investments held. Further, it is likely that the Corporation will only collect the face value of the mortgage backed securities as the mortgages are repaid in the future.

### **Credit Risk**

The primary stated objective of the Corporation's adopted "Investment Policy" is the safety of principal and avoidance of principal loss. Credit risk within the Corporation's portfolio, among the authorized investments approved by the Corporation's adopted Investment Policy, is represented only in time and demand deposits, repurchase agreements, commercial paper, municipal obligations and non-rated SEC registered money market mutual funds. In 2017, the Corporation received surplus funds from a bond buy-back and established a separate portfolio ("Surplus Funds") with the same authorized investments but a longer maximum maturity of ten (10) years for CMO and thirty (30) years for mortgage-backed securities.

State law and the Corporation's adopted Investment Policy restricts both time and demand deposits, including certificates of deposit ("CD"), to those banks doing business in the State of Texas and further requires full insurance and/or collateralization from these depositories (banks and savings banks). Certificates of deposit are limited to a stated maturity of one year. Brokered CD's must be FDIC insured and delivered versus payment to the Corporation's depository with a further restriction on maximum maturity to one year. The FDIC insurance must be verified before purchase. On all time and demand deposits collateral at a 102% margin is required and collateral is limited to obligations of the US Government, its agencies or instrumentalities. Independent safekeeping for collateral is required outside the pledging bank's holding company with monthly reporting. Securities are priced at market on a daily basis as a contractual responsibility of the bank.

In accordance with the adopted policy and state law, repurchase agreements are limited to those with defined termination dates and executed with a primary dealer (as defined by the Federal Reserve). The agreements require an industry standard, written master repurchase agreement and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed 90 days to stated maturity. Reverse repurchase agreements may not exceed 90 days after the term of the reverse and funds may be used only to acquire authorized investments matched to the reverse.

State law and the adopted Investment Policy require that municipal obligations have a maximum stated maturity of 3 years or less and be rated at least A or its equivalent by at least two nationally recognized rating agencies.

State law and the adopted Investment Policy require that commercial paper have a maximum stated maturity of 90 days or less and be rated A1/P1 or its equivalent by at least two nationally recognized rating agencies.

The adopted Investment Policy restricts money market mutual fund investment to SEC registered money market mutual funds striving to maintain a \$1 net asset value and with a WAM of 90 days as further defined by state law. Neither the state law nor the Investment Policy requires a rating on money market funds.

Local government investment pools in Texas are required to be rated AAA, or equivalent, by at least one nationally recognized rating agency. The adopted Investment Policy further restricts investments to AAA-rated, "2a-7 like" (constant dollar) local government investment pools.

As of August 31, 2018 holdings in the General Portfolio included:

- collateralized or insured certificates of deposit represented 0.55 % of the General Portfolio,
- investment in a FHLB money market mutual fund represented 0.65% of the General Portfolio,
- funds invested in fully insured or collateralized bank accounts represented 11.75% of the General Portfolio,
- holdings in a AAA-rated local government pool represented 21.32% of the General portfolio,
- holdings in US Government agency securities represented 65.70% of the General Portfolio, and
- one mortgage backed US GNMA security represented 0.03% of the General Portfolio

As of August 31, 2018 holdings in the Surplus Funds Portfolio included:

- GNMA pass-through mortgage securities represented 47.89% of the Surplus portfolio,
- FNMA pass-through mortgage securities represented 16.65% of the Surplus portfolio, and
- FHLMC pass-through mortgage securities represented 35.46% of the Surplus portfolio.

### **Concentration of Credit Risk**

The Corporation recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The Corporation's adopted Investment Policy establishes diversification as a major objective of the investment program. The Investment Policy requires that no issuer or institution represent more than 50 % of the total portfolio with the exception of US Treasuries. Further diversification requirements established by the Investment Policy are:

	<u>Max % of Portfolio</u>
US Obligations	80%
Obligations of US Agencies	80%
Certificates of Deposit	60%
Certificates of Deposit By Institution	15%
Repurchase Agreements	30%
Money Market Mutual Funds	25%
Commercial Paper	30%
Commercial Paper By Issuer	10%
Local Government Stable Net Asset Value Pools	75%
Banking Accounts	80%

## **Interest Rate Risk**

In order to limit interest and market rate risk from changes in interest rates, the Corporation's adopted Investment Policy sets a maximum stated maturity for US obligations of 3 years in the General Portfolio. The Investment Policy sets a maximum weighted average maturity of one (1) year.

Surplus bond funds have a maximum maturity limitation of ten (10) years for CMO and thirty (30) years for government obligations and mortgage-backed securities.

In the total portfolio certificates of deposit are restricted to a maturity of one (1) year and commercial paper 90 days. On 2/17/11, the Corporation received \$22,957 in a GNMA participation certificate # 586163 as payment of an obligation due from the Federal National Mortgage Association. The stated maturity is 10/20/2034. State law does not require securities obtained in this manner to be liquidated and keeping the security until maturity is permitted.

As of August 31, 2018, the general portfolio, excluding the one GNMA, held no security with a stated maturity date beyond 509 days. With the inclusion of the one GNMA the dollar weighted average maturity of the total general portfolio was 201 days.

The Surplus Funds portfolio had a dollar weighted average maturity of 6,943 days and the longest security was 7,354 days.

As of August 31, 2018, the General Portfolio contained four (4) US agency structured notes (quarterly callables) which might be affected by interest rate risk with a fair market value of \$6,434,408.

As of August 31, 2018, the Surplus Portfolio contained MBS which might be affected by interest rate risk.

## **Custodial Credit Risk**

To control custody and safekeeping risk state law and the Corporation's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the Corporation and held in the Corporation's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under the terms of Financial Institutions Reform, Recovery, and Enforcement Act. The counter-party of each type of transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

The Corporation's portfolio disclosure as of August 31, 2018:

- the general portfolio contained 0.55% in fully insured or collateralized certificates of deposit
- the portfolio contained no repurchase agreements
- all bank demand deposits were fully insured and collateralized
- all pledged bank collateral for demand deposits was held by an independent institution outside the bank's holding company

### 3. LOANS RECEIVABLE

Loans receivable are carried at the unpaid principal balance, net of loss allowances. A summary of loans receivable at August 31, 2018 is as follows:

Loans Receivable at September 1, 2017	\$ 639,667
Additions	-
Paydowns	<u>(69,698)</u>
Loans Receivable at August 31, 2018	569,969
Allowance for possible loan losses	<u>(4,834)</u>
Net Balance at August 31, 2018	<u><u>\$ 565,135</u></u>

The current portion of loans receivable at August 31, 2018 is \$69,698; the remaining balance of \$495,437 is classified as noncurrent loans receivable.

The activity for allowance for possible loan losses for fiscal year 2018 is as follows:

Balance at September 1, 2017	\$ (26,923)
Current Year Reduction	22,089
Loss Applied to the Allowance	<u>-</u>
Balance at August 31, 2018	<u><u>\$ (4,834)</u></u>

The Corporation considers loans receivable to be delinquent when they become more than 60 days past due.

### 4. NOTES RECEIVABLE

Notes receivable were comprised of loans made under the MDL Program, the MPAB Program, the Single Family Direct Lending Program and ACT Veterans Housing Initiative (see Note 12). Under the ACT Veterans Housing Initiative, donated properties are sold to Veterans at 75% of the appraised value and the remaining 25% is carried as notes receivable which are forgiven over 10 years. Notes are carried at the unpaid principal balance outstanding. Included in notes receivable is one note totaling \$1,052,640 which collateralizes an advance from FHLB. See Note 10.

A summary of activity for notes receivable for the year ended August 31, 2018 is as follows:

Balance at September 1, 2017	\$ 6,312,291
Additions	694,605
Collections	(1,022,604)
Accumulated Amortization	<u>(136,711)</u>
Balance at August 31, 2018	<u><u>\$ 5,847,581</u></u>

The current portion of notes receivable at August 31, 2018 is \$2,453,611; the remaining balance of \$3,393,970 is classified as non-current notes receivable. Management considers these loans fully collectible. Accordingly, no provision has been made for uncollectible amounts.

## 5. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2018 consisted of the following:

	Cost or Basis In Property			Balance August 31, 2018
	Balance September 1, 2017	Additions	Deletions	
Land	\$ 232,241	\$ -	\$ -	\$ 232,241
Building	1,301,442	-	-	1,301,442
Furniture & Fixtures	462,042	46,487	12,914	495,615
Total	<u>\$ 1,995,725</u>	<u>\$ 46,487</u>	<u>\$ 12,914</u>	<u>\$ 2,029,298</u>

	Accumulated Depreciation			Balance August 31, 2018
	Balance September 1, 2017	Additions	Deletions	
Building	\$ 319,286	\$ 39,336	\$ -	\$ 358,622
Furniture & Fixtures	395,259	37,729	12,914	420,074
Total	<u>\$ 714,545</u>	<u>\$ 77,065</u>	<u>\$ 12,914</u>	<u>\$ 778,696</u>

Capital assets, less accumulated depreciation, at August 31, 2018 totaled \$1,250,602.

## 6. INCOME TAX STATUS

The Corporation, a non-profit corporation operating under section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal income taxes and, accordingly, no provision for income taxes is included in the financial statements. The Corporation is classified as a non-profit organization other than a private foundation. Tax returns for the past three years are open to examination by the Internal Revenue Service. There are no examinations currently in process. Management believes it has appropriate support for any tax position taken and as such does not have any uncertain tax positions that are required to be reported in these financial statements.

## 7. OPERATING LEASES

The Corporation leases certain office equipment under a three-year lease agreement which calls for monthly lease payments of \$595 and any applicable overages. Lease expense under this agreement was \$7,999.

The future minimum lease payments under the agreement are as follows:

<u>Year Ended August 31,</u>	<u>Amount</u>
2019	\$ 7,140
2020	7,140
2021	<u>2,380</u>
Total Minimum Future Rental Payments	<u>\$ 16,660</u>

The Corporation owns rental property consisting of single family homes, a multifamily apartment complex and an office building.

Based on current agreements the future operating lease income is:

<u>Year Ended August 31,</u>	<u>Amount</u>
2019	\$ 366,249
2020	70,893
2021	66,860
2022	<u>13,660</u>
Total Future Rental Income	<u>\$ 517,662</u>

Total operating lease income for the year ended August 31, 2018 was \$488,870.

## 8. CUSTODIAL RESERVE FUNDS

The Corporation holds certain cash reserves for the benefit of two multifamily projects that were financed by the Corporation through the MDL Program. See Note 4.

Reserve activity for the year ended August 31, 2018 was as follows:

Balance at September 1, 2017	\$ 99,412
Deposits	27,339
Disbursements	<u>-</u>
Balance at August 31, 2018	<u>\$ 126,751</u>

## 9. DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE

In a prior year, the Corporation received \$679,800 from the Department's Housing Trust Fund for the origination of down payment and closing cost assistance loans for households who earn less than 60% of the area median family income. The Corporation established a loan receivable for each loan made with a corresponding offset to deferred revenue. Recognition of the deferred revenue occurs as loans are repaid. Revenue recognized during fiscal year 2018 totaled approximately \$12,053. The remaining deferred revenue for this portfolio was \$190,570 at August 31, 2018.

The prepaid issuer fees from ten multifamily bond portfolios are recognized as income throughout the year. As of August 31, 2018, unearned revenue related to these properties totaled \$133,095.

A summary of deferred inflows of resources and unearned revenue activity for fiscal year 2018 is as follows:

	Deferred Inflows of Resources	Unearned Revenue
Balance at September 1, 2017	\$ 202,623	\$ 121,815
Additions	-	363,185
Revenue Earned	-	(351,905)
Loan Payments Received	(12,053)	-
Balance at August 31, 2018	<u>\$ 190,570</u>	<u>\$ 133,095</u>

## 10. NOTES PAYABLE

As of August 31, 2018 notes payable consisted of:

Note Payable to Federal Home Loan Bank, installment note with equal payments of \$2,568.65 monthly, 6.345% interest, due November 2023, secured by mortgage backed securities.	\$ 300,724
Note Payable to Federal Home Loan Bank, installment note with equal payments of \$4,086.48 monthly, 6.345% interest, due November 2023, secured by mortgage backed securities.	478,436
Note Payable to Federal Home Loan Bank, installment note with equal payments of \$3,538.30 monthly, 2.993% interest, due October 2026, secured by note receivable.	708,865
Note Payable to Texas Community Bank, interest only at 2.00% payable quarterly, due in full May 2020, unsecured.	500,000
Note Payable to Texas Capital Community Development Corporation, interest only at 3.55% payable quarterly, due in full May 2022, unsecured.	<u>500,000</u>
Total Notes Payable	\$ 2,488,025
Current Portion of Notes Payable	<u>52,862</u>
Noncurrent Notes Payable	<u>\$ 2,435,163</u>

The summary of notes payable for the year ended August 31, 2018 is as follows:

Balance at September 1, 2017	\$ 5,588,333
Advances	2,500,000
Repayments	<u>(5,600,308)</u>
Balance at August 31, 2018	<u>\$ 2,488,025</u>

The debt service requirements on notes payable for the next five years and thereafter are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 52,862	\$ 97,213	\$ 150,075
2020	55,562	94,513	150,075
2021	558,415	88,327	646,742
2022	561,431	65,329	626,760
2023	64,620	63,791	128,411
2024 thru 2028	<u>1,195,135</u>	<u>62,100</u>	<u>1,257,235</u>
Total	<u>\$ 2,488,025</u>	<u>\$ 471,273</u>	<u>\$ 2,959,298</u>

## 11. BONDED INDEBTEDNESS

The Corporation had three (3) bond series outstanding as of August 31, 2018. The Corporation issues bonds to assist in financing the purchase of homes by, or the construction of rental housing for, families with low to moderate incomes.

Single Family Mortgage Revenue Bonds do not constitute a general obligation of the Corporation or the State of Texas. Single-family bonds are collateralized and payable solely from revenues and other assets pledged under the trust indentures and held in trust by Wells Fargo Corporate Trust Services, the Bond Trustee. Assets pledged consist primarily of mortgage-backed securities and investments. Interest on bonds is payable semiannually or monthly. There are a number of limitations and restrictions contained in the various single family bond indentures.

The Corporation is in compliance with all significant limitations and restrictions at August 31, 2018.

Description	Interest Rate	Bonds Outstanding 9/1/17	Bonds Issued	Bonds Matured/ Retired	Bonds Refunded/ Extinguished	Bonds Outstanding 8/31/18	Amounts Due Within One Year
Single Family 2007							
Series 2007B	6.10%	3,865,000	-	3,865,000	-	-	-
Series 2007D	6.00%	3,930,000	-	3,930,000	-	-	-
Single Family 2009-2013							
Series 2011A	Variable	6,635,000	-	1,475,000	-	5,160,000	385,000
Series 2009/2011B	Variable	17,555,000	-	2,960,000	-	14,595,000	365,000
Series 2013A	Variable	13,345,000	-	2,160,000	-	11,185,000	-
Total Principal		<u>\$45,330,000</u>	\$ -	<u>\$ 14,390,000</u>	\$ -	<u>\$ 30,940,000</u>	<u>\$ 750,000</u>
Unamortized Premium		<u>2,118,671</u>				<u>152,627</u>	
Total		<u><u>\$47,448,671</u></u>				<u><u>\$ 31,092,627</u></u>	

The current portion of bonds payable at August 31, 2018 was \$750,000. The remaining balance of \$30,342,627 is classified as noncurrent bonds payable.

The principal and interest expense requirements for the next five years and thereafter are summarized below:

Year Ended August 31,	Principal	Interest	Total
2019	\$ 750,000	\$ 1,007,106	\$ 1,757,106
2020	785,000	977,674	1,762,674
2021	795,000	945,631	1,740,631
2022	865,000	911,691	1,776,691
2023	870,000	872,840	1,742,840
2024 thru 2028	5,040,000	3,704,394	8,744,394
2029 thru 2033	6,545,000	2,589,081	9,134,081
2034 thru 2038	8,605,000	1,577,682	10,182,682
2039 thru 2043	6,685,000	356,389	7,041,389
Total	<u><u>\$ 30,940,000</u></u>	<u><u>\$ 12,942,488</u></u>	<u><u>\$ 43,882,488</u></u>

The sources of pledged revenue to pay the principal and interest on the bonds is derived from the principal and interest collected from the GNMA, FHLMC and FNMA mortgage-backed securities as well as reserves set up at the bond closing. For fiscal year 2018, the debt service requirement equaled \$14,390,000 in bond principal and \$1,300,965 in bond interest expense, totaling \$15,690,965. As of August 31, 2018, pledged revenues totaled \$16,920,854.

## **12. ACT VETERANS HOUSING INITIATIVE**

The ACT Veterans Housing Initiative is a pilot initiative funded primarily through the donation of foreclosed homes from banks and other mortgage servicers. The intent of the initiative is to provide low and no-cost housing to U.S. military veterans who are disabled or low-income. The Corporation coordinates the initiative on a statewide basis within Texas using the Affordable Communities of Texas Land Banking program. The Corporation currently has a network of more than twenty locally based non-profit housing providers that manage rehabilitation of the properties and qualification of eligible homebuyers within their local communities.

Properties are made available to qualified veteran households either at a significant discount or as a fully donated home. If discounted, the property is sold for 75% of its post-rehab appraised value with the Corporation placing a deferred forgivable second lien for the remaining 25% of value. If donated, the property is provided at no cost with the Corporation placing a deferred forgivable lien for 100% of the post-rehab appraised value.

## **13. MORTGAGE CREDIT CERTIFICATE PROGRAM**

The MCC Program was created to assist low and moderate income first time homebuyers. Under the MCC Program, the homebuyer is eligible to claim a portion of the annual interest paid on the mortgage as a special tax credit, not to exceed \$2,000, each year for the life of the home loan. The Corporation must convert single family bond cap each year to issue MCCs. During the fiscal year ended August 31, 2018, the MCC Program revenue totaled approximately \$1,175,000 and is included in single family income in the statement of revenues, expenses, and changes in net position.

## **14. NEIGHBORHOOD STABILIZATION PROGRAM**

The Corporation was awarded approximately \$5 million in Neighborhood Stabilization Program (the "NSP") funds in November 2009 by the Department. The NSP's goal is to help stabilize communities hardest hit by foreclosures by working with locally based non-profit and government agencies to acquire and rehabilitate foreclosed homes, vacant land and tax foreclosed properties, which are then inhabited by low-income individuals and families. The funds used to acquire property must be returned to the Department when the property is sold along with any program income.

As of August 31, 2018, the Corporation, through the NSP, owed the Department \$2,137,491. This represents funds used to purchase real property for the purpose of establishing a land bank. As the properties are sold, the funds will be paid back to the Department. The effective due date of this obligation is August 31, 2019.

## **15. TEXAS FOUNDATIONS FUND**

The Texas Foundation Fund program provides grants to non-profit organizations and rural government entities for the costs associated with the construction, rehabilitation, or repair of single family homes, or the provision of supportive housing services within multifamily housing. During the fiscal year ended August 31, 2018, the Corporation, through the Texas Foundation Fund, made grants totaling \$318,000.

