



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

Wednesday, December 18, 2019  
10:30 a.m.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION  
BOARD MEETING  
AGENDA**

**December 18, 2019  
10:30 A.M.**

**2200 East Martin Luther King Jr. Blvd.  
Austin, Texas 78702**

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

**Bill Dietz, Chair**

**Pledge of Allegiance – I pledge allegiance to the flag of the United States of America, and to the Republic for which it stands, one Nation under God, indivisible, with liberty and justice for all.**

**Texas Allegiance – Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.**

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**

**Valerie Cardenas, 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 20, 2019.   |
| Tab 2 | Presentation, Discussion and Possible Approval of the Annual Independent Financial Audit for the Fiscal Year Ending August 31, 2019.  |
| Tab 3 | Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of one or more Applications for Allocation of Private Activity Bonds, notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board for the Ventura at Fairgrounds Apartments.                                     |
| 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 Bonds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2020. |
| Tab 5 | Presentation, Discussion and Possible Approval for Publication and Public Comment of the Draft of the Texas State Affordable Housing Corporation’s 2020 Annual Action Plan.   |

**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

**ANNOUNCEMENTS AND CLOSING COMMENTS****ADJOURN**

*A Board member of the Corporation may participate in a Board meeting by video conference pursuant to Section 551.127 of the Texas Government Code. A quorum of the Board will meet at the Texas State Affordable Housing Corporation's headquarters located at 2200 East Martin Luther King Jr. Blvd., Austin Texas, 78702.*

*Individuals who require auxiliary aids or services for this meeting should contact Rebecca DeLeon, 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 to September 30, 2019

Month	Closed	# of Loans	% Total
January-19	\$ 75,655,394	440	7.9%
February-19	\$ 74,012,198	425	7.8%
March-19	\$ 104,187,284	595	10.9%
April-19	\$ 108,370,276	617	11.4%
May-19	\$ 121,641,586	668	12.8%
June-19	\$ 109,856,486	593	11.5%
July-19	\$ 126,897,099	695	13.3%
August-19	\$ 117,563,845	636	12.3%
September-19	\$ 113,902,502	602	12.0%
<b>Totals</b>	<b>\$952,086,670</b>	<b>5271</b>	<b>100%</b>
Lender	Closed	# of Loans	% Total
Everett Financial, dba Supreme Lending	\$112,669,057	611	11.8%
Guild Mortgage Corporation	\$63,131,748	352	6.6%
Fairway Independent Mortgage Corporation	\$61,355,665	360	6.4%
PrimeLending	\$46,007,107	268	4.8%
DHI Mortgage Company, Ltd.	\$37,730,937	169	4.0%
Movement Mortgage, LLC	\$27,745,808	153	2.9%
Cornerstone Home Lending, Inc.	\$25,287,979	133	2.7%
Nations Reliable Lending, LLC	\$25,029,590	141	2.6%
Cardinal Financial Company	\$24,543,398	143	2.6%
Amcap Mortgage, LTD	\$22,710,533	132	2.4%
Stearns Lending, LLC	\$21,065,213	102	2.2%
Thrive Mortgage, LLC	\$19,951,626	115	2.1%
First Choice Loan Services, Inc.	\$18,450,209	97	1.9%
SFMC, LP (Service First Mortgage)	\$18,384,207	94	1.9%
Highlands Residential Mortgage	\$18,255,637	94	1.9%
loanDepot.com LLC	\$17,891,770	96	1.9%
Cherry Creek Mortgage Co., Inc.	\$16,807,982	90	1.8%
Guaranteed Rate	\$16,320,478	90	1.7%
Academy Mortgage Corporation	\$13,468,809	88	1.4%
NTFN, Inc.	\$13,180,042	69	1.4%
CMG Mortgage, Inc. dba CMG Financial	\$12,756,568	66	1.3%
Southwest Funding, LP	\$12,529,151	70	1.3%
DAS Acquisition Company, LLC	\$12,027,991	59	1.3%
FBC Mortgage LLC	\$11,124,378	62	1.2%
Pulte Mortgage LLC	\$9,732,770	46	1.0%
SWBC Mortgage Corporation	\$9,522,658	57	1.0%
Crosscountry Mortgage, LLC	\$9,072,352	51	1.0%
Ark-La-Tex Financial (Benchmark Mtg.)	\$8,873,098	47	0.9%
Eagle Home Mortgage, LLC	\$8,316,041	40	0.9%
LHM Financial Corp., dba CNN Mortgage	\$7,922,015	45	0.8%
Primary Residential Mortgage, Inc.	\$7,711,139	46	0.8%
Mortgage Financial Services, LLC	\$7,586,089	48	0.8%
Gardner Financial Services, Ltd.	\$7,298,519	40	0.8%
Network Funding, LP	\$6,907,763	40	0.7%
Synergy One Lending, Inc.	\$6,643,187	35	0.7%
American Mortgage & Equity Consultants	\$6,609,739	39	0.7%
Gateway Mortgage Group, LLC	\$6,549,510	41	0.7%
Hometown Lenders, Inc.	\$6,364,228	35	0.7%
First Continental Mortgage, Ltd.	\$6,331,995	24	0.7%
Hometrust Mortgage Company	\$6,316,043	37	0.7%
American Pacific Mortgage Corporation	\$5,225,444	30	0.5%
Security National Mortgage Company	\$5,023,088	28	0.5%
Michigan Mutual, Inc.	\$4,967,902	31	0.5%
Independent Bank	\$4,434,435	22	0.5%
First National Bank Mortgage	\$4,183,915	24	0.4%
Mortgage Solutions of Colorado, LLC	\$4,140,670	22	0.4%
Summit Funding, Inc.	\$4,108,417	19	0.4%
Guaranteed Rate Affinity, LLC	\$4,102,751	24	0.4%
Certainty Home Loans, LLC	\$3,976,738	27	0.4%
Mid America Mortgage, Inc.	\$3,974,208	23	0.4%
Trinity Oaks Mortgage	\$3,788,834	20	0.4%
Wallick and Volk, Inc.	\$3,405,940	19	0.4%
New American Funding (Broker Solutions)	\$3,275,191	20	0.3%

At a Glance	
Average Annual Income	\$61,171
Average Purchase Price	\$184,909
Average Loan Amount	\$180,627
Average Household Size	2
Average Interest Rate	5.440%
Program	%
Home Sweet Texas	83.02%
Homes for Texas Heroes	16.98%
Allied Health Faculty	0.11%
Corrections Officer	0.83%
County Jailor	0.13%
EMS Personnel	0.53%
Fire Fighter	0.85%
Peace Officer	1.73%
Professional Nurse Faculty	1.20%
Public Security Officer	0.36%
School Counselor	0.28%
School Librarian	0.04%
School Nurse	0.02%
Teacher	8.76%
Teacher Aide	0.32%
Veteran	1.80%
New/Existing Home	
Existing	82.36%
New	17.64%
Type of Loan	
Conventional - Purchase	27.15%
FHA - Purchase	70.31%
USDA-RHS Purchase	0.08%
VA - Purchase	2.47%
Ethnicity	
American Indian/Alaskan Native	0.25%
Asian/Pacific Islander	1.75%
Black	13.15%
Hispanic	36.01%
Not Defined	8.63%
Other	1.90%
White	38.32%
Top 20 Originating Counties*	# Households
Harris	764
Tarrant	715
Dallas	573
Bexar	326
Denton	189
Travis	147
Williamson	135
Fort Bend	125
Collin	119
Montgomery	115
Kaufman	102
Ellis	92
Johnson	90
El Paso	90
Midland	80
Bell	78
Galveston	77
Ector	75
Nueces	74
Hidalgo	73
*Top 20 of all counties statewide. All remaining counties served 1232 households.	



**Homeownership Programs with Down Payment Assistance  
January 1 to September 30, 2019**

Gold Star Mortgage Financial Group	\$3,192,729	18	0.3%
Interlinc Mortgage Services, LLC	\$3,191,676	16	0.3%
Willow Bend Mortgage Company, LLC	\$3,115,401	18	0.3%
HomeBridge Financial Services	\$3,064,590	19	0.3%
Union Home Mortgage	\$3,060,237	20	0.3%
BancorpSouth Bank	\$3,020,274	17	0.3%
Sente Mortgage Inc.	\$3,014,974	16	0.3%
Infinity Mortgage Holdings, LLC	\$2,900,409	15	0.3%
Caliber Home Loans, Inc.	\$2,863,893	16	0.3%
Goldwater Bank, N.A.	\$2,704,945	17	0.3%
First Bank	\$2,408,731	12	0.3%
LeaderOne Financial	\$2,379,264	16	0.2%
Geneva Financial, LLC	\$2,373,148	14	0.2%
First United Bank & Trust	\$2,372,572	12	0.2%
University Lending Group, LLC	\$2,338,718	16	0.2%
Texas Bank Mortgage Company	\$2,271,554	13	0.2%
Churchill Mortgage Corporation	\$2,235,866	15	0.2%
Commerce Home Mortgage, Inc.	\$2,229,794	13	0.2%
American Financial Network, Inc.	\$2,178,951	11	0.2%
Loan Simple, Inc.	\$1,884,794	9	0.2%
Finance of America Mortgage, LLC	\$1,827,623	13	0.2%
Wells Fargo Bank, N.A.	\$1,822,990	10	0.2%
Directions Equity, LLC	\$1,756,983	10	0.2%
Envoy Mortgage	\$1,750,410	10	0.2%
Origin Bank	\$1,589,774	8	0.2%
Great Western Financial Services, Inc.	\$1,522,552	8	0.2%
Patriot Mortgage Company	\$1,521,304	11	0.2%
Nations Lending Corporation	\$1,512,363	10	0.2%
Colonial Savings, F.A.	\$1,376,232	8	0.1%
Legacy Mortgage, LLC	\$1,361,459	10	0.1%
Affiliated Bank	\$1,353,284	8	0.1%
Homevantage Mortgage	\$1,292,552	7	0.1%
Aim Bank	\$1,278,156	9	0.1%
First Community Mortgage	\$1,278,109	9	0.1%
US Mortgage of Florida	\$1,260,900	8	0.1%
Bay Equity LLC	\$1,212,957	6	0.1%
Inlanta Mortgage, Inc.	\$1,183,555	6	0.1%
America's Choice Home Loans, LP	\$1,162,072	7	0.1%
Amerifirst Financial, Inc.	\$1,142,132	7	0.1%
Pilgrim Mortgage, LLC	\$1,087,828	6	0.1%
Rocky Mountain Mortgage Company	\$1,084,567	7	0.1%
Bank of England	\$1,056,809	7	0.1%
Northpointe Bank	\$1,032,617	6	0.1%
Planet Home Lending, LLC	\$1,018,811	5	0.1%
Associated Mortgage Corporation	\$985,456	7	0.1%
First Financial Bank, N.A.	\$976,991	9	0.1%
CLM Mortgage, LLC	\$975,044	5	0.1%
Waterstone Mortgage Corporation	\$919,631	6	0.1%
Residential Wholesale Mortgage, Inc.	\$871,512	4	0.1%
Right Start Mortgage, Inc.	\$806,027	5	0.1%
LegacyTexas Bank	\$800,153	4	0.1%
Branch Banking and Trust Company	\$756,126	4	0.1%
University Federal Credit Union	\$718,035	3	0.1%
Inspire Home Loans, Inc.	\$681,892	4	0.1%
Loan Leaders of America, Inc.	\$677,009	4	0.1%
Finance Home America	\$660,048	4	0.1%
Paramount Residential Mortgage Group	\$639,500	4	0.1%
First Centennial Mortgage Corporation	\$625,952	3	0.1%
Midwest Mortgage Associates Corp.	\$595,513	4	0.1%
Texana Bank, N.A.	\$592,957	4	0.1%
PrimeWest Mortgage Corporation	\$586,034	4	0.1%
Citywide Home Loans, a Utah Corporation	\$566,252	4	0.1%
Republic State Mortgage Co.	\$552,210	4	0.1%
Happy State Bank	\$540,526	5	0.1%
International Bank of Commerce	\$525,799	4	0.1%



**Homeownership Programs with Down Payment Assistance  
January 1 to September 30, 2019**

Sierra Pacific Mortgage Company, Inc.	\$504,406	3	0.1%
The Federal Savings Bank	\$435,542	2	0.0%
Capstar Lending, LLC	\$416,611	2	0.0%
KBHS Home Loan, LLC	\$377,529	2	0.0%
Family First Funding, LLC	\$373,117	2	0.0%
BM REAL ESTATE SERVICES, INC.	\$366,250	2	0.0%
Guardian Mortgage	\$342,174	2	0.0%
CalCon Mutual Mortgage LLC	\$341,499	2	0.0%
Moria Development/Peoples Mortgage Co	\$325,119	2	0.0%
Panorama Mortgage Group, LLC	\$324,022	2	0.0%
Castle and Cooke Mortgage	\$321,567	2	0.0%
1st Preference Mortgage Corporation	\$302,245	2	0.0%
Iberiabank	\$299,730	2	0.0%
Texas Tech Federal Credit Union	\$258,236	2	0.0%
Guaranty Bank & Trust, N.A.	\$255,290	1	0.0%
GoPrime Mortgage	\$240,070	2	0.0%
ClosingMark Home Loans, Inc.	\$233,345	1	0.0%
Total Mortgage Services, LLC	\$177,230	1	0.0%
Southwest Bank	\$166,910	1	0.0%
American Bank, N.A.	\$166,484	2	0.0%
Town Square Mortgage & Investments, Inc.	\$158,013	1	0.0%
V.I.P. Independent Mortgage, Inc.	\$134,518	1	0.0%
Texas Bank	\$131,573	1	0.0%
First Capital Bank of Texas	\$112,917	1	0.0%
Peoples Bank	\$109,971	1	0.0%
International City Mortgage, Inc.	\$80,514	1	0.0%
<b>Grand Total</b>	<b>\$952,086,670</b>	<b>5271</b>	<b>100%</b>





