The Texas State Affordable Housing Corporation (the “Corporation”) has adopted these guidelines for its participation in development partnerships or limited liability companies formed for the purpose of acquiring, constructing, rehabilitating or equipping an affordable multifamily property (the “Development”) that meets or exceeds the requirements of the Corporation’s Multifamily Tax-Exempt Bond Programs policies (the “Policies”). These guidelines set forth the circumstances under which the Corporation will consider taking on a development partnership, and the process for reviewing such requests and organizing such partnerships.

1. **Eligible Developments:**
   In order to ensure that the Corporation adheres to its legislative mandate, only Developments that meet the following criteria will be considered.
   
   a. A Development must meet at least one of the Corporation’s Targeted Housing Needs as defined by the Policies in effect at the time of the Corporation’s approval of the Development, including Developments that are not financed with tax-exempt bonds;
   
   b. A Development must reserve the greater of 5% or five housing units for persons with disabilities, Permanent Supportive Housing or persons earning up to 30% of the Area Median Income;
   
   c. A Development must be constructed or rehabilitated so that all ground floor units are designed to be visitable for persons with mobility impairments, consistent with 28 CFR 35.151; and
   
   d. A Development must clearly show a financial need for a property tax exemption based on the Corporation’s internal underwriting criteria and analysis.

2. **Application and Approval Process:**
   To determine whether or not a Development is eligible, each Applicant must complete an addendum to the Corporation’s standard application for the inducement of multifamily bonds. An additional application fee of $500 will be required to cover the Corporation’s cost of review and due diligence. The Corporation’s review will include, among other things:
   
   a. Partial underwriting of the Development to better estimate the feasibility of very and extremely-low income housing units;
   
   b. Detailed review of the Applicant’s previous experience with permanent supportive housing development;
   
   c. Detailed review of property tax implications; and
   
   d. Review of alternative entities or structures that might provide the same benefits.

If the Corporation’s staff determines that the proposed partnership will benefit the community and proposed Development, in the sole determination of the Corporation, staff will include a recommendation to approve the proposed partnership with its request to the Corporation’s Board in conjunction with any preliminary official action to be taken by the Board, if applicable.
If the Corporation’s Board approves staff’s proposal for the role of the Corporation as General Partner, the Corporation and the Applicant (or other entity required by the Corporation) will execute a Memorandum of Understanding (“MOU”) detailing the key terms of the transaction structure and the related entities, including the responsibility for payment of fees and expenses, and the distribution of fees, cash flows and sale or refinancing distributions, the indemnification of the Corporation and its related entities, and any other matter deemed significant by the Corporation. The Corporation will not submit a reservation for bond allocation to the Texas Bond Review Board until such time as the Corporation has agreed to and executed the MOU.

3. **Ownership Structure:**

   a. If the Corporation agrees to participate as General Partner, the Corporation may create one or more affiliated entities in connection with the undertaking of its duties in connection with the Development. In addition, the Corporation will require the formation of a “special” limited partner (or similar entity) to act with the General Partner in connection with the development and management of the Development. The Corporation may create on or more of the following entities, in its sole discretion, to manage specific functions of the Development and ownership of the property.

   General Partner Entity. A separate entity, established and wholly controlled by the Corporation, may be established by the Corporation to serve as General Partner. The General Partner Entity will be the de facto owner/operator of the Development in cooperation with any limited and special-limited partners (or similar entities). The General Partner may review and approve engineering and architectural plans for the Development. The General Partner may also receive a percentage of any typical or customary developer fees due from development proceeds, an asset oversight fee from rental revenues of the Development and a percentage of ongoing net revenues or cash flow after the payment of all debts and obligations of the Development.

   b. General Contractor Entity. A separate entity, established and wholly controlled by the Corporation, may be used by the Corporation to serve as General Contractor. The General Contractor will be used to administer all construction contracts, oversee the approval of draws, and conduct other customary due diligence needed to complete the Development. The Corporation may utilize a pre-existing General Contractor entity that has been used in previous developments.

   c. Land Ownership Entity. A separate entity, established and wholly controlled by the Corporation, may be used by the Corporation to serve as owner of the land for the Development. In general, (1) the land will be leased to the limited partnership (or limited liability company) for a term not to exceed 99 years, and (2) the Development owner will own the Development structures, including existing structures, improvements, equipment and new construction.
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d. Developer Entity. A separate entity, established and wholly controlled by the Corporation, may be used by the Corporation as a development-related entity, to manage development activities related to the Development.

Note: Each of the foregoing affiliated entities, together with the Corporation, are required to be indemnified by the Developer (and/or other entity specified by the Corporation) for such affiliated entity’s actions or omissions that do not constitute willful misconduct.

4. Fees:

a. Application Fee: $500 (this fee is in addition to the Corporation’s standard multifamily bond application fees).

b. Start-Up Fee: Applicants will be required to fund the Corporation’s organization and legal costs of establishing the Corporation’s subordinate entities through the Start-Up Fee. A deposit of $15,000 towards the Start-Up fee will be due and payable to the Corporation upon the approval of the Inducement Resolution as defined in the Policies.

c. Asset Management Fee: As part of the Corporation’s General Partner responsibilities, the Development’s annual operating budget must include a fee of $45 per door to cover annual inspections, compliance reviews and other asset management responsibilities. The Corporation will be paid the fee out of rental revenues. If also acting as the bond issuer, the Corporation will not collect its customary Asset Oversight and Compliance fees.

d. Annual Audit and Accounting Fee: The Corporation shall be paid from the operating fund of the Development an Annual Audit and Accounting Fee of $15,000.

e. Developer Fee: For participating as a General Partner, the Corporation will receive a portion (20% to 35%) of the Developer Fee paid from the Development’s financing sources and revenues. The Corporation will be paid proportionally with the Developer for any deferred payments of the Developer Fee (regardless of source).

f. Cash Flow and Revenue Sharing: Following the repayment of all amounts owed to the Developer and Corporation for the Developer Fee, cash flow from the Development may be (1) used to fund supportive services in addition to any services required by the Development’s compliance or regulatory agreements; (2) escrowed by the Corporation in a fund (the “Local Services Fund”) to support local educational, health and welfare service providers or agencies that benefit residents of the Development; and/or (3) shared by the Developer and Corporation.

g. Professional Fees: The Corporation’s General Partner Counsel will provide services related to the creation of affiliated entities and the Corporation’s duties in the its related roles, the terms of the limited partnership or limited liability company documents, the terms of applicable indemnifications, and other ancillary matters.
The General Partner Counsel shall charge a fixed fee (or an hourly based fee) to be established based on the facts of the particular structure to be used and approved by the Corporation.

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

a. A resolution from the city or county government where the development is located, stating support for the proposed development, including resolutions that meet the standards for low income housing tax credits pursuant to section 2306.67021 of the Texas Government Code;

b. A letter of support from the local housing finance corporation stating support for the proposed development, unless no local housing finance corporation or other similar entity is available; and

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