## **16. DOWN PAYMENT ASSISTANCE PROGRAM**

Under the various Single Family Home Loan Programs provided by the Corporation, first-time homebuyers are able to apply for a 30 year fixed rate mortgage loan which offers down payment assistance in the form of an interest-free forgivable loan that is to be paid back to the Corporation in the form of a higher interest rate. The 2009-2013 programs offer 3-5% in down payment assistance.

## **17. RELATED PARTY TRANSACTIONS**

The Corporation received federal grant awards passed through the Department for the NSP Program during fiscal year 2018. Receivables and payables related to this grant as of August 31, 2018 totaled \$75,988 and \$2,137,491, respectively. See Note 14.

## **18. EMPLOYEE BENEFITS**

The Corporation offers a defined contribution 403(b) retirement plan to its employees. Under the plan, the Corporation matches dollar for dollar the first three percent (3%) and one half percent (.5%) of the fourth and fifth percent of the employee's annual gross salary contributed to the plan. The maximum employer contribution is 4%. Total employer contributions for the fiscal year ended August 31, 2018 were \$63,002.

## **19. CONDUIT DEBT**

The Corporation is authorized to issue statewide 501(c)(3) tax-exempt multifamily mortgage revenue bonds under the Texas Government Code §2306.555. The 501(c)(3) bond program provides long-term variable or fixed rate financing to non-profit borrowers/developers of new or existing multifamily rental properties in order to generate and/or preserve affordable rental housing. The Corporation may finance single developments or pools of properties located throughout the State of Texas. Borrowers must agree to set aside a prescribed percentage of a property's units for rent to persons and families of low income.

Under the MPAB Program, the Corporation administers 10 percent or approximately \$65 million of the State's volume cap allocation of private activity bonds for multifamily residential rental housing.

The 501(c)(3) and private activity revenue bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Neither the Corporation, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of August 31, 2018, there were fifteen series of multifamily housing revenue bonds outstanding with an aggregate principal amount payable of approximately \$193 million.

## **20. RISK FINANCING AND RELATED ISSUANCE ISSUES**

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. For all such risks, the Corporation has purchased commercial insurance in varying amounts to mitigate the risk of loss.

## **21. SUBSEQUENT EVENTS**

The Corporation has evaluated subsequent events through **December 13, 2018** (the date the financial statements were available for issue), and has determined that the following subsequent event has occurred that require additional disclosure.

### **Purchase of Office Building**

On October 2, 2018, the Corporation purchased an office building for approximately \$2.2 million.

## **22. NON-CASH CONTRIBUTIONS**

During the year ended August 31, 2018, the Corporation did not receive any new donated properties to be utilized in the ACT Housing Initiative. See Note 12. Additionally, Google, Inc. made an in-kind donation of \$2,584 for advertising.

## **23. CONTINUANCE SUBJECT TO REVIEW**

Under the Texas Sunset Act, the Corporation will be abolished effective September 1, 2023 unless continued in existence as provided by the Act.

## 24. SEGMENT INFORMATION

For a description of the Corporation's operations, please see Note 1.

Segment financial information of the Corporation's only proprietary fund type at August 31, 2018 and for the year then ended is as follows:

Summary Financial Information	Amount
Operating Revenue	\$ 15,710,926
Depreciation and Amortization	474,696
Net Income	8,427,934
Net Working Capital*	17,946,396
Total Assets	76,098,400
Total Net Position	38,782,958
Noncurrent Notes Payable	2,435,163
Noncurrent Bonds Payable	30,342,627
Deferred Inflows of Resources	190,570
Unearned Revenue	133,095
Capital Asset Additions	46,487

* Net Working Capital Calculation	Amount
Unrestricted Cash and Cash Equivalents	\$ 6,116,500
Restricted Assets Held by Bond Trustee	1,544,460
Custodial Cash and Cash Equivalents	126,751
Investments, Short-Term	10,033,836
Accounts Receivable and Accrued Revenue, net	1,513,193
Accrued Interest Receivable	188,581
Loans Receivable, Current Portion	69,698
Notes Receivable, Current Portion	2,453,611
Prepaid Expenses	113,753
Payables:	
Accounts Payable and Accrued Expenses	(409,582)
Notes Payable, Current Portion	(52,862)
Custodial Reserve Funds	(126,751)
Due to Federal Programs	(2,137,491)
Other Current Liabilities	(228,954)
Bonds Payable and Accrued Interest on Bonds, Current Portion	(1,258,347)
Total Net Working Capital	<u>\$ 17,946,396</u>

**GOVERNMENT  
AUDITING STANDARDS**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

The Board of Directors of  
Texas State Affordable Housing Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Texas State Affordable Housing Corporation (the "Corporation"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated **December 13, 2018**.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Austin, Texas  
December 13, 2018

**OTHER SUPPLEMENTAL  
INFORMATION**

## TEXAS STATE AFFORDABLE HOUSING CORPORATION

### SCHEDULE OF REVENUES AND EXPENSES BY ACTIVITY FOR THE YEAR ENDED AUGUST 31, 2018

	NSP & NFMC	Single Family	Multi Family	ACT	Asset Management	Other	Total
Income							
Interest and Investment Income	\$ -	\$ 1,923,713	\$ 88,023	\$ -	\$ -	\$ 196,555	\$ 2,208,291
Net Increase (Decrease) in Fair Value of Investments	-	(279,811)	-	-	-	-	(279,811)
Single Family Income	-	11,335,028	-	-	-	-	11,335,028
Federal and State Grants	82,504	-	-	-	-	-	82,504
Other Operating Revenue	50,667	223,805	303,669	244,902	830,544	711,327	2,364,914
<b>Total Income</b>	<b>133,171</b>	<b>13,202,735</b>	<b>391,692</b>	<b>244,902</b>	<b>830,544</b>	<b>907,882</b>	<b>15,710,926</b>
Expenses							
Interest Expense on Bonds and Notes Payable	-	1,176,827	78,919	10,000	-	-	1,265,746
Salaries, Wages and Payroll Related Costs	50,667	994,263	88,491	134,807	423,660	921,105	2,612,993
Grant Expenditures	82,504	45,375	-	-	-	-	127,879
Other Expenditures	-	638,856	58,168	928,084	580,678	1,070,588	3,276,374
<b>Total Expense</b>	<b>133,171</b>	<b>2,855,321</b>	<b>225,578</b>	<b>1,072,891</b>	<b>1,004,338</b>	<b>1,991,693</b>	<b>7,282,992</b>
<b>Net Income</b>							<b>\$ 8,427,934</b>

*This document is a draft for internal review and discussion and is not intended for external distribution.*

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**Ginnie Mae Issuer Identification Number: 3747**

**HUD AUDIT**

**August 31, 2018**

**WITH INDEPENDENT AUDITORS' REPORT**

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**Attachment J****Annual Submission of Financial Documents**

The following information is being sent to maintain eligibility in the HUD Mortgage-Backed Securities (MBS) program.

- A. Issuer name: Texas State Affordable Housing Corporation
- B. Ginnie Mae issuer number: 3747
- C. Auditor's contact person & telephone number: Jimmy Romell 512-370-3245
- D. All Ginnie Mae waivers: Yes \_\_\_\_\_ No \_\_\_\_\_ Effective date or  
N/A
- (if available please provide a copy)
- E. Please list all affiliates' names, addresses, and Ginnie Mae issuer numbers

**Place a checkmark by item(s) submitted**

1.  Annual audited financial statement for period ended  
Date 08/31/2018  
**Auditor's report on**
2. \_\_\_ Consolidating balance sheet-statement of income  
(expense & income reported separately)
3. \_\_\_ Internal controls
4. \_\_\_ Compliance with specific requirements  
**Auditor's presentation on**
5.  Insurance coverage schedule
6.  Adjusted net worth schedule for issuer
7. \_\_\_ Adjusted net worth schedule for parent (if applicable)
8.  Capital requirement schedule
9. \_\_\_ Parent's capital requirement schedule (if applicable)
10.  Liquid asset requirement schedule
11. \_\_\_ Parent's liquid asset requirement schedule (if applicable)
12. \_\_\_ Other reports submitted (please list)

Issuer's point(s) of contact regarding the items being sent:

Name: Melinda Smith  
Telephone: 512-904-1399  
Email: msmith@tsahc.org  
Item(s) #: 1, 5, 6, 8, 10

Name: \_\_\_\_\_  
Telephone: \_\_\_\_\_  
Email: \_\_\_\_\_  
Item(s) #: \_\_\_\_\_

13. \_\_\_ Current insurance certificate and endorsement of Ginnie Mae as loss payee  
\_\_\_\_\_ Fidelity bond \_\_\_\_\_ Lender's errors & omissions  
\_\_\_\_\_ Attestation of insurance compliance
14. \_\_\_ Corrective action plan
15. \_\_\_ Schedule of "other assets"
16. \_\_\_ Schedule of "breakdown of depreciation and amortization expenses by asset class"

For requirements, report, and supplementary schedule templates, reference HUD Audit Guide chapters 2 and 6: <http://www.hudoig.gov/reports-publications/audit-guides/consolidated-audit-guides>

Signature: \_\_\_\_\_ Date: 12/13/2018

Type or print name: David Long

Title: President

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Texas State Affordable Housing Corporation:

### **Report on Supplemental Data Required by the U.S. Department of Housing and Urban Development**

We have audited the financial statements of the Texas State Affordable Housing Corporation (the "Corporation") as of and for the year ended August 31, 2018, and have issued our report thereon dated **December 13, 2018**. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying supplemental data required by the U.S. Department of Housing and Urban Development ("HUD"), which includes the computation of adjusted HUD net worth, computation of HUD capital requirement, computation of HUD liquid assets, and schedule of HUD insurance requirements, is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs*, issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental data required by HUD is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Austin, Texas  
**December 13, 2018**

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**Ginnie Mae Issuer Identification Number: 3747**  
**Computation of Adjusted HUD Net Worth**  
**As of August 31, 2018**

---

**A. Adjusted Net Worth Calculations:**

Total Net Position at End of Reporting Period		\$ 38,782,958
Less Itemized Unacceptable Assets:		
Purchased Mortgage Servicing Rights	\$ (232,314)	
Prepaid Insurance, Maintenance Contracts & Subscriptions	<u>(113,753)</u>	
Total Unacceptable Assets		<u>\$ (346,067)</u>
<b>Adjusted Net Worth</b>		<b><u><u>\$ 38,436,891</u></u></b>

**B. Required Net Worth Calculation:**

Unpaid Principal Balance of Securities Outstanding		\$ -
Plus Outstanding Balance of Available Commitment Authority and Pools Funded		<u>-</u>
Total Outstanding Portfolio, Commitment Authority, and Pools Funded		<u><u>\$ -</u></u>
Required Net Worth		<u><u>\$ 2,500,000</u></u>
<b>C. Excess (Deficit) Net Worth</b>		<b><u><u>\$ 35,936,891</u></u></b>

See Accompanying Independent Auditors' Report.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**Ginnie Mae Issuer Identification Number: 3747**  
**Computation of HUD Capital Requirement**  
**As of August 31, 2018**

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**A. Capital Requirement for Depository Institutions:**  
*(does not apply)*

n/a

**B. Capital Requirement for Nondepository Institutions:**

Total Adjusted Net Worth	<u>\$ 38,436,891</u>
Total Assets	<u>\$ 76,098,400</u>
<b>Total Adjusted Net Worth/Total Assets</b>	<u>50.51%</u>
<b>Required Adjusted Net Worth/Total Assets</b>	<u>6.00%</u>
	<b>Meets</b>
	<b>Requirement?</b>
	<u>Yes</u>

See Accompanying Independent Auditors' Report.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**Ginnie Mae Issuer Identification Number: 3747**  
**Computation of HUD Liquid Assets**  
**As of August 31, 2018**

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**A. Liquid Asset Calculation:**

Required Net Worth Calculation	<u>\$ 2,500,000</u>
Acceptable Liquid Assets -	
Cash and Cash Equivalents	\$ 6,116,500
Certificate of Deposit - 5/4/19	<u>100,464</u>
<b>Total Liquid Assets</b>	<u><u>\$ 6,216,964</u></u>

**B. Required Liquid Asset:**

Single-Family Issuer Liquidity Requirement	<u>\$ 1,000,000</u>
--	---------------------

**Meets  
Requirement?**

Yes

All Other Issuer Types Liquidity Requirement <i>(does not apply)</i>	n/a
---	-----

Multiple Program Participation <i>(does not apply)</i>	n/a
---	-----

See Accompanying Independent Auditors' Report.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**Ginnie Mae Issuer Identification Number: 3747**  
**Schedule of HUD Insurance Requirements**  
**As of August 31, 2018**

<b>A. Identification of Affiliated Ginnie Mae Issuers:</b>	<u>None</u>
<b>B. Required Insurance Calculation:</b>	
Servicing portfolio:	
Ginnie Mae	\$ -
Fannie Mae	-
Freddie Mac	-
Conventional (Other)	<u>6,917,551</u>
Remaining Principal Balance of Total Servicing Portfolio	<u>\$ 6,917,551</u>
Required Fidelity Bond Coverage	<u>\$ 300,000</u>
Required Mortgage Servicing Errors and Omissions Coverage	<u>\$ 300,000</u>
<b>C. Verification of Insurance Coverage:</b>	
Fidelity Bond at End of Reporting Period	<u>\$ 1,000,000</u>
Mortgage Servicing Errors and Omissions Coverage at End of Reporting Period	<u>\$ 1,000,000</u>
<b>D. Excess (Deficit) Insurance Coverage:</b>	
Fidelity Bond Coverage	<u>\$ 700,000</u>
Required Mortgage Servicing Errors and Omissions Coverage	<u>\$ 700,000</u>
<b>E. Policies Contain the Required Elements</b>	
Fidelity Bond Coverage	<u>Yes</u>
Mortgage Servicing Errors and Omissions Coverage	<u>Yes</u>

See Accompanying Independent Auditors' Report.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**Ginnie Mae Issuer Identification Number: 3747**  
**Schedule of Findings, Questioned Costs, and Recommendations**  
**As of August 31, 2018**

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Our audit disclosed no findings that are required to be reported herein under the HUD Consolidated Audit Guide.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**Ginnie Mae Issuer Identification Number: 3747**  
**Schedule of the Status of Prior Year Audit Findings, Questioned Costs,**  
**and Recommendations**  
**As of August 31, 2018**

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There were no findings from the prior year audit.

# Tab Four



## Development Finance Programs December 13, 2018

### **Agenda Item**

Presentation, Discussion and Possible Approval of the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Tax Exempt Bond Funds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2019.

### **Summary**

In accordance with our governing statute, the Corporation releases annually a Request for Proposals (the “RFP”) and updated 501(c)(3) bond policies that comply with both state and federal requirements. The Corporation, pursuant to §2306.565 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 draft policies and RFP fulfill these statutory requirements.

Staff has conducted a review of several needs assessments including the State Low-Income Housing Plan, market research published by the Real Estate Center at Texas A&M University, and other resources. Additionally, staff monitored application procedures and public input during the past year and is recommending the following changes to the policies and RFP:

- References to 2018 dates have been updated to reflect the 2019 calendar year and a correction was made to the deadline for submission of reservations of private activity bond volume cap to the Texas Bond Review Board, Section 1(a).
- Section 12(e), Municipal Advisor Fees, was updated based on the Corporation’s new agreement with Municipal Advisor. The base fee was reduced from \$20,000 to \$10,000.

No public comment was received during the public comment period. Staff did make some minor changes based on input from Lori Cobos, Member of the Corporation’s Board, and counsel’s input. No significant changes were made to the previous draft posted for public comment.

### **Staff Recommendation:**

Staff recommends that the Board approve the Guidelines, Scoring Criteria and Targeted Housing Needs for the Allocation of Qualified Residential Rental Project Tax Exempt Bond Funds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2019, as presented. If approved, staff will accept all changes and post the final approved document.

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## ~~2018~~2019 Multifamily Tax-Exempt Bond Programs Policies and Request for Proposals

The Texas State Affordable Housing Corporation has approved these policies and request for proposals (“RFP”) for its multifamily tax-exempt bond programs for calendar year ~~2018~~2019. These policies and RFP are updated annually to inform the public of the Corporation’s process and guidelines for selecting residential rental properties to be financed with tax-exempt bonds issued by the Corporation. All submissions must be submitted for review of threshold and scoring criteria at least 35 days prior to any presentation to the Corporation’s Board of Directors (the “Board” or “Board”) for an Inducement Resolution.

### 1. Introduction.

- a. The Texas State Affordable Housing Corporation (the “Corporation”) is a public 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 accepts applications from developers (“Developers”) to acquire and rehabilitate, or construct new affordable multifamily rental developments (“Developments”). Pursuant to §§2306.554, 564 and 565 of the Texas Government Code, the Corporation is authorized to issue multifamily 501(c)(3) bonds and to direct the Texas Bond Review Board on the issuance of the portion of the state’s private activity bonds ceiling set aside for the Corporation under §1372.0231(a) of the Texas Government Code. The Corporation’s available volume cap for private activity bonds is 10% of the State’s available volume cap for residential rental private activity bonds. For ~~2018~~2019 the amount is estimated to be approximately \$65 million. This volume cap is available for reservation until ~~August 1~~August 14, ~~2018~~2019. Thereafter the Corporation will be able to apply to reserve any additional available volume cap through the Texas Bond Review Board. There are no deadlines or limits on the amount of 501(c)(3) bonds that the Corporation may issue.
- b. These policies and RFP have been adopted by the Corporation’s Board of Directors (the “Board”) 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 will use to review applications and creates the criteria for scoring and ranking applications.
- c. This RFP will 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 Developers who submit an application prior to the release of the closing notice. The Corporation reserves the right to re-open the RFP at any time.
- d. Contact Information. All questions about the RFP and application process can be directed in writing to:

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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 issuance 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 the following Targeted Housing Needs. The Corporation will only accept applications in response to this RFP that fulfill at least one of the Targeted Housing Needs.
- a. *At-Risk Preservation and Rehabilitation.* The preservation and rehabilitation of existing affordable rental housing is defined as existing housing in need of significant structural repairs and mechanical systems updates. The housing must currently have a recorded regulatory agreement or land use restriction agreement (the "LURA") placed on it by a public body. Rehabilitation activities must result in the housing units being brought up to current energy efficiency, housing quality, local building code and accessibility standards. Developments may include temporary tenant relocation expenses, but may not cause the permanent relocation of existing low-income tenants. Public housing developments participating in the U.S. Department of Housing and Urban Development's Rental Assistance Demonstration program are eligible under this section;
  - b. *Rural and Smaller Urban Markets.* The Corporation is dedicated to expanding access to rental housing in rural and smaller urban markets that are not generally targeted for housing expansion. Rural rental housing developments must be 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. Smaller Urban Markets rental housing developments must be located within a city of less than 150,000 persons, but not within or adjacent to a PMSA or MSA of more than 500,000 persons;
  - c. *Senior and Service Enriched Housing Developments.* Senior and Service Enriched Housing 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

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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));

- ii. A proposed Development that provides for integrated, affordable and accessible housing that offers the opportunity to link residents with on-site or off-site services and supports that foster independence for individuals with disabilities and persons who are elderly. Such Developments should also show a clear effort to coordinate housing and health services for residents; or
  - iii. A Development financed in accordance with limitations set by the Internal Revenue Service on Assisted Living Developments, and a) is affordable rental housing combined with minimal on-site medical or supportive services; b) is targeted to persons with disabilities, but with at least 75% of units open to any qualified renter; and c) has at least 10% of its units affordable to persons earning less than 30% of the area median income.
- d. *Disaster Relief Housing.* The Corporation will consider any eligible multifamily residential rental housing Development, including rehabilitation and new construction, located in any one or more Texas counties identified in a Federal Emergency Management Agency disaster declaration to be eligible for financing under this RFP.
3. **Housing Needs Set-Aside.** To ensure that bonds will be available for specific housing needs the Corporation has determined that until April 1, ~~2018~~2019, 20% of its annual available volume cap will be reserved for developments that:
- a. Include at least 50% of housing units located in a qualified Rural or Smaller Urban Market, as defined by this policy; or
  - b. Include at least 20% of housing units built to be accessible for persons with mobility impairments and special needs populations as defined by this policy.
4. **Application Submission.** The Corporation will publish an application package to its website. Developers should download and complete the application pursuant to the guidelines for completion included in the application instructions. The Corporation requires a nonrefundable application submission fee of \$1,500 for Private Activity Bonds or \$2,500 for 501(c)(3) bonds.
5. **Application Review.**
- a. The Corporation requires at least 28 days to review an application before presenting any recommendation for inducement to the ~~Corporation's~~ Board. The Corporation will bring before the Board only those applications that have completed the review process.