**Mortgage Credit Certificate Program**  
**January 1 to September 30, 2019**

Month	Closed	# of Loans	% Total
Jan	\$ 18,683,165	108	4%
Feb	\$ 35,773,556	198	8%
Mar	\$ 50,999,773	272	12%
Apr	\$ 53,391,180	294	13%
May	\$ 58,649,893	314	14%
Jun	\$ 62,642,061	329	15%
Jul	\$ 54,054,874	282	13%
Aug	\$ 55,136,029	284	13%
Sep	\$ 33,063,338	171	8%
<b>Totals</b>	<b>\$422,393,869</b>	<b>2252</b>	<b>100%</b>
Lender	Closed	# of Loans	% Total
DHI Mortgage Company, Ltd.	\$30,290,378	139	6.2%
Everett Financial, dba Supreme Lending	\$29,835,802	163	7.2%
Fairway Independent Mortgage Corporation	\$20,530,739	113	5.0%
Guild Mortgage Corporation	\$18,936,028	106	4.7%
Cornerstone Home Lending, Inc.	\$17,028,358	86	3.8%
Nations Reliable Lending, LLC	\$16,355,367	90	4.0%
Gateway Mortgage Group, LLC	\$14,227,096	80	3.6%
Cardinal Financial Company	\$12,550,560	65	2.9%
CMG Mortgage, Inc. dba CMG Financial	\$11,911,634	60	2.7%
Pulte Mortgage LLC	\$10,328,168	50	2.2%
Thrive Mortgage, LLC	\$10,153,554	55	2.4%
Ark-La-Tex Financial (Benchmark Mtg.)	\$9,632,843	45	2.0%
SFMC, LP (Service First Mortgage)	\$9,247,879	47	2.1%
Movement Mortgage, LLC	\$8,952,507	49	2.2%
Amcap Mortgage, LTD	\$8,827,169	46	2.0%
PrimeLending	\$8,772,047	48	2.1%
Stearns Lending, LLC	\$8,532,081	40	1.8%
First Continental Mortgage, Ltd.	\$7,839,906	36	1.6%
Town Square Mortgage & Investments, Inc.	\$7,330,951	45	2.0%
Guaranteed Rate	\$6,921,069	39	1.7%
Hometrust Mortgage Company	\$6,804,658	40	1.8%
Gardner Financial Services, Ltd.	\$6,412,557	29	1.3%
loanDepot.com LLC	\$5,973,409	31	1.4%
Primary Residential Mortgage, Inc.	\$5,421,715	32	1.4%
New American Funding (Broker Solutions)	\$5,041,723	29	1.3%
Mid America Mortgage, Inc.	\$4,765,182	28	1.2%
NTFN, Inc.	\$4,573,458	24	1.1%
Highlands Residential Mortgage	\$4,465,619	24	1.1%
Interlinc Mortgage Services, LLC	\$4,435,573	24	1.1%
Texas Bank Mortgage Company	\$4,318,728	28	1.2%
University Federal Credit Union	\$4,256,368	19	0.8%
Colonial Savings, F.A.	\$4,056,146	19	0.8%
Crosscountry Mortgage, LLC	\$4,022,547	23	1.0%
First Choice Loan Services, Inc.	\$3,912,181	21	0.9%
Academy Mortgage Corporation	\$3,485,548	21	0.9%
Pilgrim Mortgage, LLC	\$3,384,587	20	0.9%
Envoy Mortgage	\$3,195,958	19	0.8%
Summit Funding, Inc.	\$2,579,640	12	0.5%
Infinity Mortgage Holdings, LLC	\$2,579,336	15	0.7%
Eagle Home Mortgage, LLC	\$2,418,171	12	0.5%
BancorpSouth Bank	\$2,390,191	14	0.6%
Homestead Lenders, Inc.	\$2,314,928	13	0.6%
Certainty Home Loans, LLC	\$2,309,895	15	0.7%
Inspire Home Loans, Inc.	\$2,189,392	11	0.5%
Caliber Home Loans, Inc.	\$2,121,752	13	0.6%
Gold Star Mortgage Financial Group	\$2,085,934	11	0.5%
Security National Mortgage Company	\$2,069,226	11	0.5%
American Mortgage & Equity Consultants	\$2,032,419	13	0.6%
Barton Creek Lending Group	\$1,968,047	8	0.4%
Bank of America, N.A.	\$1,947,227	12	0.5%
Open Mortgage LLC	\$1,941,661	11	0.5%
Republic State Mortgage Co.	\$1,927,507	10	0.4%
Brazos National Bank	\$1,908,983	11	0.5%
Bank of England	\$1,831,799	9	0.4%

At a Glance	
Total Amount Originated	\$422,393,869
Average Annual Income	\$54,108
Average Purchase Price	\$196,463
Average Loan Amount	\$187,564
Average Household Size	2
Average Interest Rate	4.755%
Program	%
Home Sweet Texas	86.01%
Homes for Texas Heroes	13.99%
Allied Health Faculty	0.22%
Corrections Officer	0.36%
County Jailer	0.00%
EMS Personnel	0.44%
Fire Fighter	0.71%
Peace Officer	1.07%
Professional Nurse Faculty	0.67%
Public Security Officer	0.22%
School Counselor	0.13%
School Librarian	0.04%
School Nurse	0.09%
Teacher	6.97%
Teacher Aide	0.36%
Veteran	2.71%
New/Existing Home	
Existing	69.49%
New	30.51%
Type of Loan	
Conventional - Purchase	30.86%
FHA - Purchase	59.68%
USDA-RHS Purchase	5.68%
VA - Purchase	3.77%
Ethnicity	
American Indian/Alaskan Native	0.30%
Asian/Pac Isle	6.77%
Black	12.81%
Hispanic	34.30%
Not Defined	8.01%
Other	2.68%
White	35.14%
Top 20 Originating Counties*	# of Loans
Harris	430
Travis	229
Tarrant	216
Dallas	201
Bexar	173
Williamson	144
Fort Bend	91
Hays	90
Denton	70
Montgomery	68
El Paso	39
Collin	35
Kaufman	32
Galveston	29
Brazoria	26
Bell	25
Johnson	25
Hidalgo	22
Ellis	21
Nueces	21

\*Top 20 of all counties statewide. All remaining counties served 265 households.



**Mortgage Credit Certificate Program**  
**January 1 to September 30, 2019**

Southwest Funding, LP	\$1,808,110	11	0.5%
Capstar Lending, LLC	\$1,766,230	8	0.4%
SWBC Mortgage Corporation	\$1,709,896	11	0.5%
Sente Mortgage Inc.	\$1,635,859	8	0.4%
CLM Mortgage, LLC	\$1,587,791	7	0.3%
Synergy One Lending, Inc.	\$1,559,494	10	0.4%
Geneva Financial, LLC	\$1,512,623	9	0.4%
Amerifirst Financial, Inc.	\$1,398,105	8	0.4%
Network Funding, LP	\$1,294,776	7	0.3%
Independent Bank	\$1,266,778	7	0.3%
LHM Financial Corp., dba CNN Mortgage	\$1,195,811	6	0.3%
Secure Financial Services, Inc	\$1,117,592	6	0.3%
American Pacific Mortgage Corporation	\$896,175	5	0.2%
Guaranteed Rate Affinity, LLC	\$888,893	5	0.2%
FBC Mortgage LLC	\$879,402	5	0.2%
Homevantage Mortgage	\$827,108	4	0.2%
Rocky Mountain Mortgage Company	\$815,896	6	0.3%
Union Home Mortgage	\$815,546	4	0.2%
Wallick and Volk, Inc.	\$768,280	4	0.2%
Paramount Residential Mortgage Group	\$740,978	5	0.2%
Nations Lending Corporation	\$716,762	4	0.2%
Affiliated Bank	\$693,656	4	0.2%
Highland Home Loans, LLC	\$675,645	3	0.1%
The Federal Savings Bank	\$642,562	3	0.1%
Michigan Mutual, Inc.	\$639,207	3	0.1%
Trinity Oaks Mortgage	\$631,058	3	0.1%
First Centennial Mortgage Corporation	\$606,650	3	0.1%
University Lending Group, LLC	\$564,595	4	0.2%
Mortgage Financial Services, LLC	\$542,890	4	0.2%
America's Choice Home Loans, LP	\$507,331	3	0.1%
Elite Financing Group	\$505,010	2	0.1%
Origin Bank	\$468,026	3	0.1%
Castle and Cooke Mortgage	\$403,741	2	0.1%
Northpointe Bank	\$377,534	2	0.1%
American Financial Network, Inc.	\$365,162	2	0.1%
Inlanta Mortgage, Inc.	\$359,370	2	0.1%
Palm Lending LLC	\$351,037	1	0.0%
First National Bank Mortgage	\$349,310	2	0.1%
V.I.P. Independent Mortgage, Inc.	\$339,208	2	0.1%
Moria Development/Peoples Mortgage Co	\$325,119	2	0.1%
Sierra Pacific Mortgage Comapany, Inc.	\$321,076	2	0.1%
Churchill Mortgage Corporation	\$316,500	2	0.1%
Waterstone Mortgage Corporation	\$287,102	2	0.1%
Home Financing Unlimited, Inc.(Mission)	\$278,100	1	0.0%
Capital Home Lending, Inc.	\$262,100	1	0.0%
Cherry Creek Mortgage Co., Inc.	\$261,815	1	0.0%
Willow Bend Mortgage Company, LLC	\$245,961	2	0.1%
Guardian Mortgage	\$220,924	1	0.0%
Family First Funding, LLC	\$216,015	1	0.0%
KBHS Home Loan, LLC	\$207,565	1	0.0%
Happy State Bank	\$198,123	2	0.1%
Residential Wholesale Mortgage, Inc.	\$193,030	1	0.0%
Goldwater Bank, N.A.	\$162,993	1	0.0%
GoPrime Mortgage	\$160,538	1	0.0%
Chou Team Realty, dba Monster Loans	\$154,230	1	0.0%
Bay Equity LLC	\$151,485	1	0.0%
Sun City Home Loans	\$147,184	1	0.0%
Mortgage Solutions LP	\$140,650	1	0.0%
Commerce Home Mortgage, Inc.	\$139,600	1	0.0%
Legacy Mortgage, LLC	\$126,003	1	0.0%
Victorian Finance LLC	\$122,735	1	0.0%
HomeBridge Financial Services	\$102,400	1	0.0%
On Q Financial, Inc.	\$82,323	1	0.0%
<b>Total Committed</b>	<b>\$422,393,869</b>	<b>2252</b>	<b>100%</b>

Tab B

# Texas State Affordable Housing Corporation

## Development Finance Programs Report December 2019

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

In November, Staff worked with the Texas Department of Housing and Community Affairs (TDHCA) to review and reconcile our NSP property inventory. This is the first step in TDHCA's process to close out the program by the end of fiscal year 2022.

Additionally, Staff completed five ACT land bank lot sales in Bastrop and is working toward completing the sale of our last ACT VET property, 2402 N. Ed Carey #5, in Harlingen. The Ed Carey property has been difficult to sell because of frequent turnover of leadership at the condominium association. However, Staff has worked through closing with the current association board and anticipates a closing in December.

Here is a summary of the past month's portfolio activity:

Program	Portfolio as of Nov. 1, 2019	Acquired	Sold	Portfolio as of Dec. 1, 2019	Current Portfolio Value
ACT Land Bank	39		5	34	\$338,487.00
ACT Land Trust	1			1	\$650,000.00
Texas NSP	169			169	\$2,306,476.70
Veteran's Initiative	1			1	\$33,210.00
Totals	210			205	\$3,328,173.70

Our current pipeline report:

- 20 homes under contract with eligible buyers
- 19 homes listed for sale
- 6 homes under construction
- 20 properties in predevelopment

### **Texas Housing Impact Fund**

Staff anticipates the sale of Marshall Meadows Apartments, located in San Antonio, by early December. While the sale of the property does not remove the affordability requirements, TSAHC expects repayment of a loan made to the property in 2005 that had an initial principal balance of \$500,000. The bonds, also issued by TSAHC, will remain outstanding until the end of the qualified project period in October 2022.

Legacy CDC continues to be very active in the development of affordable homes for sale as part of the City of Port Arthur's Downtown Revitalization project. They are currently using TSAHC loan funds for the construction/rehabilitation of affordable homes and completed two home sales in November and are in the process of adding new properties to their revolving line of credit.

### **Multifamily Bond Program**

Staff will be presenting the final version of the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for board approval. No public comments have been received to date.

Additionally, we have received three new applications for bonds. These applications, once reviewed for threshold, will be scheduled for inducement at the January 2020 board meeting. The development application names are:

# Texas State Affordable Housing Corporation

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Development Finance Programs Report  
December 2019

- Pinewood Apartments – Houston
- Kinwood Apartments – McKinney
- Park at 14<sup>th</sup> Street – Plano

Tab C

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**STATEMENT OF NET POSITION (unaudited)**  
As of October 31, 2019

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**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 5,025,807
Restricted Assets:	
Cash and Cash Equivalents	13,061,188
Accrued Interest	62,700
Custodial Cash and Cash Equivalents	158,648
Investments, at Fair Market Value	7,154,291
Accounts Receivable & Accrued Revenue	312,167
Accrued Interest Receivable	143,697
Loans Receivable, Current Portion	71,875
Notes Receivable, Current Portion	685,724
Down Payment Assistance	579,631
Prepaid Expenses	228,205
	<hr/>
<b>Total Current Assets:</b>	<b>27,483,933</b>

**Noncurrent Assets**

Loans Receivable, Net of uncollectible amounts of \$2,789	412,049
Notes Receivable, Net Allowance for Loss of \$500,000	3,328,614
Investments, at Fair Market Value	11,966,973
Mortgage Servicing Rights, Net of Accumulated Amortization of \$2,537,543	190,518
Fixed Assets, Net of Accumulated Depreciation of \$851,961	1,230,525
Owned Real Estate, Federal & Other Programs Net of Amort \$729,445	11,972,865
Down Payment Assistance	917,298
Restricted Investments Held by Bond Trustee, at Fair Market Value	61,876,921
	<hr/>
<b>Total Noncurrent Assets:</b>	<b>91,895,763</b>

<b>TOTAL ASSETS</b>	<b>\$ 119,379,696</b>
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*(continued)*

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**STATEMENT OF NET POSITION (unaudited)**  
As of October 31, 2019

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**LIABILITIES**

**Current Liabilities**

Accounts Payable and Accrued Expenses	\$ 329,048
Notes Payable, Current Portion	555,561
Custodial Reserve Funds	158,648
Due to Federal Programs	1,778,799
Other Current Liabilities	252,852
Payable from Restricted Assets Held by Bond Trustee:	
Bonds Payable, Current Portion	670,000
Accrued Interest on Bonds	294,304

**Total Current Liabilities:** 4,039,212

**Noncurrent Liabilities**

Notes Payable	1,620,532
Revenue Bonds Payable	65,508,152
Unearned Revenue	3,870,854

**Total Noncurrent Liabilities:** 70,999,538

**Total Liabilities:** 75,038,750

**DEFERRED INFLOWS OF RESOURCES**

Deferred Revenue	<u>175,617</u>
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**Total Deferred Inflows of Resources** 175,617

**NET POSITION**

Invested in Capital Assets	1,230,525
Restricted for:	
Debt Service	5,659,165
Other Purposes	3,796,222
Unrestricted	<u>33,479,417</u>

**Total Net Position:** \$ 44,165,329



**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (unaudited)**  
for the 2 months ending October 31, 2019

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**Operating Revenues**

Interest and Investment Income	\$ 521,792
Net Increase (Decrease) in Fair Value of Investments	1,281,715
Single Family Income	580,837
Asset Oversight and Compliance Fees	40,697
Rental Program Income	103,007
Multifamily Income	55,867
Land Bank Income	1,874
Public Support	
Federal & State Grants	2,468
Contributions	228
Other Operating Revenue	9,845
<b>Total Operating Revenues</b>	<b>\$ 2,598,330</b>

**Operating Expenses**

Interest Expense on Bonds and Notes Payable	\$ 603,657
Program and Loan Administration	457,138
Foundation Fund/Rebuild Texas Grants	131,000
Salaries, Wages and Payroll Related Costs	472,720
Professional Fees and Services	28,920
Depreciation & Amortization	76,828
Office and Equipment Rental and Maintenance	17,534
Travel and Meals	17,632
Other Operating Expenses	63,865
<b>Total Operating Expenses</b>	<b>\$ 1,869,294</b>

**Net Income** 729,036

**Total Net Position, Beginning** 43,436,293

**Total Net Position, Ending** \$ 44,165,329

**Texas State Affordable Housing Corporation**

**Budget Report**

**October 31, 2019**

	<b>Annual Budget</b>	<b>Actual</b>	<b>Percent of Annual Budget</b>	<b>Reference</b>
<b>Revenue</b>				
Servicing Revenue	126,000	19,962	16%	
Single Family Program Revenue	6,179,000	1,069,603	17%	
Multifamily Program Revenue	749,000	62,433	8%	
Texas Housing Impact Fund	666,000	25,069	4%	
Affordable Communities of Texas	150,000	9,969	7%	
Grants, Donations & Other Awards	1,115,000	228	0%	
Federal & State Grants	5,787,000	52,341	1%	
Tenant Rent Revenue	561,000	103,007	18%	
Investment Revenue	2,260,000	126,022	6%	
<b>Total Revenue</b>	<b>17,593,000</b>	<b>1,468,634</b>	<b>8%</b>	
<b>Expenditures</b>				
Salaries & Payroll Related Expenditures	3,059,000	472,720	15%	
Program & Corporate Expenditures	11,482,000	912,137	8%	
Foundation Fund/Rebuild Texas Grants	1,024,000	131,000	13%	
Professional Services	517,000	28,920	6%	
Principal & Interest on Notes Payable	649,000	20,805	3%	
Marketing	162,000	13,800	9%	
Insurance	156,000	21,280	14%	
Travel & Meals	140,000	17,632	13%	
Furniture, Equipment & Software	83,000	30,486	37%	①
Building Maintenance	68,000	6,568	10%	
Professional Dues, Conferences & Training	41,000	4,718	12%	
Bank Fees & Charges	15,000	2,580	17%	
Sponsorships	20,000	4,000	20%	
Communication	15,000	2,407	16%	
Printing & Office Supplies	9,000	1,209	13%	
Publications, Subscriptions & Other	24,000	3,388	14%	
Freight, Delivery & Postage	10,000	3,466	35%	②
	<b>17,474,000</b>	<b>1,677,116</b>	<b>10%</b>	
<b>Net Income</b>	<b>119,000</b>	<b>(208,482)</b>		

**Average Expected Percent Received/Expended = 17%**

**Texas State Affordable Housing Corporation**

**Budget Report**

**October 31, 2019**

**Explanation of Variances**

- ① The expenditures included in the line item for Furniture, Equipment & Software represent costs incurred to enhance the Corporation's website particularly for Asset Oversight and Compliance. These costs were anticipated and included in the 2020 budget.
- ② Freight, Delivery and Postage is currently over budget due to the timing of expenditures. We expect that this line item will be on target by year end.