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- 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 will 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 will 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.
6. **Threshold Criteria.** All applications submitted to the Corporation must meet the following minimum Threshold Criteria (“Threshold Criteria”) in order to be considered for an issuance of bonds by the Corporation. Applications that do not ~~meeting~~meet the criteria listed below will be subject to termination by the Corporation.
- 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 award 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.
      - B. Rent Restrictions. Gross monthly rent charged on an income restricted unit will not exceed 30% of the applicable AMI.
    - ii. Affordability Requirements shall be maintained for of the greater of 15 years or as long as the bonds are outstanding.
  - b. *Experience Threshold.* Developers must demonstrate sufficient experience in the development, ownership and/or management of affordable housing. Developers must 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. The Corporation may only give credit for projects that are determined to be successful examples of affordable housing development, which includes properties in continuing operation, historically and

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currently in compliance, and any other factors that the Corporation determines to be relevant.

- c. *Construction Threshold.* All Developments, new construction and rehabilitation, must adhere to local building codes and standards. If a Development is planned in an area or community that does not have local building codes, then the most recent and approved version of the International Building Code or International Residential Building Standards must be used. A certification from the ~~Development's~~ Developer's architect, engineer or other third-party construction supervisor must be submitted prior to closing of the bonds. For Developments requiring rehabilitation of existing housing units, the Corporation will require the submission of a physical conditions inspection report and may conduct an onsite inspection of the property in order to complete its underwriting process. The Corporation may also suggest reasonable changes to the rehabilitation scope of work based on its inspection.
- 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 will also be reviewed for compliance history with the Corporation's and any other state or federal affordable housing program. The Corporation will 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 excellent resident services programs in the properties it finances. To meet this goal and better serve low income tenants, Developers must maintain a sustained resident services program that provides at least six (6) approved services to tenants per quarter. Developers must ensure a dedicated budget for services, free transportation to services if off-site, and preferably on-site staff to direct services. The six (6) 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 U.S. Department of Energy's Energy Star program standards, unless otherwise exempted by the Corporation. Developments including either new construction or rehabilitation shall meet these standards. Developers may obtain additional information regarding these standards directly from the Energy Star website: <http://www.energystar.gov>. This threshold must be certified to by the ~~Development~~ Developer's 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~~ Developer's general contractor. Additional incentives for Green Building methods and energy efficiency are included as scoring items.

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- g. *Environmental Review Threshold.* Prior to closing, the Developer is 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 satisfactory to the Corporation.
- h. *Relocation Threshold.* All Developments involving the rehabilitation, reconstruction or demolition of existing housing must provide evidence that all tenants, lease holders, property owners and/or residents have been notified at least 30 days prior to the submission of the bond reservation application to the Texas Bond Review Board, that:
  - i. The Developer intends to rehabilitate, reconstruct or demolish existing housing units; and
  - ii. The Developer must ensure that tenants' rights under all federal, state and local housing laws are upheld, including but not limited to extended lease agreements, rental assistance, and relocation assistance.
- i. *Accessibility Threshold.* All Developments must be designed, built and rehabilitated to adhere with the Fair Housing Accessibility Standards, Title II and III of the Americans with Disabilities Act, and §2306.514 of the Texas Government Code. Developers are encouraged to review these guidelines with their architects and/or construction teams prior to application submission. All Developments will be required to obtain a certification from the project architect, engineer or contractor that the final construction plans and/or rehab plan will meet or exceed the above listed federal and state accessibility standards.
- j. *Community Support Threshold.* Developers are encouraged to collect community input on their Development proposals. All letters of support or opposition must be provided to the Corporation as they are received. Developers must 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; Director of the Local Housing Finance Agency; Director of the Local Public Housing Agency; School District Superintendent; or County Judge, in the jurisdiction in which the development is located;
  - ii. A resolution of support from the City Council, Local School Board or County Commissioner's Court. A resolution fulfilling the requirements for housing tax credits pursuant to section 2306.67021 of the Texas Government Code will be acceptable for this item;
  - iii. A letter of support from an affected neighborhood association; Chamber of Commerce or tenant council of a Development to be acquired;
  - iv. Evidence that a local government (city or county) entity is providing funding for the development; and/or

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- v. A letter of support from the State Representative or Senator representing the district in which the proposed development is located.
- k. *Underwriting Threshold.* The Corporation generally applies the same underwriting standards as required by the Texas Department of Housing and Community Affairs (“TDHCA”), to ensure consistency with the low-income housing tax credit underwriting process. The Corporation must 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. Additional minimum underwriting standards include:
  - i. All Developments, and each property within a pooled transaction, must maintain a minimum Debt Coverage Ratio (“DCR”) of 1.15 for a period of no less than 15 years as underwritten by the Corporation;
  - ii. The Corporation generally does not permit amortization periods of more than 40 years. The Corporation may consider longer amortization schedules for service enriched and extremely low-income housing developments;
  - iii. The Corporation will include a reserve of replacement expense of not less than \$250 per unit annually for new construction developments and \$300 per unit annually for rehabilitation developments in the operating expenses for each Development. The Corporation may require a higher reserve amount based on information provided in the Property Condition Assessment (the “PCA”);
  - iv. Compliance fees will be included in the estimate of operating expenses and will include, at a minimum, the Corporation’s Asset Oversight 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, including, but not limited to, 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.
- l. *Property Tax Exemption.* Developers must certify that they will, or will not, apply for a property tax exemption or payment in lieu of taxes (“PILOT”) agreement 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 will require a restriction to 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 will 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.

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m. *Public Benefit Threshold for 501(c)(3) Bonds Only.* 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 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 the value of any property tax exemption to 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 activities, 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 the 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 will 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 will be calculated in the following manner:
  - A. The value of rent reductions will 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. This includes rent concessions granted to households upon move-in, but not the absence or forgiveness of deposits. Rent reductions must be accounted for on a

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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 will 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 will not include regular maintenance, general repairs, or make ready costs associated with the daily operations of the Development. The Development may include the cost of rehabilitation to be completed as part of the issuance of new 501(c)(3) bonds or approved capital improvements paid for with proceeds from grants, tax credit equity, bond proceeds, loans or other forms of 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 will 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 QPB requirement.
  - C. The value of social, educational, or economic development services may be based on (1) the actual dollar amount expended by the Development towards such services at the time such services are provided to residents; (2) the value of volunteer services provided and coordinated by the Developer or its affiliates; and (3) the cost saving provided to tenants through services such as free on-site day care, free after school care and free lunch programs. The Development may only include the cost of services approved by the Corporation and must not include the value or cost of services provided to residents free of cost by third party entities.
- iii. The Corporation will 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.

7. **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. Applicants must achieve a minimum score of 50 points.

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- 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 ~~& and~~ rehabilitation costs equal to or less than \$100,000 per unit
    - B. New construction costs equal to or less than \$130,000 per unit; or
  - ii. 8 points for:
    - A. Acquisition ~~& and~~ rehabilitation costs equal to or less than \$115,000 per unit
    - B. New construction costs equal to or less than \$150,000 per unit: or
  - iii. 15 Points for ~~acquisition and~~ rehabilitation costs ~~Developments~~ that exceed \$30,000 per unit in projects that meet the At-Risk Preservation and Rehabilitation Targeted Housing Need. rehabilitation expenses.
- 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 of the area median income; or
  - ii. 10 points – at least 40% of units will be reserved for families who earn 50% or less of 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 will 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 between 80% and 120% of the area median income.
- d. *Small and Mid-sized Cities.* Applications will receive 10 points for Developments located in communities with populations less than 150,000 but not located adjacent to a PMSA or MSA with a total population of more than 500,000; or 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.

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- e. *At-Risk Preservation.* Applications will receive 10 points for the acquisition and rehabilitation of Developments with current affordable housing rental contracts or land use restrictions. Applicants must demonstrate that the current rental voucher contract or land use restriction agreement (“LURA”) will be extended for at least 15 years from the date of closing.
- f. *Green Building Features.* Applications will receive 10 points for obtaining a certification from a qualified third party that the Development meets either:
  - i. The minimum certification requirement of the U.S. Green Building Council’s LEED (“LEED”) program: or
  - ii. The Development achieves an Energy Star score for multifamily developments of 70 or higher.

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, or an Energy Star score for multifamily development of 80 or higher. Certification may be based on the proposed construction plans, and the Development must obtain an official certification after completion of construction or rehabilitation.

- g. *Accessible Housing Features.* Applications, including those for rehabilitation developments, will receive 10 points for certifying that the Development will meet the following housing accessibility standards:
  - i. All housing units accessible through a ground floor entrance must 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;
  - iii. All doorways in ground floor units (including closets, bathrooms, storage areas, etc.) must have doors with at least a 32 inch clear opening;
  - iv. All doors must have lever handles and windows shall have accessible release and opening mechanisms;
  - v. All ground floor units must 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 must be no higher than 48 inches and no lower than 15 inches; and
  - vii. All ground floor units must have kitchens that are accessible pursuant to the Fair Housing Accessibility Guidelines.
- h. *Local Public Funding.* Applications will receive 10 points for providing evidence that a commitment of financial support of at least \$250 per unit has been made by a unit of

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government to the proposed development. The only qualifying units of government will 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 will receive 10 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 will 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 will receive 10 points for agreeing to provide at least four (4) 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 will break all scoring ties by dividing the estimated total development cost per unit by the number of very low and extremely low-income units. The application with the lowest ratio will be determined the winner of the tie break.
8. **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 may be 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 Municipal 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 must 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 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 entity or guarantees, warrants, or endorses the creditworthiness or credit

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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.

### 9. 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 location central to all development sites. All public hearings must 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 will 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.

### 10. 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.

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## ~~2018~~2019 Multifamily Tax-Exempt Bond Programs Policies and Request for Proposals

- b. The Corporation reserves the right to retract an award if a Developer is unable to receive a reservation of private activity bonds prior to July 1, ~~2018~~2019. 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 allocation of bond 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 issuance of private activity bond cap is subject to final approval by the Texas Bond Review Board.

### **11. Bond Review Board Approval.**

- a. Bonds or similar 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 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.

12. **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.**

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### Policies and Request for Proposals

- a. *Application Fee.* Developers shall submit a nonrefundable fee of \$1,500 for Private Activity Bonds or \$2,500 for 501(c)(3) bonds, 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 bonds 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 will be credited against fees and expenses incurred by Bond Counsel, the Municipal Advisor and Issuer's Counsel in connection with the proposed financing. Such deposit shall be \$30,000, which represents a \$20,000 deposit for Bond Counsel fees, a \$5,000 deposit for Financial Advisor's fees, and a \$5,000 deposit for Issuer's Counsel fees. Two additional deposits, each equal to 20% of Bond Counsel Fee, based on the projected issuance amount, will be due, the first at the submission of the reservation application to the Texas Bond Review Board and the second upon approval of the final bond resolution by the Corporation's Board. All fees and expenses incurred by Bond Counsel, the Municipal Advisor and Issuer's Counsel in connection with the Developer's transaction will be deducted from such deposit whether or not the obligations are issued. If the accrued fees and expenses of Bond Counsel, the Municipal 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 that exceed the Corporation's application and inducement fees paid to the Corporation by the Developer during the review, issuance and closing of a Development. Such expenditures include but are not limited to (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 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 include any of the above expenditures in its closing fees estimate prior to the closing date.
- e. *Municipal Advisor Fees.* The fee to be paid to the Corporation's Financial Advisor, acting in a standard Municipal Advisor role, will be ~~\$20,000~~ \$10,000 plus \$2.00 per \$1,000 of

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bonds issued, plus actual expenses, unless otherwise agreed to by the Corporation's Financial Advisor. In addition, for an additional fee the Corporation's Financial Adviser will also serve as the bidding agent 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 Municipal 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 Municipal Advisor will 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.* Developer shall pay for the actual hourly costs of Bond Counsel, plus all expenses incurred by Bond Counsel in connection with the Development. Bond Counsel shall receive an initial payment of \$20,000 in advance upon submission of the Development's Reservation Application to the Texas Bond Review Board. Bond Counsel may request additional reimbursement of actual hourly costs or expenses from time to time directly from the Developer. Expenses include TEFRA notice publication, print or document publication, public hearing notices, Attorney General filing fees, and the preparation and filing of the TBRB Applications, printing and supplements thereto.
- g. *Issuer's Counsel Fees.* The fee to be paid to Issuer's Counsel will be .1% (\$.100/\$1000 of bonds) on the first \$20 million of the principal amount of the bonds, and .075% (\$.75/\$1000 of bonds) on the principal amount above \$20 million, with the minimum fee being \$15,000 plus \$5,000 for expenses (unless otherwise agreed to by Issuer's Counsel). 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 will 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, Municipal Advisor Fees, Issuer's Counsel Fees, Texas Bond Review Board 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. Additionally, the Corporation will receive a Closing Fee of

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## ~~2018~~2019 Multifamily Tax-Exempt Bond Programs Policies and Request for Proposals

fifteen basis points (0.15%) of the principal amount of obligations issued, with a minimum closing fee of \$20,000.

- i. *Administrative Fee.* Until the final maturity of the obligations, the Developer will pay an annual Administrative Fee, remitted through the respective bond trustee to the Corporation as designated by the Corporation, equal to ten (10) basis points (.10%) 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 must 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 of trustee's counsel, will be approved by the Corporation and must 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, a compliance agent, and a rebate analyst to perform an analysis of rebate requirements with respect to the issue. Such fees and costs must 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 equal to the greater of \$45 per unit or \$2,500 for each property included in the Development (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 persons to guarantee 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

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Corporation. The amount of costs or expenses paid or incurred by the Corporation under this clause will 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.
13. **Document Preparation.** Bond Counsel will 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.
14. **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.
15. **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.
16. **Final Approval by the Corporation.** The Corporation's Board will 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 will 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

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- 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.
17. **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 Municipal 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 and Limited Offering Requirements.*
    - i. All bonds to be sold publicly, whether by competitive bid or negotiated sale, must have 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. Bonds with an investment grade of "A" or higher may be sold in minimum denominations of \$5,000,
    - ii. The Corporation will consider any bonds that do not have a debt rating of at least "A" or higher as non-rated obligations. Non-rated obligations must be sold in minimum denominations of at least \$25,000 and in integrated multiples of any amounts in excess of \$25,000.
    - iii. All non-rated obligations must 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) the obligations must be issued in minimum denominations of not less than ~~\$250,000~~\$25,000 and integral multiples of any amount in excess thereof, and (iii) at such time as the bond financing is presented to the Corporation for final approval, (a) the Developer (or placement agent, if applicable) must identify the Purchaser of the obligations, (b) the Developer (or placement agent, if applicable)

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must 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) 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, but there will be no offering statement by the Corporation, 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 the obligations 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.

- c. 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.
- d. *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.
- e. *Offering Statement.* No Developer, or any representative of the Developer or the Corporation, shall make any representation, directly or indirectly, express or implied, of any fact contrary to the disclosures required to be made by this RFP.
- f. *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

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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.

- g. The Developer will provide and be responsible for filing so long as it is obligated to make payment to the Corporation in support of the bonds, notes or other obligations issued by the Corporation for a project being financed for the Developer, all information required to satisfy the requirements of Rule 15c(2-12) of the United States Securities and Exchange Commission as that rule is applicable to the financing.

**18. 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.

**19. OTHER REQUIREMENTS.** THE CORPORATION MAY IMPOSE ADDITIONAL OR DIFFERENT REQUIREMENTS ON A DEVELOPER THAN THOSE PROVIDED IN THESE GUIDELINES IF ADDITIONAL OR DIFFERENT REQUIREMENTS BECOME NECESSARY (AS DETERMINED BY THE CORPORATION IN ITS SOLE DISCRETION) 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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### APPENDIX A

#### TSAHC Resident Services Program Guidelines

It is the Texas State Affordable Housing Corporation's goal to support Developers in the creation of high quality Resident Service Programs. TSAHC has created basic guidelines and a reporting system to help with this process.

The following is a list of activities/courses that can be implemented. In order to fulfill the Resident Service requirement, at least six resident service activities per quarter must be provided from the following list. Developers must ensure services are provided onsite or provide free transportation to services if off-site. If the applicant received additional points under the Resident Service scoring criteria, an average of at least four resident service activities per month must be provided from the following list. If you are interested in starting an activity or course that is not on the list, please propose the new activity to the Multifamily Oversight Department for approval. Activities that are provided daily, such as after school programs and educational/scholastic tutoring, can be counted as two services for the quarter. Please make sure that services offered will encourage economic self-sufficiency and/or promote homeownership opportunities.