Tab 1

**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 20, 2019 at 10:35 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, Board Chair, at 10:35 a.m., on November 20, 2019, 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  
Valerie Cardenas, Vice Chair  
Andy Williams, Member  
Lali Shipley, Member

**Guests**

Claire Merritt, Hilltop Securities  
Stephen McPherson, Wilmington Trust  
W. Routt Thornhill, Coats Rose

**Public Comment**

No Public Comment was given.

**President’s Report**

**David Long**

See page 3 in the official transcript.

**Tab 1            Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on October 16, 2019.**

Ms. Cardenas made a motion to approve the minutes of the Board meeting held on October 16, 2019. Mr. Williams seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken, and the motion passed unanimously.

See page 10 in the official transcript.

**Tab 2                    Presentation, Discussion and Possible Approval of a Resolution authorizing a Construction Loan to be made by the Texas Housing Impact Fund to HVM Portfolio, LLC in an amount not to exceed \$3,500,000 for the Hamilton Valley Texas Portfolio Project, authorizing the execution and delivery of documents and instruments necessary or desirable to carry out the contemplated transaction, and other provisions in connection therewith.**

Presented by David Danenfelzer, Senior Director, Development Finance

Mr. Williams made a motion to approve a Resolution authorizing a Construction Loan to be made by the Texas Housing Impact Fund to HVM Portfolio, LLC in an amount not to exceed \$3,500,000 for the Hamilton Valley Texas Portfolio Project, authorizing the execution and delivery of documents and instruments necessary or desirable to carry out the contemplated transaction, and other provisions in connection therewith. Ms. Cardenas seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken, and the motion passed unanimously.

See page 11 in the official transcript.

**Tab 3                    Presentation, Discussion and Possible Approval of the Request for Proposals for Financial Advisor Services for the Corporation.**

Presented by Michael Wilt, Manager, External Relations

Ms. Cardenas made a motion to approve the Request for Proposals for Financial Advisor Services for the Corporation. Ms. Shipley seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken, and the motion passed unanimously.

See page 19 in the official transcript.

**Tab 4                    Presentation and Discussion of the Texas State Affordable Housing Corporation's Fiscal Year 2019 and 2020 Strategic Plans.**

At the last Board Meeting, October 16, 2019, Ms. Janie Taylor, Executive Vice President, provided an overview of the Strategic Plans using a PowerPoint Presentation. The Program Directors and Managers talked through their respective department's Strategic Plans using related portions of the same PowerPoint and finalized the presentation in this board meeting.

Presenters included:

- Katie Claflin, Director, Communications and Development
- Laura Ross, Manager, Communications and Development
- Michael Wilt, Manager, External Relations
- David Long, President of TSAHC

See page 30 in the official transcript.

**Announcements and Closing Comments**

Mr. Long and Board Members tentatively scheduled the next Board Meeting for December 18, 2019, at 10:30am.

**Adjournment**

Mr. Bill Dietz adjourned the meeting at 11:50am.

Respectfully submitted by \_\_\_\_\_  
Rebecca DeLeon, Corporate Secretary

## Tab 2



December 18, 2019

To the Board of Directors of  
Texas State Affordable Housing Corporation:

We have audited 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, 2019, and have issued our report thereon dated December 18, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated October 14, 2019. Professional standards also require that we communicate to you the following information related to our audit.

## **QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2019. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were management’s estimates of the allowance for doubtful accounts receivable, the allowance for doubtful loans and notes receivable, and the useful lives of capital assets used to calculate depreciation expense. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

## **DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## **CORRECTED AND UNCORRECTED MISSTATEMENTS**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements identified during the audit.

## **DISAGREEMENTS WITH MANAGEMENT**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

## **MANAGEMENT REPRESENTATIONS**

We have requested certain representations from management that are included in the attached management representation letter dated December 18, 2019.

## **MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **ISSUES RELEVANT TO THE OVERSIGHT OF THE FINANCIAL REPORTING PROCESS**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **OTHER MATTERS**

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplemental data required by the U.S. Department of Housing and Urban Development ("HUD"), which is not RSI. With respect to this supplementary information required by HUD, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the schedule of operating revenues and operating expenses by activity, which accompanies the financial statements but is not RSI. Such information 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.

## **RESTRICTION ON USE**

This information is intended solely for the use of the Board of Directors and management of the Corporation and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

Enclosure 1: Management Representation Letter

December 18, 2019

Maxwell Locke & Ritter LLP  
401 Congress Ave., Suite 1100  
Austin, Texas 78701

This representation letter is provided in connection with your audit of the financial statements of Texas State Affordable Housing Corporation (the "Corporation"), which comprise the respective financial position of the business-type activities as of August 31, 2019, and the respective changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of the auditors' report, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 14, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplemental data required by the U.S. Department of Housing and Urban Development in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 9) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Corporation is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

- 11) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 12) We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

### **Information Provided**

- 13) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Corporation from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 16) We have no knowledge of any fraud or suspected fraud that affects the Corporation and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting the Corporation's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 18) We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 19) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 20) We have disclosed to you the identity of the Corporation's related parties and all the related-party relationships and transactions of which we are aware.
- 21) The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
- 23) We have disclosed all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements or all outstanding debts. All contractual obligations have been disclosed.
- 24) The Corporation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Corporation's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

- 25) The Corporation has adopted ASC 740-10 as it relates to uncertain tax positions for the year ended August 31, 2019 and has evaluated its tax positions taken for all open tax years. The Corporation is not currently under audit, nor has the Corporation been contacted for examination by any relevant tax jurisdictions. Based on our evaluation of the Corporation's tax positions, management believes all positions taken are highly certain and would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended August 31, 2019.
- 26) We represent that the Texas State Affordable Housing Corporation:
- a) Is organized for Internal Revenue Code Section 501(c)(3) purposes;
  - b) Is operated in a manner consistent with its mission as set forth in its current Articles of Incorporation and Bylaws;
  - c) Has not engaged in activities which would result in private inurement or excess benefit transactions;
  - d) Has not engaged in any political activities and has properly reported any lobbying activities;
  - e) Has determined that all sources of revenue are related to its exempt purpose or are excluded from unrelated business income treatment, unless otherwise indicated; and
  - f) Has determined that any unrelated business income has been properly reported and that expenses have been allocated on a reasonable basis.
- 27) In regards to the FORM 990 tax return preparation services performed by you, we have:
- a) Made all management decisions and performed all management functions.
  - b) Designated an individual with suitable skill, knowledge, or experience to oversee the services.
  - c) Evaluated the adequacy and results of the services performed.
  - d) Accepted responsibility for the results of the services.

**Government-specific**

- 28) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 29) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 30) The Corporation has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflow of resources, and net position.
- 31) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 32) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 33) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 34) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 35) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- 36) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 37) The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 38) The Corporation has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 39) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 40) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended, and GASBS No. 84 .
- 41) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 42) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 43) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 44) We are substantially in compliance with requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code).
- 45) Provisions for uncollectible receivables have been properly identified and recorded.
- 46) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 47) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 48) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 49) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 50) We have appropriately disclosed the Corporation's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 51) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 52) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

- 53) With respect to the supplemental data required by the U.S. Department of Housing and Urban Development (“HUD”)
- a) We acknowledge our responsibility for presenting the supplemental data required by HUD in accordance with U.S. GAAP, and we believe the supplemental data required by HUD, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplemental data required by HUD have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the supplementary information required by HUD is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor’s report thereon.
- 54) With respect to HUD programs:
- a) We are responsible for understanding and complying with, and have complied with, program laws and regulations that have a direct and material effect on the financial statements and each HUD-assisted program.
  - b) We are responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our HUD programs and have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each HUD program.
  - c) We are responsible for establishing and maintaining, and have established and maintained, effective control over financial reporting and internal control over compliance with HUD requirements that provide reasonable assurance that we are managing HUD programs in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our HUD programs. We believe the internal control system is adequate and is functioning as intended.
  - d) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with HUD or other federal agencies relevant to federal programs and related activities.
  - e) We have complied with the compliance requirements, including when applicable, those set forth in the Consolidated Audit Guide for Audits of HUD Programs, relating to HUD programs and have identified and disclosed to you all amounts questioned and all known compliance violations or issues with HUD program requirements, regardless of their materiality.
  - f) We have disclosed to you any communications from granters and pass-through entities concerning possible noncompliance with the applicable compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors’ report.
  - g) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors’ report.
  - h) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
  - i) We have made available to you all documentation related to compliance with the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
  - j) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
  - k) There are no known instances of noncompliance with applicable compliance requirements that occurred subsequent to the period covered by the auditors’ report.
  - l) No changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management regarding significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the date as of which compliance is audited.



- m) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
  - n) The copies of federal program financial reports you provided are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- 55) We have evaluated and classified any subsequent events as recognized or non-recognized and disclosed the date through which the determination was made. No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

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David Long, President

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Melinda Smith, Chief Financial Officer

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Nick Lawrence, Controller

**TEXAS STATE  
AFFORDABLE HOUSING  
CORPORATION**

**Financial Statements  
and Supplemental Information  
as of and for the Year Ended  
August 31, 2019 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, 2019, 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, 2019, 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 Governmental 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 18, 2019 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 18, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# **TEXAS STATE AFFORDABLE HOUSING CORPORATION MANAGEMENT’S DISCUSSION AND ANALYSIS**

**Fiscal Year Ended August 31, 2019**

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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, 2019. 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 Corporations total assets were \$120.4 million; of this amount \$76.4 million represent assets associated with the single-family bond program, \$23.6 million represents unrestricted cash equivalents and investments and \$11.6 million represents real estate held under the Neighborhood Stabilization Program (“NSP”), the Affordable Communities of Texas (“ACT”) Program, and the Rental Program. Total assets increased approximately \$44.3 million during 2019 primarily due to the expansion in single family bond activity.
- The Corporation’s liabilities totaled \$76.8 million of which \$68 million related to the single-family bond program, \$2.2 million consisted of notes payable and \$1.8 million represented NSP funds owed to the Texas Department of Housing and Community Affairs. Total liabilities increased approximately \$39.7 million in 2019 resulting primarily from the issuance of the Corporation’s new single-family bond debt.
- At the close of the fiscal year ending August 31, 2019 the Corporation’s assets exceeded it liabilities by \$43.4 million. Of this amount, \$33.2 million may be used to meet the Corporation’s ongoing obligations to the public and creditors and \$1.2 million is invested in capital assets.
- The Corporation’s operating revenues for 2019 totaled \$13.1 million and operating revenue exceeded operating expense by approximately \$4.7 million. The major revenue sources were interest and investment income of \$2.3 million, single family program income of \$6.8 million, and contributions of \$0.6 million. Revenue decreased in 2019 by approximately \$2.6 million due to a decrease in revenue from Single Family programs. The Corporation follows the provisions of 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 2019 consisted primarily of interest expense on bonds and notes payable of \$1.5 million, salary expense of \$2.8 million, and program & loan administration expense of \$1.4 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, liabilities and deferred inflows of resources 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, 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

			Increase (Decrease)	
	2019	2018	Amount	Percentage
<b>ASSETS:</b>				
Current Assets	\$ 49,573,003	\$ 22,160,384	\$ 27,412,619	123.70%
Noncurrent Assets	70,828,178	53,938,016	16,890,162	31.31%
Total Assets	120,401,181	76,098,400	44,302,781	58.22%
<b>LIABILITIES:</b>				
Current Liabilities	4,783,173	4,213,987	569,186	13.51%
Noncurrent Liabilities	72,003,728	32,910,885	39,092,843	118.78%
Total Liabilities	\$ 76,786,901	\$ 37,124,872	\$ 39,662,029	106.83%
<b>DEFERRED INFLOWS OF RESOURCES-</b>				
Deferred Revenue	\$ 177,987	\$ 190,570	\$ (12,583)	(6.60%)
<b>NET POSITION:</b>				
Invested in Capital Assets	1,220,452	1,250,602	(30,150)	(2.41%)
Restricted for Debt Service	5,114,533	2,267,518	2,847,015	125.56%
Restricted for Other Purposes	3,905,995	350,096	3,555,899	1015.69%
Unrestricted	33,195,313	34,914,742	(1,719,429)	(4.92%)
Total Net Position	\$ 43,436,293	\$ 38,782,958	\$ 4,653,335	12.00%

Net position increased from \$38.8 million to \$43.4 million in fiscal year 2019. Of total net position, \$1,220,452 is invested in capital assets. Restricted net position totaled \$9,020,528, and the remaining balance of \$33,195,313 is unrestricted and available for corporate programs, payment of obligations, and fulfillment of the Corporation's public purpose.

The Corporation's total assets increased from \$76.1 million to \$120.4 million during fiscal year 2019. The largest single factor contributing to this increase was the issuance of bonds in the Corporation's single-family bond program.

As of August 31, 2019, the Corporation's current assets totaled \$49.6 million and current liabilities equaled \$4.8 million resulting in available net working capital of \$44.8 million.

Noncurrent assets consist of restricted investments held by the bond trustee of \$45,051,245; owned real estate totaling \$11,575,899; noncurrent investments of \$8,486,436; notes receivable of \$3,316,469; the Corporation's loan portfolio equaling \$422,812; downpayment assistance of \$558,927; and purchased mortgage servicing rights totaling \$195,938. The Corporation's capital assets consist of furniture, land, and equipment used in operations totaling \$1,220,452, net of accumulated depreciation.