- Career Services
  1. Computer Literacy Class
  2. GED Classes
  3. Job Skills/Training
  4. Resume/ Job Search Workshop
  5. Job Fair
  6. College Preparation Class
  7. Military Recruiting
  
- Children's Services
  1. After School Care (Counts as 2 Services When Provided Daily)
  2. Swimming Lessons
  3. Free On-site Daycare (Counts as 2 Services When Provided Daily)
  4. Free On-site Tutoring Sessions (Counts as 2 Services When Provided Daily)
  5. Performing Arts Classes
  6. Holiday Safety Classes
  7. On-Site Library
  8. Free Lunch Program (Counts as 2 Services When Provided Daily)
  
- Community Awareness
  1. Crime Watch Meeting
  2. Self Defense Course

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3. Child ID/Fingerprinting Program
  4. Fire Safety Class
  5. Hurricane Safety Class
  6. Domestic Violence Awareness Workshop
  7. Drug Awareness Workshop
  8. Host Support Groups Such as AA, Anger Management, etc.
  9. Community Gardens
  10. Community Service Activities (i.e. Habitat for Humanity)
  11. Green Living/Environmental Workshop
- Financial Skills
    1. Household Budgeting Workshop
    2. Financial Planning/Credit Counseling Workshop
    3. Asset Building Workshop
    4. Tax Preparation Courses
    5. Student Financial Aid Workshop
    6. Personal Insurance Workshop (Medical, Renters, Life, Disability, Car)
  - Medical and Health Services
    1. Basic First Aid and CPR Class
    2. Caring for the Disabled Class
    3. Health and Screening Services
    4. HIV/AIDS Classes
    5. Vaccinations/ Flu Shots Services
    6. Fitness and Exercise Classes
    7. Diabetes/ Heart Disease Courses
    8. Babysitting Safety Courses
    9. Health and Nutritional Courses
    10. Low Cost Healthy Cooking Courses
    11. Cancer Awareness Workshop/Cancer Screening Services
    12. Free Dental Services
  - Personal Development
    1. Counseling Services
    2. English as a Second Language Courses
    3. Home Ownership Counseling
    4. Parenting Classes
    5. Anger Management Courses
    6. Family Counseling
    7. Cleaning Supply Safety Class / Housekeeping Education
    8. Book Club

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- Free Transportation Services
  1. Grocery Store
  2. Library
  3. Medical Visits
  4. Cultural Community Events
  5. Free/Discounted Public Transportation Tickets

Activities that will not be counted towards the six resident services per quarter requirement include, but are not limited to, 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.

# Tab Five



## Development Finance Programs

December 13, 2018

### **Agenda Item**

Presentation, Discussion and Possible Approval of Modifications to the Corporation's Affordable Communities of Texas program ("ACT") policies.

### **Summary**

Staff is proposing several modifications to the ACT policies in order to clarify the Corporation's management and operations of the program. Here is a summary of significant changes being proposed.

- Section 4, Corporation's Role, would be amended to allow the Corporation to use a construction contract in place of a Local Partner MOU. This will provide greater flexibility to the Corporation when accepting properties where a Local Partner is not available.
- Section 4(b), TSAHC Land Trust, would be amended to clarify the Corporation's ability to acquire real property, accept mortgages, and manage real and improved properties in the Land Trust program.
- Section 6, Selection of Developers, would be amended to the policy to define how the Corporation will review and select potential Developers.
- Section 8, Local Partner Approvals, would be amended to grant authority to the Corporation's President and Executive Vice President to approve new Local Partners. This authority was previously granted by resolution, but the policy did not accurately represent this process.
- Section 9, Project Approvals, would be amended to clarify the process of approvals to acquire new properties.
- Section 11, Affordability Threshold, would be amended to clarify situations in which the Corporation may allow for the sale of a Land Bank property to a household up to the 120% area median income limit.
- Section 17, Disposition of Properties, would be amended to clarify that the Corporation does have authority to sell properties without the representation of a licensed real estate broker.

Numerous other "cleanup" changes have been made in the proposed policy for the sake of consistency and clarification. Counsel has reviewed and commented on the proposed changes. A black lined copy of the proposed policies is attached to this agenda item for the board's review and discussion. If approved, staff will accept all changes, as noted or amended by the board, and publish the amended policies to our website.

### **Recommendation**

Staff recommends that the Board approve the proposed changes, with amendments if any, for immediate adoption and publication to the Corporation's website.

# Texas State Affordable Housing Corporation

## Affordable Communities of Texas Land Bank/Land Trust Policy and Guidelines

1. **Policy.** This policy (the “Policy”) has been adopted by the Texas State Affordable Housing Corporation (the “Corporation”) in order to organize and codify its administration of the Affordable Communities of Texas program (the “ACT” ~~or “ACT program”~~). The ACT supports the Corporation’s public purpose of promoting the public health, safety and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income and for persons who are eligible for loans under the Texas Heroes Home Loan Program ~~mission to promote equal access to safe, decent, and affordable housing with an emphasis on serving rural and underserved markets~~. The ACT’s purpose is to create partnerships between the Corporation and local housing providers to acquire or accept donations of foreclosed housing assets, government properties and other real estate for the benefit of, or to create affordable housing for, low-income households.
2. **Source of Funds.** The primary sources of funds available to the ACT are loans, grants or other sources of funding (“investments”) made by public and private entities to the Corporation. The Corporation may also commit its own funds to the ACT, accept private donations and grants, or apply for funding from government agencies. The availability of funds is dependent upon the Corporation’s ability to find new investments and generate income revenue from the sale, lease or disposition of properties acquired by the Corporation.
3. **Eligible Activities.** The ACT initiative program focuses primarily on the acquisition of vacant or foreclosed housing units, land and other properties that may be used to provide safe, decent and affordable housing. Properties may be developed to preserve, rehabilitate, or construct housing for homeownership, rental, cooperative or any other form of affordable housing that advances is consistent with the Corporation’s ~~mission~~ public purpose. The ACT program may also be used to clear vacant or blighted structures, maintain vacant lots, and manage land-banked properties owned by the Corporation or Local Partners (hereinafter defined). The use of ACT funds may be limited by local, state, federal or other contractual agreements ~~from between the Corporation and~~ the providers of such funding ~~and pursuant to any funding agreements executed by the Corporation~~.
4. **Corporation’s Role.** ~~In order~~ To carry out the eligible activities of the ACT ~~program~~, the Corporation ~~shall~~ will enter into memoranda of understanding with its Local Partners (“Local Partner MOU”). Each Local Partner MOU will detail the responsibilities and roles of both the Corporation and Local Partner. The Corporation may, at its discretion, enter into a construction contract (“Construction Contract”) with an approved developer (“Developer”) in lieu of a Local Partner MOU. The Corporation’s responsibilities may include any one or more of the following:
  - a. TSAHC Land Bank. In this capacity, the Corporation will acquire properties using ACT funds, hold properties in the Corporation’s name, and manage the redevelopment of properties with assistance from Local Partners or Developers. The Corporation may use ACT funds to cover the cost of option fees, title reports, due diligence activities, environmental reviews, purchase price and closing costs. A Local Partners or Developer will may be responsible for financing the redevelopment of acquired land bank properties, unless otherwise provided by the Corporation through an agreement separate from the Local Partner MOU or Developer Construction Contract. The Corporation and the applicable Local Partner or Developer shall determine the appropriate end use of the property (for-sale or rental) and a timeline for completing redevelopment and occupancy by a qualified low-income household. The Corporation shall determine the final sales price or rental rates of all homes, in its

# Texas State Affordable Housing Corporation

## Affordable Communities of Texas Land Bank/Land Trust Policy and Guidelines

- sole determination, ensuring that Local Partners and Developers are reimbursed for reasonable rehabilitation costs from sales proceeds. The Corporation may also utilize a shared equity agreement, in the form of a ground lease or other acceptable documentation, in order to recover its investment in a property and generate revenues for the ACT program.
- b. TSAHC Land Trust. In this capacity, the Corporation ~~will~~may acquire ~~properties~~real property, provide or accept mortgages and ~~hold them~~manage real and improved property in perpetuity for the benefit of providing affordable housing. The Corporation will assist Local Partners or Developers with the planning and redevelopment of properties and may commit ACT funds to cover predevelopment activities. After redevelopment the Corporation may split the real property estate land from the improvements and sell the improvements to the Local Partner, Developer or qualified low-income households. The Corporation will continue to own the ground estate land and grant access to the Local Partner, Developer or qualified low-income households through a ground lease agreement, mortgage or other legal ~~documentation agreement~~ deemed appropriate in the sole determination of the Corporation. The Corporation may collect ground lease fees payment or other payments in order to cover its holding cost, monitoring and long-term expenses associated with a land trust property.
- c. Buyer Agent. In this capacity, the Corporation will serve as a conduit for the acquisition of properties on behalf of Local Partners, using funding provided by Local Partners. The Corporation will be reimbursed by Local Partners for any option fees, title agreements or due diligence activities required to purchase the property and paid for by the Corporation. The Corporation will immediately transfer ownership of the property to the Local Partner, be reimbursed for any expenses incurred during the acquisition process, and collect a transaction fee prior to transfer in an amount no less than \$250500.00.
- d. Land Bank Administrator. In this capacity, the Corporation will acquire properties using funding provided by Local Partners, hold properties in the Corporation's name, and manage the redevelopment of properties with assistance from Local Partners. The Corporation will be reimbursed by Local Partners for any option fees, title agreements or due diligence activities required to purchase the property and initially paid for by the Corporation. The Corporation will hold properties under its ownership until the Local Partner can complete redevelopment activities and place qualified low-income households into properties. The Corporation will collect an annual fee for overhead and administration, plus reimbursement for the actual cost of insurance premiums from the Local Partner. The Corporation shall transfer ownership of the property to the Local Partner within 60 days of written notice, and the Corporation will collect a reasonable transfer fee.
5. **Selection of Local Partners**. The Corporation intends to focus on developing partnerships with qualified nonprofit and local government entities as local partners (collectively the "Local Partners") that have established clear relationships to the communities where properties are acquired by the Corporation. The Corporation will market the ACT program to Local Partners in targeted communities and/or may

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accept partnership applications from Local Partners. In either case, Local Partners must meet the following minimum qualifications:

- a. Nonprofit entities must be an active nonprofit 501(c)(3) or (c)(4) corporation as recognized by the U.S. Internal Revenue Service, and registered as a nonprofit corporation within the State of Texas;
- b. Financial audits or statements of the Local Partner for a two-year period must reflect the entity's ability to manage funds appropriately, as determined solely by the Corporation;
- c. At least two years of experience in the planning, marketing, development or management of housing programs for moderate and low-income households; ~~and~~
- d. The ability to provide evidence of support from local government officials for their activities within the target community; and -
- e. The entity must not have an active exclusion cited within the Texas Comptroller's System for Award Management Database.

**6. Selection of Developers.** The Corporation may, in its sole determination, enter into a Construction Contract or a maintenance agreements with a Developer that is a for-profit entity if there is no nonprofit or local government entity is present, capable, or interested in acting as a Local Partner with respect to the property. Each Developer must provide the Corporation with the following:

- a. Proof of existing business registration status as filed with the Texas Secretary of State, Texas Comptroller's Office or applicable county;
- b. Financial audits or statements of the Developer for a two-year period must reflect the Developer's ability to manage funds appropriately, as determined solely by the Corporation;
- c. At least two years of experience in construction or rehabilitation of residential housing; ~~Proof of Construction Insurance;~~
- d. Proof of Construction Insurance; and
- e. The entity must not have an active exclusion cited within the Texas Comptroller's System for Award Management Database.

**~~6.7.~~ Competitive or Select Application Procedures.** In the event the Corporation receives funding that requires the Corporation to utilize a competitive or other application process to disburse the funds, the Corporation ~~it~~ shall publish ~~to on~~ its website a request for proposals (an "RFP") and application materials. The Corporation will only accept applications when there are available sources of funds and will include all guidelines, procedures, thresholds and scoring criteria in the relevant RFP.

**~~7.8.~~ Local Partner and Developer Approvals.** The ~~Manager~~Director of Development Finance (the "~~Manager~~Director") is responsible for coordinating and overseeing the review of Local Partner or Developer applications. Local Partner or Developer applications that fulfill all of the threshold and selection criteria of this Policy and any applicable RFP will be recommended by the Director to the Corporation's President or Executive Vice President for approval and execution of a Local Partner MOU or Developer Construction Contract, as applicable. ~~Board of Directors (the "Board") for consideration and possible approval. The Board's approval may include the commitment of specific funding resources to the Local Partner to acquire properties and complete other activities (demolition, clearance, etc.) as detailed in the Manager's recommendation. If the Local Partner's application is approved by the Board,~~ the Local Partner must enter into a Local Partner MOU with the Corporation prior to the commencement of land banking activities, as defined above, which will detail the roles and responsibilities of the

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~~Corporation and Local Partner. If approved, the Developer must enter into a Construction Contract with the Corporation prior to the commencement of land banking activities.~~

~~8.9.~~ **Project Approvals.** The selection of individual properties acquired by the ACT program will be completed by the ~~Manager/Director, and then approved by the Corporation's President or Executive Vice President.~~ If a property is selected, ~~properties are approved by~~ the President or Executive Vice President; ~~the Manager~~ shall be authorized to execute purchase agreements ~~on any specific property~~ and pursue other due diligence requirements of this Policy and the ACT program's funding sources.

~~9.10.~~ **Qualified Projects.** All housing units acquired by the Corporation must meet the following criteria in order to be considered a qualified project ("Qualified Project") for the purposes of this policy.

- a. A Qualified Project must ~~advance the mission~~ be consistent with the public purpose of the Corporation;
- b. A Qualified Project must be financially feasible and provide sufficient return on the Corporation's investment to sustain the ACT program;
- c. A Qualified Project must be located in an area that provides access to reasonable good educational, employment, transportation and other community services; and
- d. A Qualified Project must have a plan to ensure the property will be redeveloped primarily for the benefit of low-income Texans.

In order to be considered for the TSAHC Land Trust, a Qualified Project must also demonstrate a special circumstance or condition that justifies its inclusion in the Land Trust program. Such special circumstances may include the development of homes for persons with disabilities or other special needs, homes for extremely low-income households, and homes in areas considered to be high opportunity areas (such as areas experiencing gentrification or high income areas) that will affirmatively advance the Corporation's public purpose and provide affordable housing opportunities in these special circumstances. ~~further fair housing choice.~~

~~10.11.~~ **Affordability Threshold.**

- a. The Corporation's ~~statutory and charitable mission~~ public purpose requires that ~~all properties held~~ housing provided by the Corporation be used primarily for the benefit of ~~qualified~~ low, very-low and extremely low-income households. To ensure adherence to these requirements, ~~all properties held by the Corporation~~ Qualified Projects will be ~~held~~ required to meet the following minimum qualifications:
  - i. ~~All units~~ Acquired and developed units for homeownership shall be ~~affordable~~ primarily made available to low, very low and extremely low-income households at eighty percent

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(80%) or below of the area median income (the "AMI") for the location of the property, or eighty percent (80%) or below of the statewide median income, whichever is greater;

- ii. ~~All units~~ Acquired and developed units for rental shall be affordable for primarily made available to low, very low and extremely low-income households at or below 80% of the AMI for the location of the property;
- iii. All multifamily properties (4 or more units) acquired and developed for rental shall be held to the following additional income and rent restrictions:
  - A. At least 20% of the total units in the development for persons or families earning 50% or less of the AMI, based on the size of the unit and number of persons occupying the unit; or
  - B. At least 40% of the total units in the development for persons or families earning 60% or less of the AMI, based on the size of the unit and number of persons occupying the unit.
- iv. The Corporation may impose additional affordability requirements in accordance with funding limitations or on a case by case basis ~~;~~ and

b. Subject to the applicable limitation, the Corporation requires that all properties acquired, but not held, by the Corporation in the role of Buyer Agent be made affordable may permit the development of units for to qualified low or moderate income households, not to exceed 120% of the AMI for the location of the property or statewide median income, whichever is greater; ~~;~~ and

b.c. In the event the President or Executive Vice President determines that a property is not suitable for low or moderate income households, due to environmental or location conditions, feasibility concerns, or any other reason deemed appropriate by the President or Executive Vice President, the Corporation may remove a property from affordability restrictions and sell it to a private or public entity, and funds from such sale will be used by the Corporation for the acquisition or rehabilitation of other suitable ACT properties.

**11.12. Construction Threshold.** To ensure that working families have safe, decent, affordable housing, and to ensure long-term affordability and usability, all Qualified Projects ~~held by the Corporation~~ must meet the following standards:

- a. All Qualified Projects, at the time of acquisition or completion of construction or rehabilitation, shall meet all local building codes for the jurisdiction where they are located. If the development is located in an area where no local building codes are in place or have been adopted, the development shall meet the most recent International Residential Code or International Building Code;
- b. All Qualified Projects, at the time of acquisition or completion of construction or rehabilitation, shall be compliant with the Federal Fair Housing Act Accessibility Standards, Titles II and III of the Americans with Disabilities Act of 1990 ~~;~~ the Texas Minimum Construction Standards and §2306.514 (visitability guidelines) of the Texas Government Code. Borrowers must submit to the Corporation a certification from the project architect, engineer, or other third-party building inspector that the proposed Qualified Project Development will meet or exceed the above listed accessibility requirements;
- c. All Qualified Projects, at the time of acquisition or completion of construction or rehabilitation, shall be compliant with the U.S. Department of Energy's Energy Star Program, as confirmed by a certified

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third-party Home Energy Rating System (“HERS”) inspector or as certified to by the Development’s architect or engineer; and

- d. All Qualified Projects, at the time of acquisition or completion of construction or rehabilitation, shall have sidewalks, driveways and streets that are compliant with the Americans with Disabilities Act and Fair Housing Accessibility Standards.

**12-13. Location Threshold.** The Corporation shall consider a variety of factors to determine if a Qualified Pproject is located in an area that promotes safe, healthy and decent housing for low-income households. The Corporation will consider a project’s proximity to grocery stores, pharmacies, financial services and other commercial services. All Qualified Projects ~~held by the Corporation~~ must meet the following minimum location standards:

- a. Qualified Projects may not be located within the 100-year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps; and
- b. Qualified Projects located within a county or city that is covered by the Texas Windstorm Insurance Association (TWIA) shall be required to secure windstorm insurance in accordance with the TWIA insurance policy requirements.

**13-14. Additional Thresholds.** All Qualified Projects ~~held by the Corporation~~ must meet the following additional threshold criteria:

- a. The Corporation requires a general review of environmental conditions at each Qualified Project location. The environmental review may include a review of city or county environmental records; an environmental notification process, as may be required by the Corporation’s funding partners; or a Phase I Environmental Site Assessment and any necessary updates, based on the Corporation’s sole determination of need;
- b. The Corporation generally will not fund a Qualified Pproject that may cause the displacement of a low-income household. Exceptions to this requirement may be considered on a case-by-case basis;
- c. The Corporation shall use minimum underwriting standards in evaluating all projects. The Corporation shall review such items as debt coverage ratio, cost of project maintenance and the Local Partner’s or Developer’s financial strength and creditworthiness. The minimum underwriting standards shall reflect the nature of the project, its location and the AMI for ~~targeted-qualified~~ low-income households. The Corporation’s ~~Manager~~Director shall be responsible for determining the feasibility of each project;
- d. The Corporation may require a third-party market analysis, or may conduct its own assessment of market conditions, to determine the feasibility of a proposal. Current information on demographics,

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population growth, employment trends, median home prices, zoning requirements, absorption rates, and any other indicators of the market capacity may be considered in the Corporation's review.