Noncurrent liabilities consisted of bonds payable totaling \$66,472,282; notes payable of \$1,629,601; and unearned revenue of \$3,901,845.

## **Statement Revenues, Expenses and Changes in Net Position**

			Increase (Decrease)	
	2019	2018	Amount	Percentage
<b>REVENUES:</b>				
Interest and Investment Income	\$ 2,330,852	\$ 2,208,291	\$ 122,561	5.55%
Net Increase (Decrease) in Fair Value of Investment	1,733,232	(279,811)	2,013,043	719.43%
Single Family Income	6,836,845	11,335,028	(4,498,183)	(39.68%)
Land Bank Income	273,292	244,571	28,721	11.74%
Public Support	706,937	725,570	(18,633)	(2.57%)
Other	1,252,282	1,477,277	(224,995)	(15.23%)
Total Income	<u>\$ 13,133,440</u>	<u>\$ 15,710,926</u>	<u>\$ (2,577,486)</u>	<u>(16.41%)</u>
<b>EXPENSES:</b>				
Interest Expense on Bonds & Notes Payable	1,450,318	1,265,746	184,572	14.58%
Salaries, Wages & Payroll Related Costs	2,823,336	2,612,993	210,343	8.05%
Program and Loan Administration	1,366,577	908,483	458,094	50.42%
Foundations Fund/ Rebuild Texas Grants	1,223,000	568,000	655,000	115.32%
Other	1,616,874	1,927,770	(310,896)	(16.13%)
Total Expenses	<u>\$ 8,480,105</u>	<u>\$ 7,282,992</u>	<u>1,197,113</u>	<u>16.44%</u>
Operating Gain	4,653,335	8,427,934	(3,774,599)	(44.79%)
Beginning Net Position	<u>38,782,958</u>	<u>30,355,024</u>	<u>8,427,934</u>	<u>27.76%</u>
Ending Net Position	<u>\$ 43,436,293</u>	<u>\$ 38,782,958</u>	<u>\$ 4,653,335</u>	<u>12.00%</u>

Interest and investment income increased \$123 thousand from the previous year. This resulted primarily from the increase in general investments interest revenue.

The Corporation experienced a decrease in revenue during fiscal year 2019 compared to fiscal year 2018 resulting from a decrease in single family income. Single family income decreased approximately \$4.5 million from 2018 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 \$28,700 from the previous year resulting primarily from an increase in activity related to the ACT Program. Public Support decreased approximately \$18,600 from the previous fiscal year. This was due to fewer donations received in relation to the Homebuyer Education grant program.

Interest expense on bonds and notes payable increased \$185,000 from the previous year. This is a direct result of the increase 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 2019, as well as the use of these funds, were as follows:

<u>FY 2019 Grant Applications Submitted</u>	<u>Status</u>	<u>Amount Requested</u>	<u>Amount Received</u>	<u>Program/ Activity</u>
Insperity	Received	\$ 5,000	\$ 5,000	Housing Connection Program
Frost Bank	Received	\$ 5,000	\$ 5,000	Housing Connection Program
Bank of America	Received	\$ 15,000	\$ 15,000	Housing Connection Program
JP Morgan Chase	Received	\$ 30,000	\$ 30,000	Housing Connection Program
Capital Magnet Fund	Received	\$ 5,250,000	\$ 3,750,000	Texas Housing Impact Fund
Rebuild Texas Fund	Received	\$ 550,000	\$ 550,000	HEART Disaster Recovery Grant Program
BBVA	Received	\$ 5,000	\$ 5,000	Housing Connection Program
Texas Capital Bank	Received	\$ 15,000	\$ 15,000	Texas Housing Impact Fund

The number, amount, and purpose of loans provided to affordable housing developers during fiscal year 2019 were as follows:

- Loan in the amount of \$525,307 was provided to a non-profit developer for the purpose of financing interim construction on single family homes.
- Loan in the amount of \$181,580 was provided to a non-profit developer for the purpose of financing interim construction on single family homes.
- Loan in the amount of \$7,698 was provided to a non-profit developer for the purpose of financing interim construction on a multi-family project.

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 2019 were as follows:

- \$348,000 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-five (25) such grants were made in the aggregate amount of \$348,000.
- \$100,000 was set aside in FY2018 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 FY2019 fiscal year, \$60,000 of these funds were spent.

The total amount of revenue earned by the Corporation in excess of its expenditures equaled \$4,653,335 for fiscal year 2019.

*This document is a preliminary draft for use in internal review and discussions and is not intended for external distribution.*

## **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, 2019

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### ASSETS

#### Current Assets

Cash and Cash Equivalents	\$	5,986,828
Restricted Assets:		
Cash and Cash Equivalents		13,605,894
Short-term Investments, at Fair Market Value		17,541,976
Accrued Interest		196,008
Custodial Cash and Cash Equivalents		154,091
Investments, at Fair Value		9,143,170
Accounts Receivable and Accrued Revenue		912,098
Accrued Interest Receivable		142,224
Loans Receivable, Current Portion		71,875
Notes Receivable, Current Portion		351,504
Downpayment Assistance, Current Portion		1,192,908
Prepaid Expenses		274,427
Total Current Assets		<u>49,573,003</u>

#### Noncurrent Assets

Loans Receivable, Net of Uncollectible Amounts of \$2,789		422,812
Notes Receivable, Net of Allowance for Loss of \$500,000		3,316,469
Investments, at Fair Market Value		8,486,436
Mortgage Servicing Rights, Net of Accumulated Amortization of \$2,532,123		195,938
Fixed Assets, Net of Accumulated Depreciation of \$838,765		1,220,452
Owned Real Estate, Federal & Other Programs, Net of Accumulated Amortization of \$696,983		11,575,899
Downpayment Assistance		558,927
Restricted Investments Held by Bond Trustee, at Fair Market Value		45,051,245
Total Noncurrent Assets		<u>70,828,178</u>

<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>120,401,181</u></b>
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(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, 2019

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### LIABILITIES

#### Current Liabilities

Accounts Payable and Accrued Expenses	\$	468,223
Notes Payable, Current Portion		555,562
Custodial Reserve Funds		154,091
Due to Federal Programs		1,786,799
Other Current Liabilities		265,585
Payable from Restricted Assets Held by Bond Trustee:		
Revenue Bonds Payable, Current Portion		670,000
Accrued Interest on Revenue Bonds		882,913

Total Current Liabilities		<u>4,783,173</u>
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#### Noncurrent Liabilities

Notes Payable		1,629,601
Revenue Bonds Payable		66,472,282
Unearned Revenue		<u>3,901,845</u>

Total Noncurrent Liabilities		<u>72,003,728</u>
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Total Liabilities		<u>76,786,901</u>
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### DEFERRED INFLOWS OF RESOURCES

Deferred Revenue		<u>177,987</u>
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Total Deferred Inflows of Resources		<u>177,987</u>
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### NET POSITION

Invested in Capital Assets		1,220,452
Restricted for:		
Debt Service		5,114,533
Other Purposes		3,905,995
Unrestricted		<u>33,195,313</u>

Total Net Position	\$	<u>43,436,293</u>
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<b>TOTAL LIABILITIES &amp; NET POSITION</b>	\$	<u><u>120,401,181</u></u>
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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, 2019

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Operating Revenues	
Interest and Investment Income	\$ 2,330,852
Net Increase (Decrease) in Fair Value of Investments	1,733,232
Single Family Income	6,836,845
Asset Oversight and Compliance Fees	251,715
Rental Program Income	596,596
Multifamily Income	306,176
Land Bank Income	273,292
Federal and State Grants	60,879
Other Contributions and Public Support	646,059
Other Operating Revenue	97,794
	<hr/>
Total Operating Revenues	\$ 13,133,440
	<hr/>
Operating Expenses	
Interest Expense on Bonds and Notes Payable	\$ 1,450,318
Program and Loan Administration	1,366,577
Foundation Fund Grants	1,223,000
Salaries, Wages and Payroll Related Costs	2,823,336
Professional Fees and Services	424,093
Depreciation and Amortization	469,149
Office and Equipment Rental and Maintenance	105,315
Travel and Meals	106,940
Grant Expenditures	121,031
Other Operating Expenses	390,346
	<hr/>
Total Operating Expenses	\$ 8,480,105
	<hr/>
Net Income	4,653,335
Total Net Position, Beginning	38,782,958
	<hr/>
<b>Total Net Position, Ending</b>	<b>\$ 43,436,293</b>
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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, 2019

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Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 103,569,598
Payments to Employees	(2,119,651)
Payments of Benefits and Other Payroll Related Costs	(703,685)
Payments to Suppliers of Goods and Services	<u>(93,023,017)</u>
Net Cash Provided By Operating Activities	<u>7,723,245</u>
Cash Flows from Non-Capital Financing Activities	
Proceeds from Notes Payable	250,000
Payments of Principal on Notes Payable	(552,862)
Proceeds from Bonds Payable	41,743,027
Payments of Principal related to Bond Maturities and Calls	<u>(5,670,000)</u>
Net Cash Used For Non-Capital Financing Activities	<u>35,770,165</u>
Cash Flows from Capital and Related Financing Activities	
Payments for Additions to Capital Assets	(46,983)
Purchase and Rehabilitation of Single Family Homes	(792,733)
Sale of Single Family Homes	211,964
Sale of Single Family Homes Under ACT Program	809,562
Rehabilitation of Multifamily Apartments	(22,330)
Purchase and Rehabilitation of Office Building	<u>(2,401,682)</u>
Net Cash Provided By Capital and Related Financing Activities	<u>(2,242,202)</u>
Cash Flows from Investing Activities	
Proceeds from Sale and Maturities of Investments Held by Bond Trustee	30,746,598
Purchase of Investments Held by Bond Trustee	(59,240,893)
Proceeds from Sale of Unrestricted Investments	12,888,259
Purchase of Unrestricted Investments	<u>(13,640,598)</u>
Net Cash Provided By Investing Activities	<u>(29,246,634)</u>
Net Increase in Cash and Cash Equivalents	12,004,574
Cash and Cash Equivalents at Beginning of Year	<u>7,742,239</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,746,813</u>
	(continued)

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

*This document is a preliminary draft for use in internal review and discussions and is not intended for external distribution.*

# TEXAS STATE AFFORDABLE HOUSING CORPORATION

## STATEMENT OF CASH FLOWS (Continued) FOR THE YEAR ENDED AUGUST 31, 2019

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

Net Income from Operations	\$	4,653,335
Adjustments To Reconcile to Net Cash Provided By Operations:		
Depreciation and Amortization Expense		469,149
Unrealized Loss on Investments		(1,733,232)
Accretion on Investments		(46,088)
Gain on Sale of Property		(215,489)
Donated Property		(62,973)
Provision for Estimated Losses		9,468
In-kind grants		(3,923)
Amortization of Down Payment Assistance		3,226
Amortization of Bond Premium		(23,374)
Changes in Current Assets and Liabilities:		
Decrease in Accounts Receivable and Accrued Revenue		601,095
Increase in Accrued Interest Receivable		(104,179)
Decrease in Loans Receivable		70,448
Decrease in Notes Receivable		2,179,607
Increase in Down Payment Assistance Loans		(1,751,835)
Increase in Prepaid Expenses		(160,674)
Increase in Accounts Payable & Accrued Expenses		58,643
Increase in Accrued Interest Payable on Bonds		374,566
Increase in Deferred Revenue		3,756,167
Decrease in Due to Federal Programs		(350,692)
Net Cash Provided By Operating Activities	\$	<u>7,723,245</u>

### SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS

Debt Forgiven - Affordable Communities of Texas Veterans' Program	\$	<u>174,362</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, 2019

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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 Governmental 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 and multifamily housing 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 and San Antonio Metropolitan Statistical Areas (the “MSA”) to eligible low income families.

### ***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 2019 program year, the amount available for issuance was approximately \$66 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.

**Rental Program** - 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.

### **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 THIF Program and the MPAB 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. 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, 2019 the premium related to the SFB Programs totaled approximately \$1,872,000. Bond premium amortization during fiscal year 2019 totaled approximately \$23,000.

**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 inputs 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 2019 was approximately \$36,000; accumulated amortization as of August 31, 2019 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 equipment 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, 2019 was approximately \$228,000.

**Reserve and Custodial Accounts** - The Corporation holds certain cash reserves totaling approximately \$154,000 as of August 31, 2019 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, 2019 consisted of bank deposits totaling \$373,949 and local government investment pool deposits totaling \$5,612,879.

Restricted cash and cash equivalents at August 31, 2019 totaled \$13,605,894. The bond trustee maintained \$9,699,899 in money market mutual funds. The Corporation held \$3,750,000 in a money market account, which was a grant received from the Capital Magnet Fund. The remaining \$155,995 was related to various restricted grant funds maintained in the Federal Home Loan Bank. The Corporation also maintained two custodial accounts with a combined total of \$154,091 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, 2019, the *securities* to be priced in the portfolio are:

	Level 1	Level 2	Level 3	Total
US Agency Obligations	\$ 8,143,353	\$ -	\$ -	\$ 8,143,353
US Agency MBS	-	3,486,253	-	3,486,253
Total Fair Value	\$ 8,143,353	\$ 3,486,253	\$ -	\$ 11,629,606
Investments not subject to GASB 72				6,000,000
Total Unrestricted Investments				<u>\$ 17,629,606</u>

The Corporation's unrestricted investments consisted of the following at August 31, 2019:

Description/Maturity	Interest Rate	Cost	Fair Market Value	Unrealized Gain/(Loss)
Certificate of Deposit - 3/11/20	2.465%	\$ 4,600,000	\$ 4,600,000	\$ -
Certificate of Deposit - 4/02/20	2.338%	400,000	400,000	-
Certificate of Deposit - 5/11/20	1.772%	1,000,000	1,000,000	-
Federal Agency Coupon Securities - 1/23/20	2.090%	1,988,879	2,000,145	11,266
Federal Agency Coupon Securities - 7/13/20	1.750%	1,139,639	1,143,025	3,386
Total Short Term Investments		9,128,518	9,143,170	14,652
Pass through securities GNMA - 10/20/2034	5.990%	3,577	4,022	445
Pass through securities GNMA - 2036-2038*	5.49 - 6.10%	1,216,270	1,311,318	95,048
Pass through securities FNMA - 2035-2037	5.49 - 5.75%	716,237	740,540	24,303
Pass through securities FHLMC - 2037-2038	5.65 - 6.1%	1,309,588	1,430,372	120,784
Federal Agency Coupon Securities - 10/09/20	2.520%	2,500,575	2,500,259	(316)
Federal Agency Coupon Securities - 2/26/21	1.905%	2,500,000	2,499,925	(75)
Total Long Term Investments		\$ 8,246,247	\$ 8,486,436	\$ 240,189
Total Investments		<u>\$ 17,374,765</u>	<u>\$ 17,629,606</u>	<u>\$ 254,841</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.

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As of August 31, 2019, the *securities* to be priced in the portfolio are:

	Level 1	Level 2	Level 3	Total
US Treasury Notes	\$ 17,541,976	\$ -	\$ -	\$ 17,541,976
US MBS	-	45,051,245	-	45,051,245
Total Fair Value	\$ 17,541,976	\$ 45,051,245	\$ -	\$ 62,593,221
Investments not subject to GASB 72				-
Total Restricted Investments				\$ 62,593,221

The Corporation's restricted investments held by bond trustee consisted of the following at August 31, 2019:

Description/Maturity	Interest Rate	Cost	Fair Market Value	Unrealized Gain/(Loss)
US Treasury Notes - 2019	1.625%	\$ 9,110,000	9,110,000	-
US Treasury Notes - 2019	1.75%	8,434,000	8,431,976	(2,024)
Total Short Term Investments		\$ 17,544,000	17,541,976	(2,024)
GNMA/FNMA Investments - 2040/2042	3.5-4.75%	\$ 26,166,009	\$ 27,517,737	\$ 1,351,728
GNMA/FNMA Investments - 2049	4.8%	16,335,943	17,533,508	1,197,565
Total Long Term Investments		\$ 42,501,952	\$ 45,051,245	\$ 2,549,293
Total Investments		\$ 60,045,952	\$ 62,593,221	\$ 2,547,269

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

Single Family Mortgage Revenue Bonds Series 2009A, B/2011A, B/2013A	\$ 1,234,483
Single Family Mortgage Revenue Bonds Series 2019A	197,657
	\$ 1,432,140

Compared to the prior fiscal year, the fair value of investments held by the bond trustee as of August 31, 2019 has increased by approximately \$30.3 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 \$45 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 \$42.5 million and unrealized gain of approximately \$2.5 million as of August 31, 2019. 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, 2019, holdings in the General Portfolio and Surplus Portfolio had total fair market values of \$24,371,905 and \$3,482,231 respectively and included:

- collateralized or insured certificates of deposit represented 21.54% of the total portfolio,
- funds held in a Federal Home Loan Bank account represented 1.52% of the total portfolio,
- funds invested in fully insured or collateralized bank accounts represented 15.04% of the total portfolio,
- holdings in a AAA-rated local government pool represented 20.15% of the total portfolio,
- holdings in US Government agency securities represented 29.24% of the total portfolio, and
- holdings in US mortgage backed securities represented 12.51% of the total 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, 2019, the general portfolio, excluding the one GNMA, held no security with a stated maturity date beyond 544 days. With the inclusion of the one GNMA the dollar weighted average maturity of the total general portfolio was 175 days.

The Surplus Funds portfolio had a dollar weighted average maturity of 6,526 days and the longest security was 6,989 days.

As of August 31, 2019, 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 \$8,143,353.

As of August 31, 2019, the Surplus Portfolio contained mortgage-backed securities 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, 2019:

- the portfolio contained 21.54% 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

*This document is a preliminary draft for use in internal review and discussions and is not intended for external distribution.*

### 3. LOANS RECEIVABLE

Loans receivable are carried at the unpaid principal balance, net of loss allowances. A summary of loans receivable at August 31, 2019 is as follows:

Loans Receivable at September 1, 2018	\$ 569,969
Additions	-
Paydowns	<u>(72,493)</u>
Loans Receivable at August 31, 2019	497,476
Allowance for possible loan losses	<u>(2,789)</u>
Net Balance at August 31, 2019	<u>\$ 494,687</u>

The current portion of loans receivable at August 31, 2019 is \$71,875; the remaining balance of \$422,812 is classified as noncurrent loans receivable.

The activity for allowance for possible loan losses for fiscal year 2019 is as follows:

Balance at September 1, 2018	\$ (4,834)
Current Year Reduction	2,045
Loss Applied to the Allowance	<u>-</u>
Balance at August 31, 2019	<u>\$ (2,789)</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 THIF Program, the MPAB Program, and the 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 \$1,027,794 which collateralizes an advance from FHLB. See Note 10.

A summary of activity for notes receivable for the year ended August 31, 2019 is as follows:

Balance at September 1, 2018	\$ 5,847,581
Additions	714,586
Collections	(2,803,667)
Accumulated Amortization	<u>(90,527)</u>
Balance at August 31, 2019	<u>\$ 3,667,973</u>

The current portion of notes receivable at August 31, 2019 is \$351,504; the remaining balance of \$3,316,469 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, 2019 consisted of the following:

	Cost or Basis In Property			Balance August 31, 2019
	Balance September 1, 2018	Additions	Deletions	
Land	\$ 232,241	\$ -	\$ -	\$ 232,241
Building	1,301,442	3,985	1,070	1,304,357
Furniture & Fixtures	495,615	42,997	15,993	522,619
Total	<u>\$ 2,029,298</u>	<u>\$ 46,982</u>	<u>\$ 17,063</u>	<u>\$ 2,059,217</u>
	Accumulated Depreciation			Balance August 31, 2019
	Balance September 1, 2018	Additions	Deletions	
Building	\$ 358,622	\$ 39,815	\$ 964	\$ 397,473
Furniture & Fixtures	420,074	37,108	15,890	441,292
Total	<u>\$ 778,696</u>	<u>\$ 76,923</u>	<u>\$ 16,854</u>	<u>\$ 838,765</u>

Capital assets, less accumulated depreciation, at August 31, 2019 totaled \$1,220,452.

## 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 \$7,799.

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

<u>Year Ended August 31,</u>	<u>Amount</u>
2020	7,140
2021	2,380
Total Minimum Future Rental Payments	<u>\$ 9,520</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>
2020	\$ 371,336
2021	106,610
2022	13,660
Total Future Rental Income	<u>\$ 491,606</u>

Total operating lease income for the year ended August 31, 2019 was \$521,558.

## 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 THIF Program. See Note 4.

Reserve activity for the year ended August 31, 2019 was as follows:

Balance at September 1, 2018	\$ 126,751
Deposits	27,340
Disbursements	-
Balance at August 31, 2019	<u>\$ 154,091</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 2019 totaled approximately \$12,583. The remaining deferred revenue for this portfolio was \$177,987 at August 31, 2019.

The prepaid issuer fees from thirteen (13) multifamily bond portfolios are recognized as income throughout the year. As of August 31, 2019, unearned revenue related to these properties totaled \$152,756.

In the fiscal year ended August 31, 2019, the Corporation received \$3.75 million from the Capital Magnet Fund in the form of a grant. The revenue will be earned as it is expended.

A summary of deferred inflows of resources and unearned revenue activity for fiscal year 2019 is as follows:

	Deferred Inflows of Resources	Unearned Revenue
Balance at September 1, 2018	\$ 190,570	\$ 133,095
Additions	-	4,165,548
Revenue Earned	-	(396,798)
Loan Payments Received	(12,583)	-
Balance at August 31, 2018	<u>\$ 177,987</u>	<u>\$ 3,901,845</u>

## 10. NOTES PAYABLE

As of August 31, 2019 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.	\$ 288,634
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.	459,201
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.	687,328
Note Payable to Texas Community Bank, interest only at 2.00% payable quarterly, due in full May 2020, unsecured.	500,000
Note Payable to Austin Community Foundation, interest only at 2.0% payable quarterly, due in full January 1, 2022, unsecured.	<u>250,000</u>
Total Notes Payable	\$ 2,185,163
Current Portion of Notes Payable	<u>555,562</u>
Noncurrent Notes Payable	<u><u>\$ 1,629,601</u></u>

The summary of notes payable for the year ended August 31, 2019 is as follows:

Balance at September 1, 2018	\$ 2,488,025
Advances	250,000
Repayments	<u>(552,862)</u>
Balance at August 31, 2019	<u><u>\$ 2,185,163</u></u>

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

Year Ended August 31,	Principal	Interest	Total
2020	\$ 555,562	\$ 78,431	\$ 633,993
2021	58,415	68,912	127,327
2022	311,431	62,560	373,991
2023	64,620	57,707	122,327
2024	625,702	34,483	660,185
2025 thru 2029	<u>569,433</u>	<u>35,178</u>	<u>604,611</u>
Total	<u><u>\$ 2,185,163</u></u>	<u><u>\$ 337,271</u></u>	<u><u>\$ 2,522,434</u></u>

## 11. BONDED INDEBTEDNESS

The Corporation had four (4) bond series outstanding as of August 31, 2019. 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.

On May 9, 2019, the Corporation issued \$40,000,000 in Single Family Mortgage Revenue to make funds available to finance qualifying mortgage loans for single family residences located in the State of Texas. The net proceeds of \$41,118,027 (after payment of \$625,000 in underwriting fees and other issuance costs) were invested by the Corporation to fund future qualifying mortgage loans.

The Corporation is in compliance with all significant limitations and restrictions at August 31, 2019.

Description	Interest Rate	Bonds Outstanding 9/1/18	Bonds Issued	Bonds Matured/ Retired	Bonds Refunded/ Extinguished	Bonds Outstanding 8/31/19	Amounts Due Within One Year
Single Family 2009-2013							
Series 2011A	Variable	\$ 5,160,000	\$ -	\$1,315,000	\$ -	\$ 3,845,000	\$ 340,000
Series 2009/2011B	Variable	14,595,000	-	2,235,000	-	12,360,000	330,000
Series 2013A	Variable	11,185,000	-	2,120,000	-	9,065,000	-
Single Family 2019							
Series 2019A	Variable	-	40,000,000	-	-	40,000,000	-
Total Principal		\$30,940,000	\$40,000,000	\$5,670,000	\$ -	\$65,270,000	\$ 670,000
Unamortized Premium		152,627				1,872,282	
Total		<u>\$31,092,627</u>				<u>\$67,142,282</u>	

The current portion of bonds payable at August 31, 2019 was \$670,000. The remaining balance of \$66,472,282 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
2020	\$ 670,000	\$ 2,331,203	\$ 3,001,203
2021	1,210,000	2,301,039	3,511,039
2022	1,300,000	2,257,589	3,557,589
2023	1,335,000	2,209,222	3,544,222
2024	1,410,000	2,157,724	3,567,724
2025 thru 2029	8,125,000	9,899,299	18,024,299
2030 thru 2034	10,800,000	8,308,082	19,108,082
2035 thru 2039	14,095,000	6,391,638	20,486,638
2040 thru 2044	12,540,000	3,951,038	16,491,038
2045 thru 2049	11,170,000	1,832,316	13,002,316
2050 thru 2054	2,615,000	78,800	2,693,800
Total	<u>\$ 65,270,000</u>	<u>\$ 41,717,950</u>	<u>\$ 106,987,950</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 2019, the debt service requirement equaled \$5,670,000 in bond principal and \$997,334 in bond interest expense, totaling \$6,677,334. As of August 31, 2019, pledged revenues totaled \$34,109,662.

## 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 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, 2019, the MCC Program revenue totaled approximately \$1,863,000 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, 2019, the Corporation, through the NSP, owed the Department \$1,786,799. 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, 2020.

### **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, 2019, the Corporation, through the Texas Foundation Fund, made grants totaling \$348,000.

### **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 or an interest-free 30 year non-forgivable second lien. The 2009-2019 programs offer 3-6% 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 2019. Receivables and payables related to this grant as of August 31, 2019 totaled \$52,263 and \$1,786,799, 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, 2019, were \$66,636.

## **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 \$66 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, 2019, there were fourteen series of multifamily housing revenue bonds outstanding with an aggregate principal amount payable of approximately \$212 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 18, 2019 (the date the financial statements were available for issue) and has determined that there were no subsequent events that have occurred that require additional disclosure.

## 22. NON-CASH CONTRIBUTIONS

During the year ended August 31, 2019, the Corporation received six new donated properties, valued at \$62,973, to be utilized in the ACT Housing Initiative. See Note 12. Additionally, Google, Inc. made an in-kind donation of \$3,923 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, 2019 and for the year then ended is as follows:

Summary Financial Information	Amount
Operating Revenue	\$ 13,133,440
Depreciation and Amortization	469,149
Net Income	4,653,335
Net Working Capital*	44,789,830
Total Assets	120,401,181
Total Net Position	43,436,293
Noncurrent Notes Payable	1,629,601
Noncurrent Bonds Payable	66,472,282
Deferred Inflows of Resources	177,987
Unearned Revenue	3,901,845
Capital Asset Additions	46,982

* Net Working Capital Calculation	Amount
Unrestricted Cash and Cash Equivalents	\$ 5,986,828
Restricted Assets Held by Bond Trustee	31,343,878
Custodial Cash and Cash Equivalents	154,091
Investments, Short-Term	9,143,170
Accounts Receivable and Accrued Revenue, net	912,098
Accrued Interest Receivable	142,224
Loans Receivable, Current Portion	71,875
Notes Receivable, Current Portion	351,504
Downpayment Assistance, Current Portion	1,192,908
Prepaid Expenses	274,427
Payables:	
Accounts Payable and Accrued Expenses	(468,223)
Notes Payable, Current Portion	(555,562)
Custodial Reserve Funds	(154,091)
Due to Federal Programs	(1,786,799)
Other Current Liabilities	(265,585)
Bonds Payable and Accrued Interest on Bonds, Current Portion	(1,552,913)
Total Net Working Capital	<u>\$ 44,789,830</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, 2019, 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 18, 2019.

**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 18, 2019



## **OTHER SUPPLEMENTAL INFORMATION**

# TEXAS STATE AFFORDABLE HOUSING CORPORATION

## SCHEDULE OF REVENUES AND EXPENSES BY ACTIVITY FOR THE YEAR ENDED AUGUST 31, 2019

	NSP	Single Family	Multi Family	ACT	Asset Management	Other	Total
Income							
Interest and Investment Income	\$ -	\$ 1,752,528	\$ 89,671	\$ -	\$ -	\$ 488,653	\$ 2,330,852
Net Increase (Decrease) in Fair Value of Investments	-	1,733,232	-	-	-	-	1,733,232
Single Family Income	-	6,836,845	-	-	-	-	6,836,845
Federal and State Grants	59,969	-	910	-	-	-	60,879
Other Operating Revenue	27,285	80,954	306,264	273,591	848,311	635,227	2,171,632
Total Income	87,254	10,403,559	396,845	273,591	848,311	1,123,880	13,133,440
Expenses							
Interest Expense on Bonds and Notes Payable	-	1,367,493	72,825	10,000	-	-	1,450,318
Salaries, Wages and Payroll Related Costs	54,783	1,072,906	95,680	145,430	458,079	996,458	2,823,336
Grant Expenditures	59,968	61,063	-	-	-	-	121,031
Other Expenditures	-	1,605,854	79,368	170,427	511,388	1,718,383	4,085,420
Total Expense	114,751	4,107,316	247,873	325,857	969,467	2,714,841	8,480,105
Net Income							<u>\$ 4,653,335</u>

*This document is a preliminary draft for use in internal review and discussions and is not intended for external distribution.*

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

**HUD AUDIT**

**August 31, 2019**

**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 08/31/2019  
**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: 12/18/2019

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, 2019, and have issued our report thereon dated December 18, 2019. 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 18, 2019

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**  
**Ginnie Mae Issuer Identification Number: 3747**  
**Computation of Adjusted HUD Net Worth**  
**As of August 31, 2019**

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**A. Adjusted Net Worth Calculations:**

Total Net Position at End of Reporting Period		\$ 43,436,293
Less Itemized Unacceptable Assets:		
Purchased Mortgage Servicing Rights	\$ (195,938)	
Prepaid Insurance, Maintenance Contracts & Subscriptions	<u>(274,427)</u>	
Total Unacceptable Assets		<u>\$ (470,365)</u>

**Adjusted Net Worth** \$ 42,965,928

**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>

**C. Excess (Deficit) Net Worth** \$ 40,465,928

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, 2019**

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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

\$ 42,965,928

Total Assets

\$ 120,401,181

**Total Adjusted Net Worth/Total Assets**

35.69%

**Required Adjusted Net Worth/Total Assets**

6.00%

**Meets  
Requirement?**

Yes

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, 2019**

**A. Liquid Asset Calculation:**

Required Net Worth Calculation	\$ 2,500,000
Acceptable Liquid Assets -	
Cash and Cash Equivalents	\$ 5,986,828
Certificate of Deposit - 3/11/20	4,600,000
Certificate of Deposit - 4/2/20	400,000
Certificate of Deposit - 5/11/20	1,000,000
<b>Total Liquid Assets</b>	<b>\$ 11,986,828</b>

**B. Required Liquid Asset:**

Single-Family Issuer Liquidity Requirement	\$ 1,000,000
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**Meets  
Requirement?  
Yes**

All Other Issuer Types Liquidity Requirement (does not apply)	n/a
Multiple Program Participation (does not apply)	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, 2019**

<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>4,665,449</u>
Remaining Principal Balance of Total Servicing Portfolio	<u>\$ 4,665,449</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, 2019**

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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, 2019**

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There were no findings from the prior year audit.