**14.15. Security Interest.** To ~~insure~~ ensure the fulfillment of the applicable Affordability Threshold, a variety of agreements may be filed in the deed records of Qualified Projects ~~held by the Corporation~~. At a minimum, the Corporation may consider the following security interests, or any combination thereof:

- a. Deed Restriction or LURA: The Corporation may file a deed restriction or Land Use Restriction Agreement (the "LURA") in the real property records that defines limitations on resale and occupancy of the Qualified Project. Deed restrictions may or may not be filed as non-foreclosable instruments.
- b. Shared Appreciation Agreement: A shared appreciation agreement (the "Shared Appreciation Agreement") ~~will be is~~ filed either as a mortgage instrument, deed restriction, or other form of agreement ~~or instrument~~ acceptable to the Corporation, and ~~allows for will allow~~ the Corporation to recapture grant funds or equity transfers (or the equivalent thereof) to a Qualified Project upon any future sale or transfer of ownership. ~~Generally,~~ The Corporation shall seek to recapture 100% of such grant dollars and/or a percentage of such equity transfers. The total recapture amount will depend on the net proceeds available after repayment of superior liens.
- c. Ground Lease: The Corporation may also hold properties in perpetuity and sell or lease their improvements to Local Partners to operate affordable rental housing, or sell improvements to qualified low-income households. In either case, the Qualified Project will be restricted for occupancy in accordance with the applicable Affordability Threshold through a ground lease agreement.

**15.16. Project Monitoring.** The Corporation requires that all Qualified Projects ~~held by the Corporation~~ undergo a regular review to determine that the project continues to meet the applicable Affordability Threshold criteria and goals of the ACT ~~program initiative~~. The Corporation may require, especially in the case of rental developments, that an asset management or asset oversight review be completed on an annual, semi-annual or other periodic basis, as determined by the Corporation. The Corporation may charge an annual fee in order to cover the cost of ~~such~~ reviews.

**16.17. Disposition of Properties.** To accomplish the sale or transfer of Qualified Projects, the Corporation may rely on its Local Partners to market, broker, or otherwise sell or lease Qualified Projects. In the absence of a Local Partner, or as otherwise determined necessary, the President or Executive Vice President of the Corporation shall be authorized to ~~list properties for sale as owner without representation~~, contract disposition activities to a licensed real estate broker or ~~contract with any~~ other qualified third-party entity ~~for the disposition of the property~~.

**17.18. Insurance.** The Corporation shall be authorized to carry general liability, property, casualty and other necessary insurance coverage on Qualified Projects ~~held by the Corporation~~. The President, Executive Vice President, or Chief Financial Officer of the Corporation shall be authorized to contract for such insurance services.

**Fees.** The Corporation may charge fees, penalties, ~~or any other monetary accruals~~ amounts deemed reasonable by the Corporation's President or Executive Vice President ~~in order~~ to cover the cost of ~~operating the ACT program, including~~ application review, professional fees, asset and compliance reviews, ground leases, maintenance or holding costs, and any other ~~applicable costs associated with operating the program~~ fee determined reasonable by the President or Executive Vice President of the Corporation.

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1. **Policy.** This policy (the “Policy”) has been adopted by the Texas State Affordable Housing Corporation (the “Corporation”) in order to organize and codify its administration of the Affordable Communities of Texas program (the “ACT” or “ACT program”). The ACT supports the Corporation’s public purpose of promoting the public health, safety and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income and for persons who are eligible for loans under the Texas Heroes Home Loan Program. ~~mission to promote equal access to safe, decent, and affordable housing with an emphasis on serving rural and underserved markets.~~ The ACT’s purpose is to create partnerships between the Corporation and local housing providers to acquire or accept donations of foreclosed housing assets, government properties and other real estate for the benefit of, or to create affordable housing for, low-income households.
2. **Source of Funds.** The primary sources of funds available to the ACT are loans, grants or other sources of funding (“investments”) made by public and private entities to the Corporation. The Corporation may also commit its own funds to the ACT, accept private donations and grants, or apply for funding from government agencies. The availability of funds is dependent upon the Corporation’s ability to find new investments and generate income revenue from the sale, lease or disposition of properties acquired by the Corporation.
3. **Eligible Activities.** The ACT initiative program focuses primarily on the acquisition of vacant or foreclosed housing units, land and other properties that may be used to provide safe, decent and affordable housing. Properties may be developed to preserve, rehabilitate, or construct housing for homeownership, rental, cooperative or any other form of affordable housing that advances is consistent with the Corporation’s ~~mission~~ public purpose. The ACT program may also be used to clear vacant or blighted structures, maintain vacant lots, and manage land-banked properties owned by the Corporation or Local Partners (hereinafter defined). The use of ACT funds may be limited by local, state, federal or other contractual agreements ~~from between the Corporation and~~ the providers of such funding ~~and pursuant to any funding agreements executed by the Corporation~~.
4. **Corporation’s Role.** ~~In order~~ To carry out the eligible activities of the ACT ~~program~~, the Corporation ~~shall will~~ enter into memoranda of understanding with its Local Partners (“Local Partner MOU”). Each Local Partner MOU will detail the responsibilities and roles of both the Corporation and Local Partner. The Corporation may, at its discretion, enter into a construction contract (“Construction Contract”) with an approved developer (“Developer”) in lieu of a Local Partner MOU. The Corporation’s responsibilities may include any one or more of the following:
  - a. TSAHC Land Bank. In this capacity, the Corporation will acquire properties using ACT funds, hold properties in the Corporation’s name, and manage the redevelopment of properties with assistance from Local Partners or Developers. The Corporation may use ACT funds to cover the cost of option fees, title reports, due diligence activities, environmental reviews, purchase price and closing costs. A Local Partners or Developer will may be responsible for financing the redevelopment of acquired land bank properties, unless otherwise provided by the Corporation through an agreement separate from the Local Partner MOU or Developer Construction Contract. The Corporation and the applicable Local Partner or Developer shall determine the appropriate end use of the property (for-sale or rental) and a timeline for completing redevelopment and occupancy by a qualified low-income household. The Corporation shall determine the final sales price or rental rates of all homes, in its

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- sole determination, ensuring that Local Partners and Developers are reimbursed for reasonable rehabilitation costs from sales proceeds. The Corporation may also utilize a shared equity agreement, in the form of a ground lease or other acceptable documentation, in order to recover its investment in a property and generate revenues for the ACT program.
- b. TSAHC Land Trust. In this capacity, the Corporation ~~will~~may acquire ~~properties~~real property, provide or accept mortgages and ~~hold them~~manage real and improved property in perpetuity for the benefit of providing affordable housing. The Corporation will assist Local Partners or Developers with the planning and redevelopment of properties and may commit ACT funds to cover predevelopment activities. After redevelopment the Corporation may split the ~~real property estate land~~ from the improvements and sell the improvements to the Local Partner, Developer or qualified low-income households. The Corporation will continue to own the ~~ground estate land~~ and grant access to the Local Partner, Developer or qualified low-income households through a ground lease agreement, mortgage or other legal ~~documentation agreement~~ deemed appropriate in the sole determination of the Corporation. The Corporation may collect ground lease ~~fees~~payment or other payments in order to cover its holding cost, monitoring and long-term expenses associated with a land trust property.
- c. Buyer Agent. In this capacity, the Corporation will serve as a conduit for the acquisition of properties on behalf of Local Partners, using funding provided by Local Partners. The Corporation will be reimbursed by Local Partners for any option fees, title agreements or due diligence activities required to purchase the property and paid for by the Corporation. The Corporation will immediately transfer ownership of the property to the Local Partner, be reimbursed for any expenses incurred during the acquisition process, and collect a transaction fee prior to transfer in an amount no less than ~~\$250~~500.00.
- d. Land Bank Administrator. In this capacity, the Corporation will acquire properties using funding provided by Local Partners, hold properties in the Corporation's name, and manage the redevelopment of properties with assistance from Local Partners. The Corporation will be reimbursed by Local Partners for any option fees, title agreements or due diligence activities required to purchase the property and initially paid for by the Corporation. The Corporation will hold properties under its ownership until the Local Partner can complete redevelopment activities and place qualified low-income households into properties. The Corporation will collect an annual fee for overhead and administration, plus reimbursement for the actual cost of insurance premiums from the Local Partner. The Corporation shall transfer ownership of the property to the Local Partner within 60 days of written notice, and the Corporation will collect a reasonable transfer fee.
5. **Selection of Local Partners.** The Corporation intends to focus on developing partnerships with qualified nonprofit and local government entities as local partners (collectively the "Local Partners") that have established clear relationships to the communities where properties are acquired by the Corporation. The Corporation will market the ACT program to Local Partners in targeted communities and/or may

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accept partnership applications from Local Partners. In either case, Local Partners must meet the following minimum qualifications:

- a. Nonprofit entities must be an active nonprofit 501(c)(3) or (c)(4) corporation as recognized by the U.S. Internal Revenue Service, and registered as a nonprofit corporation within the State of Texas;
- b. Financial audits or statements of the Local Partner for a two-year period must reflect the entity's ability to manage funds appropriately, as determined solely by the Corporation;
- c. At least two years of experience in the planning, marketing, development or management of housing programs for moderate and low-income households; ~~and~~
- d. The ability to provide evidence of support from local government officials for their activities within the target community; and -
- e. The entity must not have an active exclusion cited within the Texas Comptroller's System for Award Management Database.

**6. Selection of Developers.** The Corporation may, in its sole determination, enter into a Construction Contract or a maintenance agreements with a Developer that is a for-profit entity if there is no nonprofit or local government entity is present, capable, or interested in acting as a Local Partner with respect to the property. Each Developer must provide the Corporation with the following:

- a. Proof of existing business registration status as filed with the Texas Secretary of State, Texas Comptroller's Office or applicable county;
- b. Financial audits or statements of the Developer for a two-year period must reflect the Developer's ability to manage funds appropriately, as determined solely by the Corporation;
- c. At least two years of experience in construction or rehabilitation of residential housing; ~~Proof of Construction Insurance;~~
- d. Proof of Construction Insurance; and
- e. The entity must not have an active exclusion cited within the Texas Comptroller's System for Award Management Database.

**6.7. Competitive or Select Application Procedures.** In the event the Corporation receives funding that requires the Corporation to utilize a competitive or other application process to disburse the funds, the Corporation ~~it~~ shall publish ~~to on~~ its website a request for proposals (an "RFP") and application materials. The Corporation will only accept applications when there are available sources of funds and will include all guidelines, procedures, thresholds and scoring criteria in the relevant RFP.

**7.8. Local Partner and Developer Approvals.** The ~~Manager~~Director of Development Finance (the "~~Manager~~Director") is responsible for coordinating and overseeing the review of Local Partner or Developer applications. Local Partner or Developer applications that fulfill all of the threshold and selection criteria of this Policy and any applicable RFP will be recommended by the Director to the Corporation's President or Executive Vice President for approval and execution of a Local Partner MOU or Developer Construction Contract, as applicable. Board of Directors (the "Board") for consideration and possible approval. The Board's approval may include the commitment of specific funding resources to the Local Partner to acquire properties and complete other activities (demolition, clearance, etc.) as detailed in the Manager's recommendation. If ~~the Local Partner's application is approved by the Board,~~ the Local Partner must enter into a Local Partner MOU with the Corporation prior to the commencement of land banking activities, as defined above, which will detail the roles and responsibilities of the

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~~Corporation and Local Partner. If approved, the Developer must enter into a Construction Contract with the Corporation prior to the commencement of land banking activities.~~

~~8.9.~~ **Project Approvals.** The selection of individual properties acquired by the ACT program will be completed by the ~~Manager/Director, and then approved by the Corporation's President or Executive Vice President.~~ If a property is selected, ~~properties are approved by~~ the President or Executive Vice President; ~~the Manager~~ shall be authorized to execute purchase agreements ~~on any specific property~~ and pursue other due diligence requirements of this Policy and the ACT program's funding sources.

~~9.10.~~ **Qualified Projects.** All housing units acquired by the Corporation must meet the following criteria in order to be considered a qualified project ("Qualified Project") for the purposes of this policy.

- a. A Qualified Project must ~~advance the mission~~ be consistent with the public purpose of the Corporation;
- b. A Qualified Project must be financially feasible and provide sufficient return on the Corporation's investment to sustain the ACT program;
- c. A Qualified Project must be located in an area that provides access to reasonable good educational, employment, transportation and other community services; and
- d. A Qualified Project must have a plan to ensure the property will be redeveloped primarily for the benefit of low-income Texans.

In order to be considered for the TSAHC Land Trust, a Qualified Project must also demonstrate a special circumstance or condition that justifies its inclusion in the Land Trust program. Such special circumstances may include the development of homes for persons with disabilities or other special needs, homes for extremely low-income households, and homes in areas considered to be high opportunity areas (such as areas experiencing gentrification or high income areas) that will affirmatively advance the Corporation's public purpose and provide affordable housing opportunities in these special circumstances. ~~further fair housing choice.~~

~~10.11.~~ **Affordability Threshold.**

- a. The Corporation's ~~statutory and charitable mission~~ public purpose requires that ~~all properties held~~ housing provided by the Corporation be used primarily for the benefit of ~~qualified~~ low, very-low and extremely low-income households. To ensure adherence to these requirements, ~~all properties held by the Corporation~~ Qualified Projects will be ~~held~~ required to meet the following minimum qualifications:
  - i. ~~All units~~ Acquired and developed units for homeownership shall be ~~affordable~~ primarily made available to low, very low and extremely low-income households at eighty percent

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(80%) or below of the area median income (the "AMI") for the location of the property, or eighty percent (80%) or below of the statewide median income, whichever is greater;

- ii. ~~All units~~ Acquired and developed units for rental shall be affordable for primarily made available to low, very low and extremely low-income households at or below 80% of the AMI for the location of the property;
- iii. All multifamily properties (4 or more units) acquired and developed for rental shall be held to the following additional income and rent restrictions:
  - A. At least 20% of the total units in the development for persons or families earning 50% or less of the AMI, based on the size of the unit and number of persons occupying the unit; or
  - B. At least 40% of the total units in the development for persons or families earning 60% or less of the AMI, based on the size of the unit and number of persons occupying the unit.
- iv. The Corporation may impose additional affordability requirements in accordance with funding limitations or on a case by case basis ~~;~~ and

b. Subject to the applicable limitation, the Corporation requires that all properties acquired, but not held, by the Corporation in the role of Buyer Agent be made affordable may permit the development of units for to qualified low or moderate income households, not to exceed 120% of the AMI for the location of the property or statewide median income, whichever is greater; ~~;~~ and

b.c. In the event the President or Executive Vice President determines that a property is not suitable for low or moderate income households, due to environmental or location conditions, feasibility concerns, or any other reason deemed appropriate by the President or Executive Vice President, the Corporation may remove a property from affordability restrictions and sell it to a private or public entity, and funds from such sale will be used by the Corporation for the acquisition or rehabilitation of other suitable ACT properties.

**11.12. Construction Threshold.** To ensure that working families have safe, decent, affordable housing, and to ensure long-term affordability and usability, all Qualified Projects ~~held by the Corporation~~ must meet the following standards:

- a. All Qualified Projects, at the time of acquisition or completion of construction or rehabilitation, shall meet all local building codes for the jurisdiction where they are located. If the development is located in an area where no local building codes are in place or have been adopted, the development shall meet the most recent International Residential Code or International Building Code;
- b. All Qualified Projects, at the time of acquisition or completion of construction or rehabilitation, shall be compliant with the Federal Fair Housing Act Accessibility Standards, Titles II and III of the Americans with Disabilities Act of 1990 ~~;~~ the Texas Minimum Construction Standards and §2306.514 (visitability guidelines) of the Texas Government Code. Borrowers must submit to the Corporation a certification from the project architect, engineer, or other third-party building inspector that the proposed Qualified Project Development will meet or exceed the above listed accessibility requirements;
- c. All Qualified Projects, at the time of acquisition or completion of construction or rehabilitation, shall be compliant with the U.S. Department of Energy's Energy Star Program, as confirmed by a certified

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third-party Home Energy Rating System (“HERS”) inspector or as certified to by the Development’s architect or engineer; and

- d. All Qualified Projects, at the time of acquisition or completion of construction or rehabilitation, shall have sidewalks, driveways and streets that are compliant with the Americans with Disabilities Act and Fair Housing Accessibility Standards.

**12-13. Location Threshold.** The Corporation shall consider a variety of factors to determine if a Qualified ~~P~~project is located in an area that promotes safe, healthy and decent housing for low-income households. The Corporation will consider a project’s proximity to grocery stores, pharmacies, financial services and other commercial services. All Qualified Projects ~~held by the Corporation~~ must meet the following minimum location standards:

- a. Qualified Projects may not be located within the 100-year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps; and
- b. Qualified Projects located within a county or city that is covered by the Texas Windstorm Insurance Association (TWIA) shall be required to secure windstorm insurance in accordance with the TWIA insurance policy requirements.

**13-14. Additional Thresholds.** All Qualified Projects ~~held by the Corporation~~ must meet the following additional threshold criteria:

- a. The Corporation requires a general review of environmental conditions at each Qualified Project location. The environmental review may include a review of city or county environmental records; an environmental notification process, as may be required by the Corporation’s funding partners; or a Phase I Environmental Site Assessment and any necessary updates, based on the Corporation’s sole determination of need;
- b. The Corporation generally will not fund a Qualified Pproject that may cause the displacement of a low-income household. Exceptions to this requirement may be considered on a case-by-case basis;
- c. The Corporation shall use minimum underwriting standards in evaluating all projects. The Corporation shall review such items as debt coverage ratio, cost of project maintenance and the Local Partner’s or Developer’s financial strength and creditworthiness. The minimum underwriting standards shall reflect the nature of the project, its location and the AMI for ~~targeted-qualified~~ low-income households. The Corporation’s ~~Manager~~Director shall be responsible for determining the feasibility of each project;
- d. The Corporation may require a third-party market analysis, or may conduct its own assessment of market conditions, to determine the feasibility of a proposal. Current information on demographics,

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population growth, employment trends, median home prices, zoning requirements, absorption rates, and any other indicators of the market capacity may be considered in the Corporation's review.

**14.15. Security Interest.** To ~~insure~~ ensure the fulfillment of the applicable Affordability Threshold, a variety of agreements may be filed in the deed records of Qualified Projects ~~held by the Corporation~~. At a minimum, the Corporation may consider the following security interests, or any combination thereof:

- a. Deed Restriction or LURA: The Corporation may file a deed restriction or Land Use Restriction Agreement (the "LURA") in the real property records that defines limitations on resale and occupancy of the Qualified Project. Deed restrictions may or may not be filed as non-foreclosable instruments.
- b. Shared Appreciation Agreement: A shared appreciation agreement (the "Shared Appreciation Agreement") ~~will be is~~ filed either as a mortgage instrument, deed restriction, or other form of agreement ~~or instrument~~ acceptable to the Corporation, and ~~allows for will allow~~ the Corporation to recapture grant funds or equity transfers (or the equivalent thereof) to a Qualified Project upon any future sale or transfer of ownership. ~~Generally,~~ The Corporation shall seek to recapture 100% of such grant dollars and/or a percentage of such equity transfers. The total recapture amount will depend on the net proceeds available after repayment of superior liens.
- c. Ground Lease: The Corporation may also hold properties in perpetuity and sell or lease their improvements to Local Partners to operate affordable rental housing, or sell improvements to qualified low-income households. In either case, the Qualified Project will be restricted for occupancy in accordance with the applicable Affordability Threshold through a ground lease agreement.

**15.16. Project Monitoring.** The Corporation requires that all Qualified Projects ~~held by the Corporation~~ undergo a regular review to determine that the project continues to meet the applicable Affordability Threshold criteria and goals of the ACT ~~program initiative~~. The Corporation may require, especially in the case of rental developments, that an asset management or asset oversight review be completed on an annual, semi-annual or other periodic basis, as determined by the Corporation. The Corporation may charge an annual fee in order to cover the cost of ~~such~~ reviews.

**16.17. Disposition of Properties.** To accomplish the sale or transfer of Qualified Projects, the Corporation may rely on its Local Partners to market, broker, or otherwise sell or lease Qualified Projects. In the absence of a Local Partner, or as otherwise determined necessary, the President or Executive Vice President of the Corporation shall be authorized to ~~list properties for sale as owner without representation~~, contract disposition activities to a licensed real estate broker or ~~contract with any~~ other qualified third-party entity ~~for the disposition of the property~~.

**17.18. Insurance.** The Corporation shall be authorized to carry general liability, property, casualty and other necessary insurance coverage on Qualified Projects ~~held by the Corporation~~. The President, Executive Vice President, or Chief Financial Officer of the Corporation shall be authorized to contract for such insurance services.

**Fees.** The Corporation may charge fees, penalties, ~~or any other monetary accruals~~ ~~amounts deemed reasonable by the Corporation's President or Executive Vice President in order~~ to cover the cost of ~~operating the ACT program, including~~ application review, professional fees, asset and compliance reviews, ground leases, maintenance or holding costs, and any other ~~applicable costs associated with operating the program~~ ~~fee determined reasonable by the President or Executive Vice President of the Corporation.~~

# Tab Six

# Texas State Affordable Housing Corporation

## Texas Housing Impact Fund

### **Agenda Item:**

Presentation, Discussion and Possible Approval of a Revolving Line of Credit to East Dallas Community Organization in the amount of \$1,000,000 to construct new homes at the Creekside at Carter Square Subdivision in Dallas, Texas.

### **Summary:**

The Corporation has received an application from East Dallas Community Organization (“EDCO”) for a revolving line of credit, using Texas Housing Impact Fund (“THIF”) program funds in the amount of \$1 million, to construct new homes at the Creekside at Carter Square Subdivision in Dallas, Texas. The loan will provide financing for construction activities on sixteen (16) lots owned by the Corporation. All sixteen lots were purchased using Neighborhood Stabilization Program (“NSP”) funding, provided to the Corporation by the Texas Department of Housing and Community Affairs.



Creekside at Carter Square Subdivision

### **Public Benefit:**

All sixteen homes will be built for households earning 120% or less than the area median income (“AMI”) in the City of Dallas. The NSP funds used to purchase the lots allow the Corporation to target the creation of housing for low and moderate income households earning up to 120% of AMI. Staff is requesting the Board approve the EDCO loan under section 3(d) of the THIF policies (based on the 120% AMI income standard), and correspondingly waive section 7(c) of the THIF policies, which requires 51% of the homes to be targeted to households at or below 80% AMI. The lots included in this project are subject to NSP requirement, which allows for homes to be sold to households up to 120% AMI. Staff believes that holding EDCO to more restrictive affordability standards than what NSP allows will slow sales and prohibit the full utilization of this line of credit.

### **Financial Summary:**

EDCO has requested \$1,000,000 in construction financing with a term of 24 months and an interest rate of 5%. EDCO will build homes priced from \$200,000 to \$250,000. Given an area median income of \$77,200 for a family of four, the proposed home prices are well within the affordability range for homebuyers at 120% or less of AMI given current interest rates. EDCO is also reducing the price of homes through construction subsidies. The Meadows Foundation will provide approximately \$10,000 per home, with an additional \$10,000 per home provided by EDCO in the form of a developer fee write-down. Homebuyers will also benefit from up to

# Texas State Affordable Housing Corporation

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## Texas Housing Impact Fund

\$20,000 in down payment assistance through the NSP program and may leverage additional funding through the City of Dallas, or other homebuyer assistance programs.

The Corporation's loan will be secured through a loan agreement and a first lien revolving deed of trust. The Corporation also owns the lots that will be developed and EDCO will construct the homes through a fixed price contract, which is currently being used with each of the Local Partners in our ACT Land Banking program.

### **Market Conditions:**

The City of Dallas' population is nearing 1.3 million people and the Dallas MSA is currently supporting a healthy regional economy that includes increased job growth in most industries and especially in the professional and business services sector since 2017. Unemployment in the Dallas metro area was 3.41% in September 2018, an improvement to the 3.64% rate reported by the Texas A&M Real Estate Center for 2017. Housing values in Dallas have grown by 3.6% over the past year with a median home price for October 2018 of \$257,000. Additionally, the inventory of home sales between October 2017 and October 2018 decreased by 3.6% according to data collected by the Texas A&M Real Estate Center.

### **Borrower Summary:**

East Dallas Community Organization was formed as 501(c)(3) nonprofit corporation in 1997 and is a certified Community Housing Development Organization within the City of Dallas. EDCO has completed more than 100 new single family homes over the past 20 years and most recently completed new homes in the Jubilee Park, Bexar Macon and Dolphin Heights neighborhoods. While focusing most of their development activity in eastern neighborhoods, EDCO has completed projects as home builder with many neighborhood based community groups throughout the City of Dallas.

Led by President, Gerald Carlton, EDCO continues to play an integral role in affordable housing for the greater Dallas Community. Mr. Carlton has been with EDCO since 2001 and has sat on the board of the North Texas Community Development Association, Texas Association of Community Development Corporations and Texas Community Capital. Mr. Carlton is supported by a number of staff persons that have decades of experience in affordable housing construction, home buyer counseling and green building techniques.

### **Recommendation:**

Staff is recommending that the Board approve a Revolving Line of Credit to East Dallas Community Organization in the amount of \$1,000,000 to construct new homes at the Creekside at Carter Square Subdivision. As noted above, staff is also requesting that the Board approve the Project under section 3(d) as a suitable THIF purpose based on the 120% AMI income limitation, and correspondingly waive section 7(c)(i) requiring 51% of homes sold to households earning 80% or less of the AMI to allow the homes built to be sold to households earning 120% or less of the AMI. The lots included are part of our NSP portfolio, which allows for the development and

# **Texas State Affordable Housing Corporation**

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## Texas Housing Impact Fund

sale of homes up to 120% AMI. The revolving line of credit will also be subject to the following conditions.

- The annual interest rate on the loan will be 5.50%
- The term of the loan will be 24 months, and no new homes may be added to the line of credit after month 18.
- Homes may only be sold to households earning 120% or less than the AMI.
- The Corporation will collect a commitment fee of \$6,000 and an origination fees of \$250 for each home added to the line of credit.

# Texas State Affordable Housing Corporation

## Applicant Summary

Applicant: EDCO  
 Contact Name, Title: Gerald Caltron  
 Project Name: EDCO Creekside RLOC

## Development Summary

Project City/Region: Dallas  
 Project County: Dallas  
 Project Type: New Const  
 Property Size (single site): n/a      # of Lots: 16      Avg. Lot Size: 0.196

## Market Characteristics

	City/Region:	County:	State
Median Income (fam of 4):	\$ 77,200	\$ 77,200	\$ 64,585
Target Median:	\$ 92,640	\$ 92,640	\$ -
Population:	1,278,433	2,513,054	26,956,435
County Diversity Index:	0	69.82	0
Average Household Size:	2.58	2.77	2.84
Unemployment:	3.41%	3.60%	3.70%

## Housing Data

	City/Region:	County:	State
Total Housing Units	543,275	975,540	10,441,643
Residential Vacancy Rate:	10.20%	8.30%	7.14%
% of Homes Aff to Target:	0.00%	69.00%	0.00%
Median Home Price:	\$ 257,000	\$ 223,000	\$ 142,700
Months Inventory	0	3	0
Inventory (mos) Last Year:	0	2.5	0
# of Homes Sales:	0	1,917 - Oct 2018	0
Building Starts Δ (y/y):	-	5,506	-

# Texas State Affordable Housing Corporation

## Applicant Summary

Applicant: EDCO  
Contact Name, Title: Gerald Caltron  
Project Name: EDCO Creekside RLOC

## Financing Summary

	Source:	\$	Rate:	Term:
Texas Housing Impact Fund	\$	1,000,000	5.50%	24
Meadows Foundation	\$	160,000		
Communities Foundation of Texas	\$	17,000		
Developer/Applicant Equity	\$	160,000		
	\$	-		
	\$	-		
	\$	-		
Total	\$	1,337,000		

## Texas State Affordable Housing Corporation

### Development Cost Estimate

Applicant EDCO  
 Project Name EDCO Creekside RLOC

#### Model 1: 1,705 sqft

Total Hard and Soft Costs	\$	205,842.12
Developer Fee	\$	30,876.32
Constuction Loan closing	\$	2,250.00
Construction Loan 5%/ 11 mos.	\$	7,300.00
Sale Closing Costs	\$	2,000.00

**Fixed Price Construction Amount**     **\$ 248,268.44**

TSHAC Lot Costs/ NSP Loan	\$	15,500.00
Realtor Fee 6%	\$	14,896.11
Closing Costs	\$	6,500.00

**List Price**     **\$ 285,164.55**

EDCO contribution	\$	(10,000.00)
Meadows	\$	(10,000.00)
Community Foundation of Texas (CFT)	\$	(10,000.00)
Predevelopment funding CFT	\$	(1,000.00)

**SALES PRICE**     **\$ 254,164.55**

Downpayment Assistance		
NSP Home Buyer Assistance	\$	(15,500.00)

**SUB TOTAL**     **\$ (15,500.00)**

**HOME BUYER MORTGAGE**     **\$ 238,664.55**

#### Model 2: 1,605 sqft

Total Hard and Soft Costs	\$	194,481.05
Developer Fee	\$	29,172.16
Constuction Loan closing	\$	2,250.00
Construction Loan 5%/ 11 mos.	\$	6,900.00
Sale Closing Costs	\$	2,000.00

**Fixed Price Construction Amount**     **\$ 234,803.21**

TSHAC Lot Costs/ NSP Loan	\$	15,500.00
Realtor Fee 6%	\$	14,088.19
Closing Costs	\$	6,500.00

**List Price**     **\$ 270,891.40**

EDCO contribution	\$	(10,000.00)
Meadows	\$	(10,000.00)
Community Foundation of Texas (CFT)	\$	(10,000.00)
Predevelopment funding CFT	\$	(1,000.00)

**SALES PRICE**     **\$ 239,891.40**

Downpayment Assistance		
NSP Home Buyer Assistance	\$	(15,500.00)

**SUB TOTAL**     **\$ (15,500.00)**

**HOME BUYER MORTGAGE**     **\$ 224,391.40**

### Recent Sales Analysis

Address	List Price	Sold Price	Percentage of List Pri	DOM	\$ per Sqft
6814 American Way	\$ 289,000.00	\$ 289,000.00	100.0%	5	\$ 127.00
6928 Manitoba Avenue	\$ 195,000.00	\$ 192,000.00	98.5%	14	\$ 109.00
6918 Manitoba Avenue	\$ 259,900.00	\$ 252,900.00	97.3%	13	\$ 109.00
6708 Keswick Drive	\$ 269,000.00	\$ 259,000.00	96.3%	35	\$ 134.00
724 Green Castle Drive	\$ 213,900.00	\$ 210,000.00	98.2%	48	\$ 127.00
702 Annarose Drive	\$ 225,000.00	\$ 220,000.00	97.8%	0	\$ 122.00
6722 American Way	\$ 255,000.00	\$ 250,000.00	98.0%	6	\$ 147.00
<b>Averages</b>	<b>\$ 243,828.57</b>	<b>\$ 238,985.71</b>	<b>98.01%</b>	<b>17</b>	<b>\$ 125.00</b>

CERTIFICATION

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

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

1. The Board of Directors of the Corporation (the “Board”) convened on December 13, 2018, at the Corporation’s offices in Austin, Texas, and the roll was called of the duly constituted members of said Board, who are as follows:

<u>Name</u>	<u>Office</u>
William H. Dietz	Chairperson
Jerry Romero	Vice Chairperson
Lori Cobos	Director
Valerie Cardenas	Director
Robert Elliott Jones	Director

2. The officers of the Corporation (who are not Board members) are as follows:

<u>Name</u>	<u>Office</u>
David Long	President
Janie Taylor	Executive Vice President
Melinda Smith	Chief Financial Officer and Treasurer
Lacy Brown	Secretary
Cynthia Gonzales	Assistant Secretary

All Board members were present except \_\_\_\_\_, thus constituting a quorum. All of the officers of the Corporation (except the Secretary) were present at the meeting.

3. Whereupon, among other business, the following written resolution (the “Resolution”) bearing the following caption:

“RESOLUTION NO. 18-\_\_

TEXAS STATE AFFORDABLE HOUSING CORPORATION

RESOLUTION APPROVING A REVOLVING LINE OF CREDIT TO EAST DALLAS COMMUNITY ORGANIZATION IN THE AMOUNT OF \$1,000,000 TO CONSTRUCT NEW HOMES AT

THE CREEKSIDE AT CARTER SQUARE SUBDIVISION IN  
DALLAS, TEXAS

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

\_\_\_ AYES

\_\_\_ NOES

\_\_\_ ABSTENTIONS

4. That a true, full and correct copy of the Resolution adopted at the meeting described in the above is attached to this certificate; that the adoption of the Resolution will be duly recorded in the Board's minutes of the meeting; that the persons named above are the duly chosen, qualified and acting members of the Board and the officers of the Corporation as indicated; that each member of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at said meeting.

SIGNED this \_\_\_th day of December, 2018.

Lacy Brown, Secretary  
Texas State Affordable Housing Corporation

**RESOLUTION NO. 18-\_\_**

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**

RESOLUTION APPROVING A REVOLVING LINE OF CREDIT TO EAST DALLAS COMMUNITY ORGANIZATION IN THE AMOUNT OF \$1,000,000 TO CONSTRUCT NEW HOMES AT THE CREEKSIDE AT CARTER SQUARE SUBDIVISION IN DALLAS, TEXAS

WHEREAS, the Texas State Affordable Housing Corporation (the “Corporation”) has been duly created and organized pursuant to and in accordance with the provisions of Subchapter Y (Section 2306.551 et. seq.) of Chapter 2306, Texas Government Code, as amended, and other applicable provisions of Texas law (collectively, the “Act”); and

WHEREAS, under the Act, the Corporation is authorized to perform activities and services that the Corporation’s Board of Directors determines will promote the public health, safety, and welfare through the provision of adequate, safe, and sanitary housing primarily for individuals and families of low, very low, and extremely low income, and such activities and services shall include engaging in lending transactions; and

WHEREAS, said activities and services include those permitted to be funded by the Texas Housing Impact Fund (“THIF”), a fund established and maintained by the Corporation, which include the provision of loans and lines of credit for the acquisition, rehabilitation and/or construction of single family homes for sale meeting the requirements of the Corporation’s THIF Policy and Guidelines, as modified by this Resolution; and

WHEREAS, the Board of Directors has reviewed and discussed a staff proposal (approved by the Loan Committee of the Corporation) to make THIF funds available as a revolving line of credit (the “Revolving Loan”) to East Dallas Community Organization (“EDCO”) in the maximum principal amount of \$1,000,000 (the “Revolving Loan”), with the loan proceeds to be used by EDCO, together with other available funds, to construct single family homes on sixteen (16) lots owned by the Corporation at the Creekside at Carter Square Subdivision in Dallas, Texas; and

WHEREAS, the Corporation owns the land for where each home will be built upon and the Revolving Loan will be secured by the improvements under a Master Deed Of Trust, Assignment, Security Agreement And Fixture Filing; and

WHEREAS, following construction of the homes, EDCO will sell the homes to qualified buyers whose income does not exceed 120% of area median income (“AMI”); and

WHEREAS, after due discussion and consideration, the Board of Directors of the Corporation has determined to approve the Revolving Loan to EDCO for the purposes described above.

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

Section 1. Approval of Revolving Loan and Related Matters. The Board of Directors approves the Revolving Loan by the Corporation to EDCO in the maximum principal amount of

\$1,000,000, the proceeds of which are to be used by EDCO, together with other available funds, to construct new single-family homes on sixteen (16) lots owned by the Corporation in the Creekside at Carter Square Subdivision in Dallas, Texas.

Following construction, EDCO will sell the single-family homes to qualified buyers. Qualified buyers may include borrowers whose income does not exceed 120% of area median income. The Board has determined that the sale of the homes to such borrowers is a suitable purpose under the THIF Policy and Guidelines and such purpose is approved by the Board of Directors.

The Board authorizes the President and the Executive Vice President to approve, in consultation with counsel, the form and substance of all necessary documents relating to the EDCO Loan, including but not limited to a revolving loan agreement and related security documents (collectively, the "Transaction Documents").

Section 2. Execution and Delivery of Transaction Documents. The President and the Executive Vice President are each, in the name and on behalf of the Corporation, authorized to execute and deliver the Transaction Documents to which the Corporation is a party.

Section 3. Execution and Delivery of Ancillary Documents; Taking of Ancillary Actions. The President and the Executive Vice President are each, in the name and on behalf of the Corporation, authorized by the Board of Directors, at any time before or after the execution and delivery of the Transaction Documents, in consultation with counsel, to (i) execute, acknowledge and deliver any and all such orders, directions, certificates, agreements, documents, instruments, amendments and other papers or items (collectively, "Ancillary Documents"), and (ii) do or cause to be done any and all such acts and things (collectively, "Ancillary Actions"), which such officer deems necessary or desirable in connection to consummate the transactions contemplated by the Transaction Documents, or to otherwise fulfill the purposes of this resolution.

Section 4. Ratification of Prior Actions. All actions taken prior to the date of this Resolution by any officer of the Corporation in the name and on behalf of the Corporation, with respect to any of the matters and transactions described above, are ratified, confirmed and approved by the Board of Directors.

Section 5. Conflicting Prior Actions. Any order, resolution, approval or any action of the Board of Directors in conflict with this Resolution is hereby repealed to the extent of any such conflict.

Section 6. Severability. Any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution.

Section 7. Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

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APPROVED AND EFFECTIVE this \_\_th day of December, 2018.