December 18, 2019

Melinda Smith  
Texas State Affordable Housing Corporation

We are pleased to report that we performed the audit of Texas State Affordable Housing Corporation (the “Corporation”) as of and for the year ended August 31, 2019, and have issued our report thereon dated December 18, 2019. 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. We issued an unmodified opinion on those financial statements.

In accordance with *Government Auditing Standards*, we also issued our report dated December 18, 2019 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 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.

As part of performing our audit, we performed certain procedures related to compliance with the Public Funds Investment Act. The results of our tests disclosed no instances of noncompliance that were required to be reported to the Corporation.

We are providing this communication to management of the Corporation to satisfy reporting requirements to the Texas State Auditor’s Office.

Sincerely,

Jimmy Romell  
Partner

## Tab 3

THE STATE OF TEXAS	\$
	\$
TEXAS STATE AFFORDABLE	\$
HOUSING CORPORATION	\$

<u>Name</u>	<u>Office</u>
William H. Dietz	Chairperson
Valerie Vargas Cardenas	Director
Courtney Johnson Rose	Director
Lali Shipley	Director
Andy Williams	Director

“RESOLUTION NO. 19-\_\_\_\_\_

AYES	NOES	ABSTENTIONS
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98985096.2 / 1001035260



RESOLUTION NO. 19-\_\_\_\_\_

RESOLUTION Regarding the Submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board for the Ventura at Fairgrounds Apartments

WHEREAS, the Board of Directors of the Texas State Affordable Housing Corporation (the "Corporation") previously adopted Resolution 18-10 which authorized the submission of one or more Applications for Allocation of Private Activity Bonds for calendar year 2018 in connection with tax-exempt obligations in a principal amount not to exceed \$40,000,000 (the "Bonds") and previously adopted Resolution 19-11 which authorized the submission of one or more Applications for Allocation of Private Activity Bonds for calendar year 2019 in connection with the Bonds;

WHEREAS, the Board now desires to submit one or more calendar year 2020 Applications for Allocation of Private Activity Bonds or a calendar year 2020 Application for Carryforward for Private Activity Bonds (collectively, the "Application") to the Texas Bond Review Board in connection with the Bonds relating to a qualified residential rental housing project to be located on the approximately 26 acres at the Northeast corner of the intersection of Scharbauer Drive and North Fairgrounds Road, Midland, Texas 79705 (the "Project");

WHEREAS, the Corporation intends to issue the Bonds and loan the proceeds to THF Midland Leased Housing Associates II, Limited Partnership, a Texas limited partnership (the "Borrower"), which will use the proceeds for acquiring, constructing and equipping the Project;

WHEREAS, the Board desires to make all other appropriate filings and requests to the Texas Bond Review Board to enable the Corporation to issue the Bonds.

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

1. That the President of the Corporation or any officer of the Corporation is hereby authorized and directed to execute and deliver the Application to the Texas Bond Review Board in connection with requesting allocation in the maximum amount of \$40,000,000 for the Bonds, together with any documents, certificates or instruments related thereto.

2. That the President of the Corporation or any other officer of the Corporation is hereby authorized and directed to file with the Texas Bond Review Board one or more Notices of Intent to Issue Bonds and one or more State Bond Applications in connection with the Bonds and such officers are further authorized and directed to request that the application(s) be approved by the Executive Director of the Texas Bond Review Board in accordance with Chapter 181 of the Texas Administrative Code, as amended.

3. That the President of the Corporation or any other officer of the Corporation is hereby authorized and directed to take any and all other actions necessary or incidental to securing the private activity bond allocation(s) and the approval of the Bonds from the Texas Bond Review Board.

PASSED, APPROVED AND EFFECTIVE this December 18, 2019.

TEXAS STATE AFFORDABLE  
HOUSING CORPORATION

\* \* \* \* \*

# Texas State Affordable Housing Corporation

## Multifamily Private Activity Bond Project Summary

### **Agenda:**

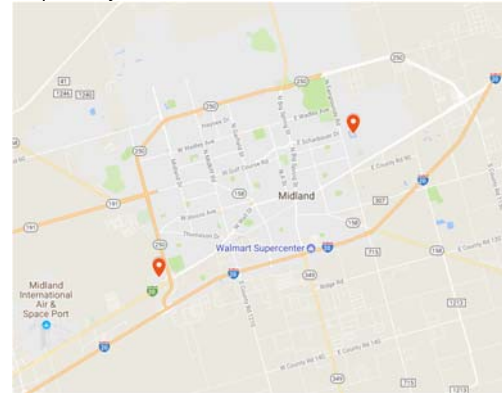
Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board for the Ventura at Fairgrounds Apartments.

### **Update:**

The Corporation's Board approved an inducement and bond resolution for the Ventura at Fairgrounds development in 2018. The targeted closing date of January 10, 2019 was missed due to difficulties obtaining permitting and site review clearance, causing the bond volume cap reservation to expire.

The developers, Dominion Inc. and Texas Housing Foundation, have resolved development issues but were unable to receive final approval from the Texas Bond Review Board last month and will be further delayed in closing.

Map of Project Area



At this time, staff is requesting approval of a new resolution extending the closing period into 2020. This action is required to close the transaction in the new year, since the previous resolutions had limited the closing period to 2018 and 2019.

The Corporation was also made aware of updated cost figures provided by the Developer based on updated bids from contractors. Staff has reviewed the numbers and confirms that the project continues to meet the Corporation's underwriting criteria. The following write-up includes the newest numbers available. The closing of the bonds is also subject to final approval from the Texas Bond Review Board.

### **Project Summary:**

The Corporation received an application from Dominion Inc. and Texas Housing Foundation (Developer) on June 14, 2018 proposing the development of a multifamily rental project located in Midland. The application requested approximately \$40 million in long-term bonds with an original target date of closing on or before January 10, 2019. The project did have a reservation of private activity bonds, approved on August 15, 2018.

### **Public Benefit:**

The proposed project will provide 300-units of housing targeted to families earning 60% of area median income or less. Midland meets the Corporation's Target Housing Need as a Small Urban Market.

### **Financial Summary:**

The proposed new construction of Ventura at Fairgrounds Apartments has a total budget of approximately \$74.6 million. Approximately \$3.9 million will be used for land acquisition costs and \$49.6 million will be applied to construction costs (\$164,000 per unit). Financing costs, soft costs, developer fees and reserves account for the remaining \$21.1 million in total costs. Total costs increased approximately 11% from previous estimates provided by the Developer in March of 2019.

# Texas State Affordable Housing Corporation

## Multifamily Private Activity Bond Project Summary

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The maximum par amount of the bonds will be \$40 million. The bonds will be issued as long-term securities. Key Bank will be the initial bond purchaser, then the bonds will be purchased through the Freddie Mac Tax Exempt Loan Program. The Corporation will issue the bonds and use funds to provide a permanent mortgage to the Developer/Owner. The anticipated permanent first mortgage will be \$39.87 million, with tax credit equity estimated at \$23.7 million. Deferred Developer Fees of \$9.9 million, a letter of credit from the Developer for \$827 thousand and approximately \$400 thousand in reinvestment proceeds make up the remaining sources.

Staff has reviewed updated financial information on the project and continues to support this analysis. Although total costs increased 11% over previous estimates, construction costs were the largest part of this increase. The higher costs also allow for a larger Developer Fee, which has been used to off set cost increases as a Deferred Developer Fee. Based on the bond purchaser's commitment letter, increase tax credit equity and additional deferred fees, the debt coverage ratio for the project remains above the Corporation's minimum 1.15 requirement.

### **Market Conditions:**

Ventura at Fairgrounds Apartments will sit near the intersection of East Golf Course Road and North Fairgrounds on the east side of Midland. The property is located near several large parks and is a fast-growing single-family residential area. Both elementary and secondary schools are located within 2 miles, and access to office and commercial centers is easily available by East Golf Course Road and Business IH-20.

The project sits within a census tract that has a median home price of \$187,300, as compared to Midland County's overall median home price of \$284,000. While the census tract home pricing is lower at this time, more than 200 lots have been approved for development within one mile of the project. Median family income for the census tract is \$97,782, while County median income is reported at \$89,196, higher than the State's median of \$67,344. Because of continued growth in oil and gas field exploration, along with expanding wind energy, the Midland area's income and overall cost of living has grown much faster than the State's. Median rents for the area average \$1,179 compared to the State's average of \$952.

Access to affordable rental units in Midland has increased in recent years, but construction has not kept up with population growth. Thirteen properties with 1,589 affordable units were observed in Staff's market review, one of these, Palladium Midland, was financed through bonds issued by the Corporation in 2015. Of the thirteen properties only five were less than 10-years old.

Staff has reviewed updated market information and continues to support this analysis.

### **Borrower Summary:**

The development team for Ventura at Fairgrounds is Dominium and the Texas Housing Foundation. The Texas Housing Foundation (THF) is a non-profit public housing authority based in Marble Falls, Texas. THF was created in 2006 and has developed more than 1,000 units of affordable rental housing throughout Texas. THF's Executive Director, Mark Mayfield, has been involved in affordable housing development for more than 20 years. THF, as General Partner, will oversee management of the property and has established working agreements with the Midland Public Housing Authority to provide access to the development for section 8 voucher holders and other special needs populations.

## Texas State Affordable Housing Corporation

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### Multifamily Private Activity Bond Project Summary

Founded in 1972 by David Brierton and Jack Safar, Dominion now owns over 25,000 apartment units and has more than 1,000 employees across the United States. Eighty-percent of Dominion's portfolio is comprised of affordable communities, primarily Section 42 Tax Credit and senior properties. Product types range from garden style to mid-rise to high-rise communities including historic and value-added rehabilitations.

Here in Texas, Dominion is represented by a strong team including Jeff Spicer, Vice President and Project Partner in Development and Acquisitions. Mr. Spicer has worked for more than 25 years in affordable housing in Texas. The Corporation previously worked with Mr. Spicer on the THF Sagebrush Apartments project that received a loan through the Corporation's Texas Housing Impact Fund in 2018.

The Corporation did complete the Ventura at Tradewinds development with this development team in January 2019. That project is already under construction and targeted to open in late 2020.

#### **Recommendation:**

Staff recommends approval of the Resolution Regarding the Submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board for the Ventura at Fairgrounds Apartments.

## Project Summary

Applicant Dominium and THF  
 Project Name Ventura at Fairgrounds

### Location

Address N Fairgrounds Rd City Midland  
 County: Midland State Texas Zip 79705  
 Census Tract: 48113016605

### Funding Sources

	Amount	% of Total
TSAHC - Freddie Mac Perm	\$ 39,870,000	53.41%
HTC/Owner Equity	\$ 23,694,069	31.74%
Deferred Developer/Contractor Fee	\$ 9,872,653	13.22%
Letter of Credit Operating Reserve	\$ 827,572	1.11%
Freddie Mac Reinvestment Proceeds	\$ 387,520	0.52%
GP and Class B Loans	\$ 200	0.00%
		0.00%
<b>Totals</b>	<b>\$ 74,652,014</b>	<b>100%</b>

\* not included in total

### Market Summary

	City	County	State	Census Tract
Population:	128051	155817	26956435	738
Average Age:	32	32	34	52
Diversity Index:		58.24		40.21
% Hispanic:	42.86%	42.16%	38.36%	74.39%
% Persons with Disability:	9.99%	10.19%	11.64%	10.41%
% Households that Rent:	35.89%	33.51%	38.51%	12.20%
Median Rents:	\$ 1,179	\$ 1,186	\$ 952	
% Renters Who are Cost Burdened:	42.11%	41.91%	44.35%	100.00%
Median Home Price:	\$ 182,300	\$ 175,700	\$ 142,700	\$ 166,300
Median Household Income:	\$ 88,875	\$ 89,196	\$ 67,344	\$ 97,782
Unemployment:	3.00%		4.30%	
Persons w/o Insurance:	19.46%	19.74%	19.32%	13.21%
Medically Underserved Area:	No			
% Attending Public Schools:	86.11%	87.28%	93.28%	70.42%
Graduation Rate (Midland ISD):	74.80%			
CRA Eligible Census Tract:	No			
# of LI Projects and Units:	13	1589		

# Ventura Fairgrounds - Underwriting 12.3.19 / Summary Sources and Uses

## Summary of Sources and Uses

Applicant	Dominium and THF
Project Name	Ventura at Fairgrounds
Number of Units	300

Sources	Amount	Amount Per Unit	Percentage of Total
TSAHC - Freddie Mac Perm	\$ 39,870,000	\$ 132,900	53%
HTC/Owner Equity	\$ 23,694,069	\$ 78,980	32%
Deferred Developer/Contractor Fee	\$ 9,872,653	\$ 32,909	13%
Letter of Credit Operating Reserve	\$ 827,572	\$ 2,759	1%
Freddie Mac Reinvestment Proceeds	\$ 387,520	\$ 1,292	1%
GP and Class B Loans	\$ 200	\$ 1	0%
<b>Total Sources</b>	<b>\$ 74,652,014</b>	<b>\$ 248,840.05</b>	<b>100%</b>

Uses	Amount	Amount Per Unit	Percentage of Total
Acquisition	\$ 3,919,557	\$ 13,065.19	5%
Off-Site Construction	\$ -	\$ -	0%
On-Site Work	\$ 280,000	\$ 933.33	0%
Site Amenities	\$ -	\$ -	0%
Building Costs	\$ 49,314,887	\$ 164,382.96	66%
Other Const/Contingency	\$ 2,550,000	\$ 8,500.00	3%
Soft Costs	\$ 2,038,000	\$ 6,793.33	3%
Financing Costs	\$ 4,576,152	\$ 15,253.84	6%
Developer/Owner Contractor Fees	\$ 10,426,465	\$ 34,754.88	14%
Reserve Accounts	\$ 1,546,952	\$ 5,156.51	2%
<b>Total Uses</b>	<b>\$ 74,652,013</b>	<b>\$ 248,840.04</b>	<b>100%</b>

(Gap) / Reserve	\$ 1
Percent of Developer Fee Deferred	94.69%

# Ventura Fairgrounds - Underwriting 12.3.19 / Operating Proforma

## Operating Proforma

Applicant Dominium and THF  
Project Name Ventura at Fairgrounds

Number of Units	300	Affordable Units	300	Min. Set Aside	120
Set-Aside Requirement	120	Affordable %	100%	Accessible Unit Mir	15