TEXAS STATE AFFORDABLE HOUSING  
CORPORATION

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William H. Dietz, Chairperson

ATTEST:

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Lacy Brown, Secretary  
Texas State Affordable Housing Corporation

# Tab Seven



**TEXAS STATE AFFORDABLE HOUSING CORPORATION  
2019 ANNUAL ACTION PLAN**

DRAFT

# TEXAS STATE AFFORDABLE HOUSING CORPORATION

## 2019 ANNUAL ACTION PLAN

### INTRODUCTION

This plan is prepared in accordance with Texas Government Code, Section 2306.566, which requires the Texas State Affordable Housing Corporation (“TSAHC”) to develop a plan to address the state’s housing needs. Texas Government Code, Section 2306.0721(g) requires TSAHC’s Annual Action Plan to be included in the State Low Income Housing Plan (“SLIHP”) prepared by the Texas Department of Housing and Community Affairs (“TDHCA”).

### TSAHC OVERVIEW

The Texas State Affordable Housing Corporation, created in 1994 at the direction of the Texas State Legislature, is a self-sustaining nonprofit entity whose mission is to serve the housing needs of moderate to extremely low-income Texans and other underserved populations who cannot access comparable housing options through conventional financial channels. TSAHC’s enabling legislation can be found in Texas Government Code, Chapter 2306, Subchapter Y, Sections 2306.551 et seq.

TSAHC’s office is located in Austin, Texas. A five-member volunteer Board of Directors, appointed by the Governor of Texas, oversees the policies and business of TSAHC. None of TSAHC’s programs or operations are funded through the State’s budget appropriations process.

TSAHC is statutorily authorized to issue mortgage revenue bonds and other tax exempt bonds to finance the purchase and creation of affordable housing. TSAHC also has the authority to use loans from banks, private mortgage companies, nonprofit organizations and other financial institutions to assist low, very low, and extremely low income Texans. Over the course of its history, TSAHC has utilized more than \$3.3 billion in single family bonding authority and approximately \$821 million in multifamily private activity bonds.<sup>1</sup> Bond issuances are used to finance the creation and preservation of affordable multifamily housing and the following home buyer programs:

- Homes for Texas Heroes Home Loan Program
- Home Sweet Texas Home Loan Program
- Mortgage Credit Certificate Program

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<sup>1</sup> 2018 TSAHC bond activity includes the reservation of \$\$1,008,215,512 in mortgage revenue bonds for the Mortgage Credit Certificate program and the issuance of \$73,897,000 in Multifamily Private Activity Bonds.

Using its mission and statutory purpose and powers as guidance, TSAHC has developed the following additional programs, services and initiatives to help meet the need for affordable housing in Texas:

- Home Buyer and Financial Education
- Texas Housing Impact Fund
- Affordable Communities of Texas
- Asset Oversight and Compliance
- Single Family Rental Program
- Multifamily Rental Program
- Texas Foundations Fund
- Housing and Economic Assistance to Rebuild Texas (HEART)
- Technical Assistance and Other Initiatives

**TSAHC OBJECTIVE**

The programs and services TSAHC administers have evolved and grown over the years as it works to serve the housing needs of Texans who need affordable housing and underserved populations, such as people with disabilities and people living in rural areas of the state where access to services and programs is limited. In 2019, TSAHC’s objective is to continue to implement innovative approaches to fulfill its mission while expanding the success of its current programs.

## PROGRAM DESCRIPTIONS AND IMPLEMENTATION PLANS

### HOMEOWNERSHIP PROGRAMS

Over the last decade research has consistently shown that homeownership has a positive impact on the socioeconomic status of a household and their community. Homeownership remains financially better than renting as the average household wealth of a homeowner is \$231,420 while the average household wealth of a renter is \$5,200.<sup>2</sup>

In addition to financial benefits, there are social benefits to homeownership. Stable housing created by homeownership can lead to better educational outcomes for children, improved health outcomes, reduced crime, and increased civic engagement.<sup>3</sup>

TSAHC currently administers the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs, which provide 30-year fixed-rate mortgage loans, tax credits and down payment assistance to low and moderate-income families and individuals. The down payment assistance is provided either in the form of a grant that does not require repayment or a soft second lien with 0% interest and no monthly payments. The second lien option was introduced in September 2018.

TSAHC offers down payment assistance because the number one barrier for prospective buyers is that they cannot accumulate sufficient funds for a down payment.<sup>4</sup> This problem has worsened in recent years as increasing rents make it harder to save money, and increasing home prices require larger down payments.<sup>5</sup>

TSAHC's down payment assistance is available statewide on a first-come, first-served basis to home buyers who wish to purchase a newly constructed or existing home. Home buyers must meet income and purchase price limits set by federal guidelines, while demonstrating creditworthiness and meeting standard mortgage underwriting requirements. Home buyers must also occupy the purchased home as their primary residence. The programs are accessible to eligible borrowers by directly contacting a participating mortgage lender.

In the past, TSAHC funded these programs through the tax-exempt bond market by issuing mortgage revenue bonds available under its statutory authority. However, more recently TSAHC funds these programs by pooling loans on a regular basis and selling the mortgage-backed securities.

The Homes for Texas Heroes Home Loan Program, established by the Legislature in 2003, is allocated 10 percent of the State's private activity bond cap for the purpose of making

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<sup>2</sup> Source: Laurie Goodman, "Homeownership is still financially better than renting," urban.org, February 21, 2018

<sup>3</sup> Source: "Why Homeownership Matters," forbes.com, August 12, 2016

<sup>4</sup> Source: Svenja Gudell, "Down Payment the Top Hurdle Holding Back Would-Be Home Buyers," [www.zillow.com](http://www.zillow.com), April 12, 2017

<sup>5</sup> Source: Brian Croce, "Renters Say Down Payment Costs Prevent Home Purchases," Multifamily Executive, April 13, 2017

mortgage loans to:

- Public School Classroom Teachers
- Public School Teacher's Aides
- Public School Librarians
- Public School Nurses
- Public School Counselors
- Faculty Members of an Allied Health or Professional Nursing Program
- Paid Firefighters
- Emergency Medical Services Personnel
- Peace Officers
- Corrections Officers
- Juvenile Corrections Officers
- County Jailers
- Veterans
- Public Security Officers

In 2006, TSAHC created the Home Sweet Texas Home Loan Program to serve home buyers not eligible for the Homes for Texas Heroes Home Loan Program. The Home Sweet Texas Home Loan Program is not profession-specific.

Both the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs are available statewide to those with incomes at or below 115 percent of the area median family income. In April 2017, TSAHC increased the income eligibility from 80 percent to 115 percent of the area median income for the Home Sweet Texas Home Loan Program to match the income eligibility for the Homes for Texas Heroes Home Loan Program. This modification is helping TSAHC address the housing needs of moderate income Texans who increasingly need assistance home prices continue to rise. For example, the median home price statewide reached a record high of \$231,900 in September 2018.<sup>6</sup>

#### *Mortgage Credit Certificate Program*

In 2008, TSAHC established the Mortgage Credit Certificate (MCC) Program as another way to assist first-time home buyers. The MCC Program is made possible under IRS rules that allow the conversion of single family mortgage revenue bonds into MCCs. TSAHC's MCC Program serves the same populations eligible for the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs; however, the program is only available to first-time homebuyers (defined as those who have not owned a home in three years.)

Under the MCC Program, the home buyer can take a portion of the annual interest paid on the mortgage loan as a special tax credit, up to \$2,000 each year that they occupy the home as their principal residence. An MCC has the potential of saving the home buyer thousands of

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<sup>6</sup> Source: James P Gaines, et. al. "Texas Housing Insight," Real Estate Center at Texas A&M University, November 7, 2018

dollars over the life of the loan. And although the MCC Program is not a home loan program, TSAHC requires the home buyer to obtain a fixed-rate mortgage loan. Home buyers can also combine the MCC Program with the mortgage loan and down payment assistance provided under the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs.

### *Home Buyer Education Requirement*

Every home buyer who utilizes one of TSAHC's homeownership programs must complete an approved home buyer education course offered by a provider listed on the Texas Financial Toolbox web site.<sup>7</sup> The providers listed on this site are generally nonprofit organizations or government entities who are either HUD-approved or certified to provide home buyer education.

TSAHC requires home buyer education to ensure households are well prepared for the responsibilities of owning a home. Research by the U.S. Department of Housing and Urban Development revealed that home buyer education empowers individuals with the ability to make better financial decisions, understand their home buying options, improve their credit, save more money, and lower housing costs.<sup>8</sup>

Moreover, homeowners who take a home buyer education course are less likely to have a mortgage go into foreclosure. A study examining home buyers that used Tennessee's state housing finance agency programs found that individuals receiving home buyer education were 42 percent less likely to face foreclosure. Additionally, among home buyers who defaulted, home buyer education increased the chances they would cure the default and avoid foreclosure.<sup>9</sup>

### *2018 Homeownership Programs Changes*

Since its inception TSAHC has continued to stay abreast of any changes or developments in the mortgage industry. In 2018, TSAHC made two notable changes to respond to industry trends and meet consumers' needs.

First, TSAHC began offering a second lien down payment assistance option in September 2018. TSAHC continues to offer down payment assistance grants for 3% or 4% of the mortgage loan amount. The second lien option is available for home buyers who would like down payment assistance equal to 5% of the mortgage loan amount.

TSAHC implemented this modification because changes in the home buying market and increased interest rates made it no longer financially feasible to offer a 5% grant option. However, instead of eliminating the 5% option altogether, TSAHC opted to create a new second

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<sup>7</sup> Texas Financial Toolbox, <http://www.texasfinancialtoolbox.com/home-buyer-education>

<sup>8</sup> Source: Evidence Matters, "The Evidence on Homeownership Education and Counseling," Spring 2016

<sup>9</sup> Source: Scott R. Brown, "The Influence of Homebuyer Education on Default and Foreclosure Risk," Journal of Policy and Analysis and Management, October 8, 2015.

lien product to give consumers more options.

Second, TSAHC expanded its Homes for Texas Heroes and Home Sweet Texas Home Loan Programs to include manufactured homes, which were already eligible with TSAHC's MCC program. More consumers are turning to manufactured homes as a safe, decent and affordable housing option, and they are able to secure traditional mortgage financing options on these homes. TSAHC responded to this industry trend by expanding our requirements to allow home buyers purchasing a manufactured home to be eligible for down payment assistance in addition to an MCC.

### *2018 Homeownership Programs Activity Synopsis*

In 2018, TSAHC's home buyer programs helped 6,867 families purchase a home with down payment assistance, an MCC, or both, which is the highest annual total to date. In comparison, TSAHC assisted 5,758 families in 2017. To date, TSAHC has served more than 26,000 households under our homeownership programs.

### *2019 Implementation Plan*

TSAHC will look to expand the reach of our homeownership programs by continuing to build upon relationships with current lenders and recruiting additional lenders to participate in our homeownership programs. In 2019, TSAHC will make an effort to recognize top performing lenders and recruit more lenders from rural areas in Texas.

TSAHC will also make a stronger push in marketing to REALTORS®, particularly those in rural areas. In the past three years, TSAHC has expanded its efforts to reach out to these professionals, and the homeownership team will continue these efforts, which include in person and online training and other outreach activities.

Additionally, TSAHC will continue to market programs directly to home buyers. This is necessary because many home buyers don't know that down payment assistance programs exist.<sup>10</sup> In addition to maintaining current outreach efforts, TSAHC will make a stronger effort in reaching millennials, renters, rural households, and buyers of manufactured homes. TSAHC will also unveil a new MCC marketing effort to better explain the program benefits to lenders, REALTORS® and home buyers.

## **HOME BUYER EDUCATION AND FINANCIAL EDUCATION**

### *Connecting Consumers with High Quality Housing and Financial Counselors*

In 2012, TSAHC created the Texas Financial Toolbox ([www.texasfinancialtoolbox.com](http://www.texasfinancialtoolbox.com)) to give

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<sup>10</sup> Source: Laurie Goodman, et. al. "Barriers to Accessing Homeownership: Down Payment, Credit, and Affordability," Urban Institute, November, 2017

consumers an easy way to find nonprofit organizations or government entities that can help them achieve their financial and homeownership goals through home buyer education, credit counseling or financial education.

Whether consumers want to learn how to better manage their money, find out if they're ready for homeownership, understand the home buying process and the programs that are available to help them buy a home, or learn how to avoid foreclosure, the Texas Financial Toolbox is a great place to start. Information about home buyer programs, home buyer education classes, financial education, and foreclosure prevention is available, all searchable by city. This is a unique tool TSAHC believes is providing essential information to Texas consumers.

In 2018, TSAHC expanded the Toolbox resource by creating a Loan Comparison Calculator<sup>11</sup> to help potential home buyers compare the different loans types and down payment assistance options offered by TSAHC. This tool is also available on TSAHC's website [www.tsahc.org](http://www.tsahc.org).

The Loan Comparison Calculator replaced an earlier down payment assistance calculator created in 2017 and a mortgage calculator created in 2010 that provided home buyers with an estimated interest rate based on their credit score.

The Toolbox also includes a step by step guide to help families and individuals gain a better understanding of the home buying process.

### *Housing Connection Training*

From 2012-2017, TSAHC administered the Texas Statewide Homebuyer Education Program (TSHEP), a housing and financial counselor training program, on behalf of the Texas Department of Housing and Community Affairs. In late 2017 TSAHC decided to expand the scope of the training services provided and opted not to continue our role as administrator of TSHEP. In 2018, TSAHC introduced the Housing Connection training program. The program's goal is to help both affordable housing and counseling organizations access trainings, promote themselves, and build capacity for their organizations and programs.

The Housing Connection training built upon the success of TSHEP by offering not only housing and financial counselor training but also training for nonprofits interested in affordable housing development.

In 2018, Housing Connection training included one three-day training course for housing and financial counselors and two one-day training sessions for organizations that currently or would like to develop and/or operate affordable housing. These trainings were offered at a weeklong training workshop in June 2018 hosted at the Federal Reserve Bank of Dallas- San Antonio branch.

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<sup>11</sup> <http://www.texasfinancialtoolbox.com/mortgage-calculator>

The courses covered the following topics: credit counseling, real estate finance and creative development financing strategies. TSAHC contracted with NeighborWorks America, the selected education provider, to provide the training services.

TSAHC, with support from private and public funders, made the training sessions as affordable as possible by subsidizing tuition costs and providing 13 hotel scholarships for participants traveling from out of town. In total, 39 individuals representing 31 organizations in 20 municipalities across Texas went through Housing Connection training in 2018, and 100% of participants would recommend the training to others.

To date, 548 individuals representing 268 organizations in 110 municipalities across Texas have attended training provided by TSAHC through either TSHEP (2012-2017) or Housing Connection (2018).

### *2019 Implementation Plan*

In 2018, TSAHC will provide four courses:

1. Lending Basics for Homeownership Counselors (3-day course)
2. Practice, Study, Success: Test Strategies for HUD's Counselor Certification Exam (2-day course)
3. Basic Steps of Affordable Housing Development (2-day course)
4. Strategic Thinking and Planning (2-day course)

All four courses will be offered during a weeklong training workshop in June 2019 to be hosted by the Federal Reserve Bank of Dallas. TSAHC will continue to make the training as affordable as possible by raising public and private funds to subsidize tuition costs and provide hotel scholarships for participants traveling from out of town.

### **TEXAS HOUSING IMPACT FUND**

The Texas Housing Impact Fund (formerly known as the Direct Lending program) helps provide safe, decent, and affordable housing with an emphasis on serving rural and underserved communities by providing flexible financing options to affordable housing developers.

Leveraging investments from private foundations and banks, TSAHC is able to provide both short-term and long-term affordable housing financing to developers through the Texas Housing Impact Fund. This funding model has enabled TSAHC to steadily grow the fund over time, with applications for new loans accepted on an ongoing basis, provided there is funding available for the program.

To date, the Texas Housing Impact Fund has financed the construction or rehabilitation of 217 single family homes and 1,961 rental units for low and moderate-income households.

TSAHC currently offers three types of loans:

- Construction lines of credit for new single-family homes
- Revolving lines of credit for acquisition/rehabilitation of single-family homes
- Permanent financing for multifamily rental properties

### *Single Family Construction/Rehabilitation*

Homeownership is the primary means by which lower-income households create stability and build wealth for the future. As mentioned above, the average household wealth of a homeowner is \$231,420 while the average household wealth of a renter is \$5,200.<sup>12</sup>

However, due to rising housing prices, many Texans cannot afford to purchase a home in their communities. For example, according to the Real Estate Center at Texas A&M University, as of September 2018, the median home price in Texas was a record high \$231,900.<sup>13</sup> Escalating home prices are especially problematic in urban areas like Austin (median home price of \$305,000), Dallas (\$274,000) and Houston (\$230,000).<sup>14</sup>

By financing the construction or rehabilitation of single family homes that are affordable to well-qualified low and moderate-income home buyers, the Texas Housing Impact Fund is helping families and individuals achieve the dream of homeownership and build household wealth.

In 2018, affordable housing developers used financing from the Texas Housing Impact Fund to rehabilitate or construct five homes for low- to moderate-income home buyers.

### *Multifamily Construction/Rehabilitation*

TSAHC also recognizes that not all families and individuals are ready to become homeowners. Access to affordable and decent rental housing is what is most important to these households. By funding the construction or rehabilitation of affordable rental units, the Texas Housing Impact Fund helps households access safe and decent rental homes without having to sacrifice other basic needs, such as food, education or medical care.

TSAHC's Texas Housing Impact Fund generally targets smaller multifamily developments in rural areas and underserved communities. While TSAHC did approve one Texas Housing Impact Fund loan for a multifamily development in 2018, the loan is expected to close in 2019.

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<sup>12</sup> Source: Laurie Goodman, "Homeownership is still financially better than renting," urban.org, February 21, 2018

<sup>13</sup> Source: James P Gaines, et. al. "Texas Housing Insight," Real Estate Center at Texas A&M University, November 7, 2018

<sup>14</sup> Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 20, 2018.

*Texas Housing Impact Fund Loan Production*

<b>Loan Production</b>	<b>2018</b>	<b>2003 - 2017</b>
Loans Made	1	31
# of Single Family Homes Built or Under Construction	5	212
# of Rental Units	27	1961
Amount of Loan Funds Approved	\$995,000 <sup>15</sup>	\$16,760,374

*2019 Implementation Plan*

TSAHC plans to continue to provide flexible lines of credit to developers in targeted areas. These loan products, leveraged with TSAHC’s access to lower cost land through its Affordable Communities of Texas (ACT) land bank, will enable these developers to continue to construct and rehabilitate single family homes that are affordable for working families.

Additionally, TSAHC plans to continue to explore lending opportunities to address housing needs for underserved populations including disaster impacted areas, small and rural markets, and urban areas that are rapidly changing and risk losing affordable housing.

TSAHC will continue to grow the fund by pursuing investments in the form of grants, Program Related Investments or Equity Equivalent Investments from foundations, banks, other lending institutions and investors. TSAHC also submitted an application to the Capital Magnet Fund administered by the U.S. Department of the Treasury in fall 2018. If successful, this award will provide up to \$5 million in additional investment for the Texas Housing Impact Fund.

In 2017, TSAHC released its first ever Texas Housing Impact Fund Investment Report to document the statewide impact of the program. This report enhanced TSAHC’s efforts to market the Texas Housing Impact Fund to developers and potential investors. In 2018, TSAHC released an updated report, and TSAHC will continue this practice on an annual basis.

**AFFORDABLE COMMUNITIES OF TEXAS PROGRAM**

TSAHC created the Affordable Communities of Texas (ACT) Program, a land bank and land trust program, in 2008 to stabilize communities experiencing high rates of foreclosure. TSAHC works in partnership with 20 nonprofit organizations across the state to acquire and redevelop foreclosed homes, vacant land and tax foreclosed properties, and then sell or rent the homes to low-income families.

To date, TSAHC has acquired 567 properties through the ACT program and has created 183

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<sup>15</sup> This Texas Housing Impact Fund loan is for the Accessible Housing Austin! at Briarcliff Apartment project, a 27-unit multifamily development in Central East Austin. This loan was initially approved by the TSAHC Board of Directors in November 2017 in the amount of \$695,000. Due to approval timelines and budgeting issues, the TSAHC Board of Directors approved an increase in the loan amount to \$995,000 in November 2018. While this loan was awarded in 2018, it will likely close in 2019.

homes for extremely low, very low, low and moderate income Texans. The ACT Program has a current portfolio of 244 lots and homes, and there are three active components of the program distinguished by source of funding and targeted use of properties (a fourth component ended in 2016):

- ACT Land Banking – This is TSAHC’s general land banking program that includes properties that are either purchased by TSAHC or donated to TSAHC. Properties are redeveloped for affordable housing. If a property is not suitable for redevelopment (i.e. poor location, high cost of redevelopment or other extenuating circumstances), the property is sold and the funds reinvested in the ACT Program.
- ACT Land Trust – Properties acquired are intended to be held in perpetuity by TSAHC. Homes built or redeveloped on land trust sites may be rented or sold to qualified low-income households.
- Texas NSP – This category includes those homes and properties that were acquired using Texas’s federal Neighborhood Stabilization Program (NSP) funding.
- Veterans Housing Initiative – This initiative was a partnership with Bank of America. TSAHC accepted higher value homes donated by Bank of America that were redeveloped and sold at a minimum 25% discount or donated mortgage-free to qualified U.S. military veterans in Texas. TSAHC sold 67 discounted homes and donated an additional 10 homes to veterans who are disabled and have low incomes. This initiative ended in 2016, but one property remains in the portfolio.

*Affordable Communities of Texas Portfolio*

<b>Program/Initiative</b>	<b>Acquisitions 2018</b>	<b>Sales 2018</b>	<b>Current Portfolio</b>	<b>Current Asset Value</b>
ACT Land Banking	0	8	49	\$495,739
ACT Land Trust	0	0	1	\$650,000
ACT Vet	0	0	1	\$33,210
Texas NSP	0	11	193	\$2,643,714
<b>Totals</b>	<b>0</b>	<b>19</b>	<b>244</b>	<b>\$3,822,663</b>

*2019 Implementation Plan*

The ACT Program will continue to play an integral role in TSAHC’s overall affordable housing strategy. TSAHC plans to continue to form partnerships to acquire foreclosed and vacant properties, including working directly with local and regional governments. Additionally, TSAHC intends to continue working with its network of local partner developers to redevelop and sell properties currently in the ACT Program’s portfolio.

In 2019, TSAHC will expand its efforts to find local partners in areas of the state where land bank properties exist, but there has not been a local partner identified. TSAHC will continue to focus on selling homes in the Texas NSP portfolio as quickly and efficiently as possible.

Regarding the land trust program, TSAHC will continue to work to develop a land trust on a vacant property that TSAHC owns in downtown Plano and create multifamily housing for an underserved population in the area. TSAHC is also exploring the creation of a land trust program that would create homeownership opportunities for low to moderate income households in high opportunity urban areas.

## **MULTIFAMILY PRIVATE ACTIVITY BOND PROGRAM**

TSAHC uses its statutory authority to issue tax-exempt multifamily private activity bonds (PAB) to help affordable housing developers construct or preserve multifamily rental units. As a conduit issuer, TSAHC is allocated 10 percent of Texas' multifamily PAB cap each year.

TSAHC makes available to developers its multifamily PAB allocation through an annual Request for Proposal application process. To be considered for multifamily PAB financing, multifamily developments must meet specific housing needs identified each year by TSAHC's Board of Directors. In 2018, those housing needs were:

- At-Risk Preservation and Rehabilitation of Existing Affordable Units
- Housing in Rural and Smaller Urban Markets
- Senior and Service Enriched Housing Developments
- Housing in Areas with Disaster Declarations

In 2018, TSAHC issued or reserved \$77,897,000 in multifamily PABs to construct or rehabilitate 602 affordable rental units in Austin and Midland.<sup>16</sup> These two areas rank as the most expensive rental markets according to the National Low Income Housing Coalition.<sup>17</sup> Providing affordable housing will ease some of the pressure renters are facing in these locations.

### *2019 Implementation Plan*

TSAHC anticipates continued interest and growth in our PAB program due to the high number of affordable housing units needed to meet the demand. For example, research conducted by the National Low Income Housing Coalition found that, in Texas, there are only 52 units that are affordable for every 100 households that earn 50% or less of the average median income.<sup>18</sup>

TSAHC plans to continue to address this ongoing housing demand using PABs to finance the construction and rehabilitation of units that are affordable to low and very low-income Texans.

In 2019, TSAHC will continue to place an emphasis on preserving affordable housing in rural

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<sup>16</sup> The developments in these municipalities are Ventura at Tradewinds (Midland, TX), Ventura at Fairgrounds (Midland, TX) and Walnut Creek Apartments (Austin, TX).

<sup>17</sup> Source: "Out of Reach 2018," The National Low Income Housing Coalition, 2018, [https://nlihc.org/sites/default/files/oor/OOR\\_2018.pdf](https://nlihc.org/sites/default/files/oor/OOR_2018.pdf)

<sup>18</sup> Source: "The Gap: A Shortage of Affordable Homes," The National Low Income Housing Coalition, March 2018, [https://nlihc.org/sites/default/files/SHP\\_TX.pdf](https://nlihc.org/sites/default/files/SHP_TX.pdf)

areas. TSAHC, the Federal Reserve Bank of Dallas, and other partners just completed a five-part Rural Housing Preservation Academy in September 2018 that focused on how to preserve aging rural multifamily developments.

Private activity bonds should play a role in preserving a portfolio of these rural rental developments in 2019. Moreover, TSAHC will evaluate what other resources it can provide to address housing needs in rural areas of the state.

TSAHC will also explore how to create more Permanent Supportive Housing units either through PABs or other financing structures. This is another housing priority for TSAHC as a result of a recent collaboration with the Texas Department of Health and Human Services focused on creating housing opportunities for Medicaid recipients who require stable housing with strong tenancy supports.

## **ASSET OVERSIGHT AND COMPLIANCE**

Asset oversight and compliance monitoring of multifamily properties financed through multifamily private activity bonds is required by many bond issuers, including TSAHC. TSAHC also requires asset oversight and compliance monitoring of multifamily properties financed through our Texas Housing Impact Fund. TSAHC believes these reviews are one of the best ways to ensure properties are continuing to provide safe and decent affordable housing to their residents.

### *Asset Oversight*

As part of the asset oversight review process, staff performs an annual on-site physical inspection of each property, monitors each property's financial and physical health, and provides suggestions for improvement to property owners and managers. Staff completes a report of each property and submits its reports to property owners, managers and other stakeholders. The reports are also available on TSAHC's web site.

### *Compliance*

As part of the compliance review process, staff reviews tenant files on-site annually to ensure that property owners and managers are following the federal affordability requirements relating to the tax-exempt status of the bonds. Completed compliance reports are submitted to property owners, managers, and other stakeholders and are also available on TSAHC's web site. In addition, TSAHC manages an online reporting system that allows property managers to complete their monthly compliance reporting online. Each month, staff monitors whether property owners and managers are providing the required number of affordable units to income-eligible households and that high quality resident services are being provided. Monthly compliance monitoring helps TSAHC ensure that property owners and managers are meeting all program requirements.

In 2018, TSAHC performed asset oversight reviews for 30 properties, totaling 4,474 units, and TSAHC performed compliance reviews for 29 properties, totaling 4,462 units. These properties are either bond-financed or financed through the Texas Housing Impact Fund.

### *2019 Implementation Plan*

TSAHC will continue to provide asset oversight and compliance monitoring services to the properties in its current bond and Texas Housing Impact Fund portfolios. In 2019, TSAHC anticipates adding six properties to the portfolio of bond-financed properties monitored by TSAHC's staff.

TSAHC will continue to review and update its policies and procedures as industry trends and changes in policy dictate. TSAHC will continue to closely monitor the financial health and physical condition of properties in its portfolio and offer specific strategies for improvement.

### **SINGLE FAMILY RENTAL PROGRAM**

The cost of living in Austin continued to rise in 2018. According to the Real Estate Center at Texas A&M University, the median home price in Austin was \$305,000 as of October 2018.<sup>19</sup> The average monthly rent was \$1,490 as of October 2018.<sup>20</sup> These prices are simply unaffordable for many low-income Austin families.

In May 2013, TSAHC created the Single Family Rental Program to provide eligible low-income families with affordable, below-market rental homes in high opportunity neighborhoods in the Austin Metropolitan Statistical Area (MSA).

Homes available through the program are located in areas with higher than average median incomes, with access to good schools and other services nearby. The program has received an extraordinary number of applications from low-income families and individuals interested in renting a home available under the program.

The program offers individuals and families that earn at or below 80% of the area median family income the opportunity to rent a home at significantly less than market rate rents. In addition to verifying income, TSAHC screens each applicant for rental, credit, and criminal history.

TSAHC's single family portfolio of purchased properties includes 17 single family homes and one duplex for a total of 19 rental properties. These are leased to qualifying, low-income families in the Austin MSA. In 2018, TSAHC completed extensive repairs to rehabilitate one of the homes damaged in a fire.

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<sup>19</sup> Source: See Footnote 15.

<sup>20</sup> Source: <https://www.rentjungle.com/average-rent-in-austin-rent-trends/> (Accessed November 20, 2018)

### *2019 Implementation Plan*

Due to the success of this program in Austin, TSAHC plans to expand the Single Family Rental program to the San Antonio MSA. In 2019, TSAHC plans to acquire 2-3 homes in that area.

### **MULTIFAMILY RENTAL PROGRAM**

In July 2015, TSAHC expanded its rental program by acquiring the Rollins Martin apartment complex in East Austin. The Rollins Martin apartment complex was originally financed as part of the federal low-income housing tax credit (LIHTC) program. It consists of 15 three-bedroom apartment units, all of which are affordable for families earning at or below 60% of the area median family income.

The apartment complex located in East Austin is in a rapidly developing community that is quickly becoming unaffordable to its long-time lower-income residents. Research released in 2016 revealed two trends for the census tract containing the Rollins Martin apartments. First, the average renter in the tract is cost-burdened (defined as spending more than 30% of their income on housing), and second, the number of cost burdened renters in the tract has gone up from 2010 to 2014.<sup>21</sup>

By maintaining affordability in the rapidly changing neighborhood, TSAHC is meeting a critical housing need for the community. Beyond this, TSAHC has also made substantial improvements to the Rollins Martin apartment complex.

Since 2015, TSAHC has completed the following repairs and improvements: installed new appliances, tankless water heaters and HVAC for each unit; installed new roofing, new outdoor trash receptacles, a bike rack, surveillance system and a fence for the property; expanded doors for the laundry area in each unit; and completely renovated six units. In 2018, TSAHC replaced all staircases at the property and added additional security features to the locks on each unit's door.

### *2019 Implementation Plan*

Renovations for the Rollins Martin apartment complex in 2019 will include purchasing new equipment for the laundry facilities and renovating one unit. In an effort to avoid tenant displacement, the remaining renovations will be done on a rolling basis once a unit becomes available after a tenant moves out.

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<sup>21</sup> Source: Michael Theis, "Charting Austin's unaffordable rental landscape," Austin Business Journal, November 4, 2016

## TEXAS FOUNDATIONS FUND

### *History of the Texas Foundations Fund*

TSAHC created the Texas Foundations Fund to improve housing conditions for very low-income Texas households, with a particular emphasis on assisting persons with disabilities and rural communities. TSAHC defines very low-income households as households earning at or below 50% of the area median family income.

Through the Texas Foundations Fund, TSAHC partners with nonprofit organizations across Texas to support quality programs that address the critical housing needs of very low-income families and individuals. Selected partners receive grants to support their housing services. Since 2008, TSAHC has awarded more than \$3.2 million in grants.

The housing services listed below are eligible for support through the Texas Foundations Fund:

- The rehabilitation and/or critical repair of owner-occupied, single family homes to remedy unsafe living conditions. Critical repairs may also include accessibility modifications to assist household members with a disability.
- The provision of supportive housing services for residents of housing units owned by the applicant receiving funding. The services supported by the Texas Foundations Fund must help individuals and families at risk of homelessness or unnecessary institutionalization gain and/or maintain their housing stability. Eligible supportive housing services include, but are not limited to: the provision of alcohol and drug counseling, adult education and/or job training, mental health counseling, case management and services provided by a health care provider.

TSAHC selected these services by conducting a survey asking its partner housing organizations to identify the greatest housing needs of the very low-income Texans they serve. TSAHC also conducts follow up surveys every few years to confirm that the services funded by the Texas Foundations Fund are still critically needed by very low-income Texans.

TSAHC funds its Texas Foundations Fund awards primarily with earned revenue from its other housing programs. TSAHC's Board of Directors determines the amount available for each funding round.

Prior to each application cycle, TSAHC publishes the Texas Foundations Fund Guidelines for public comment, giving stakeholders the opportunity to provide feedback prior to submitting a funding proposal.

Prior to 2016, the Foundations Fund was a competitive grant process. However, for the past two award cycles (2016 and 2018), it has been a non-competitive application process. Nonprofits that meet eligibility criteria partner with TSAHC for a two-year term in a matching

grant structure. The matching grant structure is a simpler process for applicants, and it allows TSAHC to serve more nonprofits than through a competitive grant application process.

### *2018-2019 Funding Cycle*

In 2018, TSAHC selected 24 nonprofit partners for the 2018-2019 application cycle. In 2018, those 24 partners received \$348,000 in matching grants (\$14,500 each), and they will use the funding to serve very low-income Texans with supportive services and home repairs.

### *2019 Implementation Plan*

There are no changes planned for the Texas Foundations Fund in 2019. This is because partners are selected for two-year terms, and the most recent round of partners were just selected in September 2018. Partners selected in 2018 will receive a second installment of matching funds in 2019, and the total amount available in 2019 for matching grants will be determined by TSAHC's Board of Directors.

## **HOUSING AND ECONOMIC ASSISTANCE TO REBUILD TEXAS (HEART)**

On August 23, 2017, Hurricane Harvey made landfall along the Texas coast inflicting catastrophic damage to Southeast Texas, the Gulf Coast region, the greater Houston area, and the Coastal Bend area. On August 25, 2017, a Major Disaster Declaration was issued for 41 counties impacted by the hurricane.

In response to this catastrophic event, TSAHC partnered with Enterprise Community Partners to create a grants program to provide critical home repair funding, programmatic support and technical assistance for nonprofits providing ongoing relief efforts to the impacted areas with an emphasis on providing relief outside of the Harris county area.

The program, entitled Housing and Economic Assistance to Rebuild Texas (HEART), launched in April 2018 thanks to a generous financial commitment from the Rebuild Texas Fund, a joint initiative of the OneStar Foundation and the Michael & Susan Dell Foundation. To date, the program has awarded \$900,000 to 23 nonprofits providing housing-related assistance to low-income households directly affected by Hurricane Harvey.

### *2019 Implementation Plan*

TSAHC and Enterprise Community Partners will continue to administer the program and award more grants into 2019. The two organizations will also explore other initiatives designed to provide ongoing relief to the disaster impacted areas.

## TECHNICAL ASSISTANCE AND OTHER INITIATIVES

### *Rural Rental Housing Preservation Academy*

In 2017, TSAHC came together with the Federal Reserve Bank of Dallas, Enterprise Community Partners, the Rural Rental Housing Association of Texas, and Motivation, Education & Training to explore ways to preserve rental housing in rural areas.

Specifically, the organizations were focused on preserving developments that were financed by the U.S. Department of Agriculture under its Section 514 and 515 programs. There are 696<sup>22</sup> of these developments across Texas, and many face uncertain futures because of need for repairs, maturing mortgages, expiring rental assistance agreements, or some combination of those factors.

In January 2018, the partner organizations launched the Rural Rental Housing Preservation Academy which was a series of no-cost training and peer learning sessions designed to help rural housing providers and nonprofits acquire and/or preserve USDA housing in their respective communities.

There were five sessions spanning the following topics: an introduction to rural housing, overview of the USDA transfer process, preservation financing and deal structuring, supportive policy, and property management. Participants also had the option of participating in one-on-one technical assistance made available through Enterprise Community Partners.

In 2019, the partner organizations will continue to work with academy participants to preserve or create rental housing in their communities. In spring 2019, there will also be a conference connecting rural affordable housing owners interested in selling their properties with potential buyers interested in keeping those properties affordable.

### *Innovation Accelerator Program and Other Technical Assistance*

In 2016, TSAHC expanded its efforts to address supportive housing needs beyond grant funding provided through Texas Foundations Fund. It accomplished this by partnering with Health and Human Services Commission (HHS) in a Center for Medicaid Services Innovation Accelerator Program (IAP).

The IAP launched in August 2017 and concluded in April 2018 with two outcomes. First, public and private partnerships developed between the Medicaid and housing systems to better address the housing and supportive services needs of the Medicaid recipient population. Second, HHS and TSAHC created a state action plan that seeks to foster additional community

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<sup>22</sup> Source: <https://catalog.data.gov/dataset/usda-rural-development-multifamily-section-515-rural-rental-housing-and-section-514-farm-l-12dd4>

living opportunities for Medicaid beneficiaries.

In addition to the IAP, TSAHC and HHS are also receiving technical assistance from the National Academy for State Health Policy to implement specific components of the state action plan. That technical assistance began in April 2018 and will continue until late 2019. TSAHC will continue to work on implementing areas of the state action plan that pertain to creating or preserving permanent supportive housing units.

More specifically, TSAHC, in partnership with other entities, will explore launching a training academy in 2019 for nonprofits and other interested parties who wish to create or preserve permanent supportive housing units.

#### *General Homelessness Activities*

TSAHC continues to support other efforts addressing homelessness. This includes Advisory Member representation on the Texas Interagency Council for the Homeless (TICH) and serving as liaison between the TICH and United State Interagency Council on Homelessness. In addition, TSAHC sponsors the annual Texas Conference on Ending Homelessness hosted by the Texas Homeless Network.

In 2018, TSAHC also participated in an application by Texas Homeless Network for the Frequent Users Systems Engagement (FUSE) Learning Community administered by TSAHC for Supportive Housing. FUSE uses data to help communities address homelessness among individuals with complex behavioral health challenges who are the highest users of jails, homeless shelters and other crisis service systems.

# Tab Eight

# Tab Eight

Discussion of the 86th Texas Legislative  
Session.