### Residential Income

Unit Type	Unit Sq. Ft.	Net Sq. Ft.	# units	Rent	Mo. Income	Inflator	Rent Limiter	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
1/1	733	20,524	28	\$ 980	\$ 27,440	1.02	60% AMI	\$ 329,280	\$ 335,866	\$ 342,583	\$ 349,435	\$ 356,423	\$ 393,520	\$ 434,478
1/1	765	42,840	56	\$ 980	\$ 54,880	1.02	60% AMI	\$ 658,560	\$ 671,731	\$ 685,166	\$ 698,869	\$ 712,847	\$ 787,040	\$ 868,956
2/2	1084	8,672	8	\$ 1,171	\$ 9,368	1.02	60% AMI	\$ 112,416	\$ 114,664	\$ 116,958	\$ 119,297	\$ 121,683	\$ 134,348	\$ 148,331
2/2	1107	17,712	16	\$ 1,171	\$ 18,736	1.02	60% AMI	\$ 224,832	\$ 229,329	\$ 233,915	\$ 238,594	\$ 243,365	\$ 268,695	\$ 296,661
2/2	1059	29,652	28	\$ 1,171	\$ 32,788	1.02	60% AMI	\$ 393,456	\$ 401,325	\$ 409,352	\$ 417,539	\$ 425,889	\$ 470,216	\$ 519,157
2/2	1106	61,936	56	\$ 1,171	\$ 65,576	1.02	60% AMI	\$ 786,912	\$ 802,650	\$ 818,703	\$ 835,077	\$ 851,779	\$ 940,433	\$ 1,038,314
3/2	1273	137,484	108	\$ 1,349	\$ 145,692	1.02	60% AMI	\$ 1,748,304	\$ 1,783,270	\$ 1,818,935	\$ 1,855,314	\$ 1,892,420	\$ 2,089,385	\$ 2,306,850
	1498	318,820	300											
Other income:				\$ 100.00	\$ 30,000	1.02		\$ 360,000.00	\$ 367,200	\$ 374,544	\$ 382,035	\$ 389,676	\$ 430,233	\$ 475,012
Potential gross income								\$ 4,613,760	\$ 4,706,035	\$ 4,800,156	\$ 4,896,159	\$ 4,994,082	\$ 5,513,870	\$ 6,087,758
Residential vacancy loss							7.00%	\$ (322,963)	\$ (329,422)	\$ (336,011)	\$ (342,731)	\$ (349,586)	\$ (385,971)	\$ (426,143)
<b>Effective Gross Residential Income</b>								\$ 4,290,797	\$ 4,376,613	\$ 4,464,145	\$ 4,553,428	\$ 4,644,496	\$ 5,127,899	\$ 5,661,615

### Operating Expenses

Expenses	TSAHC est.	Borrower Yr 1	% EGI	Variance	Per Unit	Inflator								
General & Administrative	\$ 102,600	\$ 121,500	2.83	18%	\$ 405	1.03	\$ 121,500	\$ 125,145	\$ 128,899	\$ 132,766	\$ 136,749	\$ 158,530	\$ 183,780	
Management Fee	\$ 108,900	\$ 124,841	2.91	15%	\$ 416	1.03	\$ 124,841	\$ 128,586	\$ 132,444	\$ 136,417	\$ 140,510	\$ 162,889	\$ 188,833	
Payroll and Related	\$ 323,100	\$ 429,000	10.00	33%	\$ 1,430	1.03	\$ 429,000	\$ 441,870	\$ 455,126	\$ 468,780	\$ 482,843	\$ 559,748	\$ 648,901	
Maintenance & Repair	\$ 165,600	\$ 195,000	4.54	18%	\$ 650	1.03	\$ 195,000	\$ 200,850	\$ 206,876	\$ 213,082	\$ 219,474	\$ 254,431	\$ 294,955	
Utilities	\$ 245,400	\$ 225,000	5.24	-8%	\$ 750	1.03	\$ 225,000	\$ 231,750	\$ 238,703	\$ 245,864	\$ 253,239	\$ 293,574	\$ 340,333	
Insurance	\$ 114,300	\$ 108,000	2.52	n/a	\$ 360	1.03	\$ 108,000	\$ 111,240	\$ 114,577	\$ 118,015	\$ 121,555	\$ 140,916	\$ 163,360	
Taxes	\$ 168,000	\$ -	0.00	-100%	\$ -	1.03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Operating Debt Service Reserves		\$ -	0.00	n/a	\$ -	1.03	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Replacement reserves	\$ 75,000	\$ 75,000	1.75	0%	\$ 250	1.03	\$ 75,000	\$ 77,250	\$ 79,568		\$ -	\$ -	\$ -	
HTC/HOME Compliance Fees	\$ 12,000	\$ 12,000	0.28	n/a	\$ 40	1.03	\$ 12,000	\$ 12,360	\$ 12,731	\$ 13,113	\$ 13,506	\$ 15,657	\$ 18,151	
Bond Compliance Fees	\$ 13,500	\$ 13,500	0.31	0%	\$ 45	1.03	\$ 13,500	\$ 13,905	\$ 14,322	\$ 14,752	\$ 15,194	\$ 17,614	\$ 20,420	
Issuer Fee			0.00			1.03	\$ -							
Other (specify):	Supportive Services	\$ 26,100	0.61		\$ 87	1.03	\$ 26,100	\$ 26,883	\$ 27,689	\$ 28,520	\$ 29,376	\$ 34,055	\$ 39,479	
Total Operating Expenses	\$ 1,328,400	\$ 1,329,941		0%	\$ 4,433.14		\$ 1,329,941	\$ 1,369,839	\$ 1,410,934	\$ 1,371,308	\$ 1,412,447	\$ 1,637,413	\$ 1,898,211	
				state avg	\$ 4,812.00	per unit	\$ 4,433	\$ 4,566	\$ 4,703	\$ 4,571	\$ 4,708	\$ 5,458	\$ 6,327	
				Operating Expenses as a percentage of Effective Gross Income				31.0%	31.3%	31.6%	30.1%	30.4%	31.9%	33.5%

### NET OPERATING INCOME

\$ 2,960,856	\$ 3,006,774	\$ 3,053,211	\$ 3,182,120	\$ 3,232,049	\$ 3,490,486	\$ 3,763,404
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## Ventura Fairgrounds - Underwriting 12.3.19 / Operating Proforma

### NET OPERATING INCOME

\$	2,960,856	\$	3,006,774	\$	3,053,211	\$	3,182,120	\$	3,232,049	\$	3,490,486	\$	3,763,404
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### PRIMARY DEBT SERVICE

	Principal	Rate	Amort	Term
TSAHC - Freddie TEL	\$ 39,870,000	4.29%	35	15

Total Primary Debt

\$ 39,870,000

TSAHC Issuer Fee

\$ 39,870

Net Cashflow After Primary Debt

DSCR Primary Debt

### SOFT SUBORDINATE DEBT & EQUITY

HTC/Owner Equity	\$ 23,694,069		
Deferred Developer/Contractor Fee	\$ 9,872,653		
Letter of Credit Operating Reserve	\$ 827,572		
Freddie Mac Reinvestment Proceeds	\$ 387,520		
GP and Class B Loans	\$ 200		
Total Secondary Debt	\$ 34,782,014		

Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
\$ 2,220,991	\$ 2,220,991	\$ 2,202,431	\$ 2,202,431	\$ 2,202,431	\$ 2,202,431	\$ 2,202,431
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,220,991	\$ 2,220,991	\$ 2,202,431	\$ 2,202,431	\$ 2,202,431	\$ 2,202,431	\$ 2,202,431
\$ 39,870	\$ 39,870	\$ 39,870	\$ 39,870	\$ 39,870	\$ 39,870	\$ 39,870
\$ 699,995	\$ 745,913	\$ 810,910	\$ 939,819	\$ 989,749	\$ 1,248,185	\$ 1,521,104
1.31	1.33	1.36	1.42	1.44	1.56	1.68

					\$ -	\$ -
					\$ -	\$ -



Tab 4



## Development Finance Programs December 18, 2019

### 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 Bonds under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2020.

### 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:

- Section 2(a), Targeted Housing Needs, the definition of At-Risk Preservation and Rehabilitation has been amended to include properties that currently have rental rates below market rents but may not have recorded regulatory agreements or land use restrictions. This change is being proposed based on feedback from developers and current municipal programs targeting sub-market rate housing for inclusion in affordable housing programs.
- Section 9(i), Scoring, points for Letters of Local Support have been increased from 10 to 15 points. This scoring item has been among the most difficult for applicants to fulfill but has a higher impact on the Corporation’s understanding of local support. Staff believes the additional benefit for this scoring item deserves higher point value.
- Section 9, Public Hearings and Meetings has been amended to clarify requirements for the Developer to be in attendance at public hearings, where public hearings may be held, new language referencing Internal Revenue Code and how notices will be posted pursuant to IRS Code.
- Sections 12(f), Bond Counsel Fees, and 12(g), Issuer’s Counsel Fees, were updated based on new engagement letters approved by the Corporation in November 2019. These changes are not subject to public comment.

No input has been received during the public comment period. Staff did make some minor changes based on edits provided by Robert Dransfield, Bond Counsel for the Corporation.

### **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 under the Multifamily Housing Private Activity Bond Program Request for Proposals and the 501(c)(3) Bond Program Policies for Calendar Year 2020, as presented. If approved, staff will accept all changes and post the final approved document.

# Texas State Affordable Housing Corporation

## 2019-Draft 2020 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 20192020. 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 primarily 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 20192020, the amount is estimated to be approximately \$6570 million. This volume cap is available for reservation until August 14, 20192020. 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-sizing limitations 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 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 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:

Development Finance Program

Texas State Affordable Housing Corporation

2200 East Martin Luther King Jr. Blvd., Austin, Texas 78702

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Texas State Affordable Housing Corporation  
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2. **Targeted Housing Needs.** Pursuant to §2306.565(b) of the Texas Government Code, the 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 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~~ has a recorded regulatory agreement or land use restriction agreement (the “LURA”) placed on it by a public body, or currently has rental rates below market value which make it feasible to convert and preserve as affordable housing. 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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## ~~2019~~Draft 2020 Multifamily Tax-Exempt Bond Programs Policies and Request for Proposals

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, ~~2019~~2020, 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 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 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 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 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 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~~for 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~~115,000 per unit
    - B. New construction costs equal to or less than \$~~130,000~~140,000 per unit; or
  - ii. 8 points for:
    - A. Acquisition and rehabilitation costs equal to or less than \$~~115,000~~125,000 per unit
    - B. New construction costs equal to or less than \$~~150,000~~160,000 per unit; or
  - iii. 15 Points for rehabilitation costs that exceed \$30,000 per unit in projects that meet the At-Risk Preservation and Rehabilitation Targeted Housing Need.
- 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~~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~~15 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 the Developers or a representative of the Developer, to attend ~~a public hearings 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 will conduct the hearing~~ 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 Section 147(f) of the Internal Revenue Code and the related regulation~~ ("TEFRA"), the Corporation will plan and publish-post 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 to on the Corporation's website~~ at least ~~fifteen-seven (157)~~ 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-posting 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



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not to approve any inducement of volume cap to any Developer(s), even one that is awarded the most points during the scoring review.

- b. The Corporation reserves the right to retract an award if a Developer is unable to receive a reservation of private activity bonds prior to July 1, 2019~~2020~~. 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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- 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. The balance of any Professional Fee Deposit remaining after a transaction has failed to close and has been withdrawn from consideration, less a processing fee of \$500.00, will be refunded to the Developer.
- 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.

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- e. *Municipal Advisor Fees.* The fee to be paid to the Corporation's Financial Advisor, acting in a standard Municipal Advisor role, will be \$10,000 plus \$2.00 per \$1,000 of 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 fees~~ of Bond Counsel, which will be determined based on the structure of the transaction but which will generally range from .75% to 1.5% of the par amount of the financing with a minimum fee of \$50,000, plus All expenses incurred by Bond Counsel in connection with the Development will also be paid by the Developer. 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, which will be credited towards the final amount due Bond Counsel. 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 based upon the hourly rate in effect for the applicable period with the Corporation. In some instances the fees due Issuer counsel can be based on a fixed fee approved by the Corporation. .1% (\$1.00/\$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

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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 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;

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- ii. Any amounts payable pursuant to any indemnity contract or agreement executed in connection with any financing by the Corporation completed as herein contemplated, and
  - iii. The amount allocable to each Developer (whose financing has been completed) of costs and expenses incurred by the Corporation in the administration of the indemnity contract or agreement, any program established in connection with the financing of a Development, and any obligations of the Corporation, including an annual accounting and/or audit of the financial records and affairs of the Corporation. The amount of costs or expenses paid or incurred by the Corporation under this clause 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:

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

**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

# Texas State Affordable Housing Corporation

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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 \$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) 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.



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- 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 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 previous~~ RFPs.** 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~~ the Corporation's policies and procedures with respect to such previously issued obligations or is delinquent in the payment of any fees or costs ~~set forth in this RFP~~ with respect to such ~~prior~~ previously 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.

# Texas State Affordable Housing Corporation

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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 ~~to, children's~~ 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 5



**TEXAS STATE AFFORDABLE HOUSING  
CORPORATION 2020 DRAFT ANNUAL ACTION PLAN**

# **TEXAS STATE AFFORDABLE HOUSING CORPORATION**

## **2020 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 purpose is to primarily serve the housing needs of low, very low, and 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 primarily low, very low, and extremely low-income Texans. Over the course of its history, TSAHC has utilized approximately \$4 billion in single family bonding authority and approximately \$929 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> 2019 TSAHC bond activity includes the reservation of \$667,865,165 in mortgage revenue bonds for the single family program and the reservation of \$108,580,000 in Multifamily Private Activity Bonds.

Using its 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 MISSION AND OBJECTIVE**

TSAHC's mission is to serve the housing needs of moderate, low, very low, and extremely low-income Texans and other underserved populations through innovative programs. TSAHC accomplishes this mission by helping developers build housing for working families, and helping Texans achieve and sustain the dream of homeownership and improve their financial situation. TSAHC's programs and initiatives reflect our core belief that every Texan deserves the opportunity to live in safe, decent and affordable housing.

As Texas' population grows and the housing industry changes, the programs and services TSAHC administers continue to evolve and expand to meet these changing dynamics. TSAHC remains committed to the populations it has historically served, but is also active in responding to new challenges like preserving housing in rural areas, expanding housing opportunities for Texans with complex health needs, and helping Texans rebuild after natural disasters.

TSAHC's objective in 2020 is to serve the evolving housing needs of Texans by implementing innovative solutions through its current programs while also exploring opportunities to establish new programs to better assist underserved populations.

## 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 Homes for Texas Heroes Home Loan Program established by the Legislature in 2003 for the purpose of making mortgage loans with down payment assistance 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.

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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

### *Down Payment Assistance Options*

TSAHC offers down payment assistance through both the Homes for Texas Heroes and Home Sweet Texas Home Loan Programs because the number one barrier for prospective buyers is that many 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 transition into homeownership.<sup>5</sup>

The down payment assistance is provided either in the form of a grant that does not require repayment or a second lien. To better serve Texas home buyers, in December 2019 TSAHC transitioned its second lien option from a repayable second lien to a three-year deferred forgivable second lien.

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.

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 (AMFI). Serving moderate income Texans – those between 80 and 115 percent AMFI – is an important component of meeting the state's housing needs, because those households are struggling to afford homes in the absence of assistance. For reference, the median home price statewide reached a record high of \$242,000 in September 2019.<sup>6</sup>

### *Homeownership Programs Financing Mechanisms*

TSAHC funds its mortgage loans with down payment assistance in two ways: by issuing mortgage revenue bonds available under its statutory authority, and by pooling loans on a regular basis and selling the mortgage-backed securities (known in the industry as the TBA program).

### *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

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<sup>4</sup> Source: Lindsay Vansomeren, "Overcoming Obstacles to Buying a Home," [www.lendingtree.com](http://www.lendingtree.com), April 5, 2018

<sup>5</sup> Source: "American Families Face a Growing Rent Burden," [www.pewtrusts.org](http://www.pewtrusts.org), April 19, 2018

<sup>6</sup> Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 7, 2019.



Loan Programs; however, the program is only available to first-time home buyers (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. An MCC has the potential of saving the home buyer thousands of 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 website.<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>

### *2019 Homeownership Programs Changes*

TSAHC continues to stay abreast of any changes or developments in the mortgage industry and offer consumers an array of mortgage products to meet their needs. In May 2019, TSAHC launched the Lender Advisory Council which is comprised of some of TSAHC's top performing loan officers and plays a critical role in shaping TSAHC's programs and promoting homeownership in Texas. Members of the council share their thoughts about TSAHC, its programs and services, and ways TSAHC can better meet the needs of Texas home buyers.

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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.

In July, TSAHC launched a Homes for Texas Heroes Bond Program home buyer product that offered a very competitive interest rate along with a 4% down payment assistance grant. In November, TSAHC waived all the fees associated with the Mortgage Credit Certificate program for veterans. These two initiatives highlight TSAHC's commitment to serving professions covered by our Homes for Texas Heroes program.

Finally, in December TSAHC began offering 3%, 4%, and 5% three-year deferred forgivable second lien down payment assistance options, replacing the repayable second lien option that TSAHC launched in September 2018. The deferred forgivable second lien offers a lower interest rate on the first lien mortgage loan than TSAHC's down payment assistance grant options and is fully forgiven as long as the home buyer does not sell or refinance their home within three years of purchase.

### *2019 Homeownership Programs Activity Synopsis*

As of October 2019, TSAHC's home buyer programs have helped 7,508 families purchase a home with down payment assistance, an MCC, or both. In comparison, TSAHC assisted 9,425 families in 2018. To date, TSAHC has served more than 36,300 households under our homeownership programs.

### *2020 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 2020, TSAHC will continue to engage the Lender Advisory Council to gather their input on how we can improve our lender network and serve Texas home buyers.

TSAHC will also make a stronger push in marketing to REALTORS®, particularly those in areas where our programs are underutilized. In the past several years, TSAHC has increased its outreach to these professionals, and the homeownership and marketing teams will continue these efforts, which include in-person and online training as well as other outreach activities.

Additionally, TSAHC will continue to market programs directly to home buyers in new and creative ways. This is necessary because many home buyers don't know that down payment assistance programs exist.<sup>10</sup> TSAHC continues to refine and improve how we target consumers through both online and traditional advertising channels. In 2020 TSAHC will also launch a podcast that will cover homeownership and home buying topics. The intended audience includes consumers, lenders, and REALTORS®.

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<sup>10</sup> Source: Laurie Goodman, et. al. "Barriers to Accessing Homeownership: Down Payment, Credit, and Affordability," Urban Institute, September 2018

## 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 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*

TSAHC has offered home buyer and financial education training to Texas housing nonprofits since 2012. 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 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. 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.

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

In 2019, Housing Connection training included five days of training (two separate courses) for housing and financial counselors, two days of training (one course) for organizations that currently or would like to develop and/or operate affordable housing, and two days of training (one course) for participants who wanted to improve their management and leadership skills. These trainings were offered at a weeklong training workshop in June 2019 hosted at the Federal Reserve Bank of Dallas.

The courses covered the following topics: basics for homeownership counselors, test strategies for HUD's counselor exam, steps of affordable housing development, and strategic thinking and planning. 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 hotel scholarships for participants traveling from out of town. In total, 50 individuals representing 34 organizations in 22 municipalities across Texas went through Housing Connection training in 2019.

To date, 608 individuals representing 198 organizations in 78 municipalities across Texas have attended trainings provided by TSAHC through either TSHEP (2012-2017) or Housing Connection (2018-2019). Additionally, TSAHC has provided 190 scholarships totaling \$102,793 to participants.

In addition to in-person training, TSAHC offers webinars through Housing Connection. In 2019, TSAHC offered four webinars that were attended by more than 100 participants.

### *2020 Implementation Plan*

In 2020, TSAHC will provide four courses, all taught by NeighborWorks America:

1. Homeownership Counseling Certification (5-day course)
2. Understanding Underwriting: Successful Loans for Nonprofit Developers (2-day course)
3. Mortgage Math Made Simple for Homeownership Professionals (1/2-day course)
4. An Introduction to Affordable Rental Housing Development (1/2-day course)

The first two courses will be offered during a weeklong in-person training workshop in June 2020 to be hosted by the Federal Reserve Bank of Dallas – San Antonio branch. The second two courses are offered online, and participants may take them at any point during a one-month period.

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 225 single family homes and 2,805 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 2019, the median home price in Texas was a record high \$242,000.<sup>13</sup> Escalating home prices are especially problematic in urban areas like Austin (median home price of \$320,000), Dallas (\$272,500), and Houston (\$249,000).<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 2019, affordable housing developers used financing from the Texas Housing Impact Fund to rehabilitate or construct eight homes for low- to moderate-income home buyers.

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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: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 7, 2019.

<sup>14</sup> Source: <https://www.recenter.tamu.edu/data/housing-activity/>, accessed November 7, 2019.

### *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.

In 2019, affordable housing developers were awarded financing from the Texas Housing Impact Fund to help build rehabilitate or construct 844 affordable rental units. Among these, 817 units are located in rural areas.

*Texas Housing Impact Fund Loan Production*

<b>Loan Production</b>	<b>2019</b>	<b>2003 - 2018</b>
Loans Approved	6	31
# of Single Family Homes Built or Under Construction	8	217
# of Rental Units	844	1961
Amount of Loan Funds Approved	\$7,195,000 <sup>15</sup>	\$16,760,374

### *2020 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. There will be a particular emphasis on rural areas given TSAHC's continued involvement in the preservation of USDA financed properties and the fact that TSAHC was awarded a \$3.75 million grant from the Capital Magnet Fund (program administered by the U.S. Department of Treasury). Those funds are prioritized to address rural housing needs.

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<sup>15</sup> Texas Housing Impact Fund loans are revolving lines of credit for single-family construction awarded to Legacy CDC, East Dallas Development Corporation, and MiCasita (CDC Brownsville); and loans for the preservation and creation of multifamily units awarded to Accessible Housing Austin, Texas Housing Foundation and Hamilton Valley Management, Inc.

TSAHC will continue to grow the fund by pursuing grants, Program Related Investments or Equity Equivalent Investments from foundations, banks, and other lenders and investors.

TSAHC will also continue to publish an annual Texas Housing Impact Fund Investment Report to document the statewide impact of the program. This report enhances TSAHC's efforts to market the Texas Housing Impact Fund to developers and potential investors.

## **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 in order to make these homes available for sale or rent to low-income families.

To date, TSAHC has acquired 572 properties through the ACT program and has created 296 homes for extremely low, very low, low, and moderate-income Texans. The ACT Program has a current portfolio of 214 lots and homes, and there are three active components of the program distinguished by source of funding and targeted use of properties:

- 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.

The ACT program previously included a fourth component, which ended in 2016. This initiative, called the Veterans Housing 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.

*Affordable Communities of Texas Portfolio*

<b>Program/Initiative</b>	<b>Acquisitions 2019</b>	<b>Sales 2019</b>	<b>Current Portfolio</b>	<b>Current Asset Value</b>
ACT Land Banking	5	14	41	\$1,046,422
Texas NSP	0	20	173	\$2,306,476

## *2020 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 Land Banking portfolio. TSAHC will also continue to implement new marketing strategies to sell properties.

TSAHC will also continue to focus on selling homes in the Texas NSP portfolio as quickly and efficiently as possible. In 2020, TSAHC will expand its efforts to find local partners in areas of the state where land bank properties exist.

TSAHC continues to explore the implementation of land trust mechanisms that allow TSAHC to deliver homeownership opportunities to low- to moderate-income home buyers and deeper levels of affordable rental housing. This may include properties currently owned by TSAHC or sites where TSAHC partners with another entity.

### **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 2019, 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 2019, TSAHC issued or reserved \$108,580,000 in multifamily PABs to construct or rehabilitate 1,337 affordable rental units across the state.<sup>16</sup>

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<sup>16</sup> The developments are Ventura at Tradewinds (Midland, TX), Ventura at Fairgrounds (Midland, TX), Pythian Manor Apartments (Dallas, TX), and 22 rural properties included in the Hamilton Valley Management Inc. portfolio.



## *2020 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 51 units that are affordable for every 100 households that earn 50% or less of the average median income.<sup>17</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.

TSAHC, Enterprise Community Partners, the Federal Reserve Bank of Dallas, USDA Rural Development, and other partners completed a five-part Rural Housing Preservation Academy in 2018 and hosted a Rural Rental Housing Buyers/Seller Conference in 2019, both of which focused on how to preserve aging rural multifamily developments. In 2020, TSAHC will build on these initiatives and continue to emphasize the preservation of affordable housing in rural areas.

TSAHC will also explore how to create more Permanent Supportive Housing units either through PABs or other financing structures. One such development is under consideration for PAB financing in 2020. The creation of additional PSH housing is another priority for TSAHC, in part due to a recent collaboration with the Texas Department of Health and Human Services. This partnership 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 website.

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<sup>17</sup> Source: "The Gap: A Shortage of Affordable Homes," The National Low Income Housing Coalition, March 2019

## *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 2019, TSAHC performed asset oversight reviews for 32 properties, totaling 4,744 units. In the same year, TSAHC performed compliance reviews for 31 properties, totaling 4,532 units. These properties are either bond-financed or financed through the Texas Housing Impact Fund.

### *2020 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 2020, TSAHC anticipates adding 22 properties to the portfolio of 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.

And finally, TSAHC plans to upgrade the online compliance monitoring system to help property managers report income information in a timely manner and ensure the security of the information collected.

## **SINGLE FAMILY RENTAL PROGRAM**

The cost of living in Austin continued to rise in 2019. According to the Real Estate Center at Texas A&M University, the median home price in Austin was \$320,000 as of September 2019.<sup>18</sup> The average monthly rent was \$1,578 as of October 2019.<sup>19</sup> These prices are simply unaffordable for many low-income Austin families.

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<sup>18</sup> Source: See Footnote 14.

<sup>19</sup> Source: <https://www.rentjungle.com/average-rent-in-austin-rent-trends/> (Accessed November 7, 2019)

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 prices significantly less than market rate. In addition to verifying income, TSAHC screens each applicant for rental, credit, and criminal history.

TSAHC's single family rental portfolio includes 17 single family homes and one duplex for a total of 19 rental properties in the Austin MSA. These are leased to qualifying, low-income households.

Given the success of the program and ongoing need for affordable rental opportunities in other areas of the state, TSAHC decided to expand the Single Family Rental Program to San Antonio in 2019. During the past year, TSAHC purchased four single-family homes in the San Antonio MSA which have all been leased to qualifying households.

Combined, there are 23 rental properties in the Single Family Rental Program across the Austin and San Antonio MSAs.

#### *2020 Implementation Plan*

In 2020, TSAHC plans to acquire one more home in the San Antonio MSA.

### **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 is located in a rapidly developing neighborhood of East Austin that is quickly becoming unaffordable to its long-time lower-income residents. Rents in that part of the Austin have increased at an alarming rate, going up between 22-38.6% between 2011-

2015.<sup>20</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.

In 2019, extensive repairs continued with a complete renovation of two more units. TSAHC also upgraded the video surveillance system and installed vent fans in the bathrooms for units that did not have them. Moreover, TSAHC completely renovated the exterior of the apartment complex by replacing all siding and windows and adding new exterior lighting, signage, and mailbox.

#### *2020 Implementation Plan*

In 2020, TSAHC will continue to renovate individual units on a rolling basis after a tenant moves out, in order to avoid any tenant displacement.

### **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 \$3.7 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.

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<sup>20</sup> Source: <https://data.austintexas.gov/stories/s/Household-Affordability/czit-acu8/>

- 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.

#### *2019-2020 Funding Cycle*

In 2019, TSAHC's 24 partners (originally selected in May 2018) received \$504,000 in matching grants (\$21,000 each), and they will use the funding to serve very low-income Texans with supportive services and home repairs.

#### *2020 Implementation Plan*

TSAHC will begin a new Texas Foundations Fund cycle in spring 2020. Prior to that, TSAHC will survey Texas Foundations Fund stakeholders (existing grantees, past grantees, potential grantees, and other interested parties) as well as internal decision makers to see if funding priorities, guidelines, or any other changes to the program need to be considered and implemented.

TSAHC will operate under the same timeline as in years past. Applications for potential grantees will open in spring 2020; TSAHC will review applications in summer 2020; TSAHC will take its recommendations to the Board in fall 2020; and TSAHC will disburse funding in fall 2020.

## **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. Other funding was provided by the Meadows Foundation, the Center for Disaster Philanthropy, BBVA and a commitment from TSAHC's Board.

To date, the program has awarded more than \$2,000,000 to 38 nonprofits providing housing-related assistance to low-income households directly affected by Hurricane Harvey. Among those nonprofits, 17 are providing critical home repair services, and 89 homes have been repaired to date. The HEART program also provides technical assistance and, to date, 12 webinars have been offered to grantees as well as individual technical assistance opportunities.

### *2020 Implementation Plan*

TSAHC and Enterprise Community Partners will continue to administer the program and award more grants into 2020 thanks to an additional round of funding provided by the Rebuild Texas Fund in spring 2019. The two organizations will also continue providing technical assistance including an in-person training and grantee roundtable event in January 2020.

## **TECHNICAL ASSISTANCE AND OTHER INITIATIVES**

### *Rural Rental Housing Preservation*

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>21</sup> of these developments across Texas, and many face uncertain futures due to a need for repairs, maturing mortgages, expiring rental assistance agreements, or a combination of those factors.

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<sup>21</sup> Source: <https://catalog.data.gov/dataset/usda-rural-development-multifamily-section-515-rural-rental-housing-and-section-514-farm-l-r2dd4>

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 fall 2019, the partner organizations continued their work by hosting a conference connecting rural affordable housing owners interested in selling their properties with potential buyers interested in keeping those properties affordable.

TSAHC remains active in preserving rural rental housing and is currently working on a bond-financed transaction to preserve 22 Section 515 USDA properties across the state. As mentioned above, TSAHC is also active in deploying and eventually recycling funds from the Capital Magnet Fund towards the preservation and creation of rural rental housing.

#### *Health and Housing Partnership*

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 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 into 2020. 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 conducted a series of Permanent Supportive Housing (PSH) workshops in 2019 for nonprofits and other interested parties who wish to create or preserve PSH units. These one-day workshops provided an overview of the financing of PSH developments and the implementation of supportive services at those developments.

In 2020, TSAHC plans to offer a more in-depth, multi-session PSH Institute for entities who plan to build a PSH development and need technical assistance in accomplishing that. While details are still being finalized for the institute, TSAHC hopes to select at least four development teams in four different cities across the state.

In 2020, TSAHC also plans to partner with HHS to provide additional funding to support the creation of units for individuals with long-term health needs that would like to transition into community-based housing. The funding would be provided via uncommitted funds from the Money Follows the Person program.

#### *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 2018-2019, TSAHC also sponsored the Texas Homeless Network for the Frequent Users Systems Engagement (FUSE) Learning Community program. 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.

In 2020, TSAHC will continue to explore ways it can make an impact in homelessness including offering the PSH Institute mentioned above and supporting ongoing efforts to better use data to solve homelessness challenges.