

T E X A S
State Affordable Housing Corporation

August Board Meeting

To be held at the offices of
Texas State Affordable Housing Corporation
6701 Shirley Avenue
Austin, TX 78752

Tuesday, August 22, 2023
10:30 a.m.

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

**To be held at the offices of
Texas State Affordable Housing Corporation
6701 Shirley Avenue
Austin, Texas 78752**

**August 22, 2023
10:30 A.M.**

**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

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 July 25, 2023.
- Tab 2 Presentation, Discussion and Possible Approval of the Fiscal Year 2024 Annual Operating Budget.
- Tab 3 Presentation, Discussion and Possible Approval of the Fiscal Year 2024 Audit Committee Guidelines.
- Tab 4 Presentation, Discussion, and Possible approval of a second loan commitment extension to Cady Lofts, LLC for a \$300,000 Affordable Housing Partnership deferred forgivable loan for the Cady Lofts Project.
- Tab 5 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 2024.

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 6701 Shirley Avenue., Austin Texas, 78752.

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.

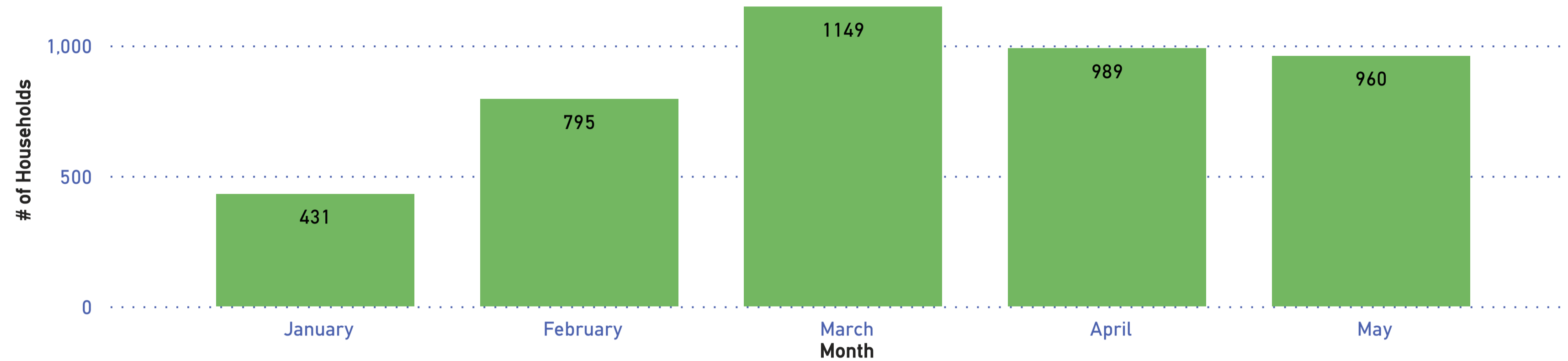
Section 46.035 of the Texas Penal Code prohibits handgun licensees from carrying their handguns at government meetings such as this one. This prohibition applies to both concealed carry and open carry by handgun licensees. Handgun licensees are required by law to refrain from carrying their handguns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

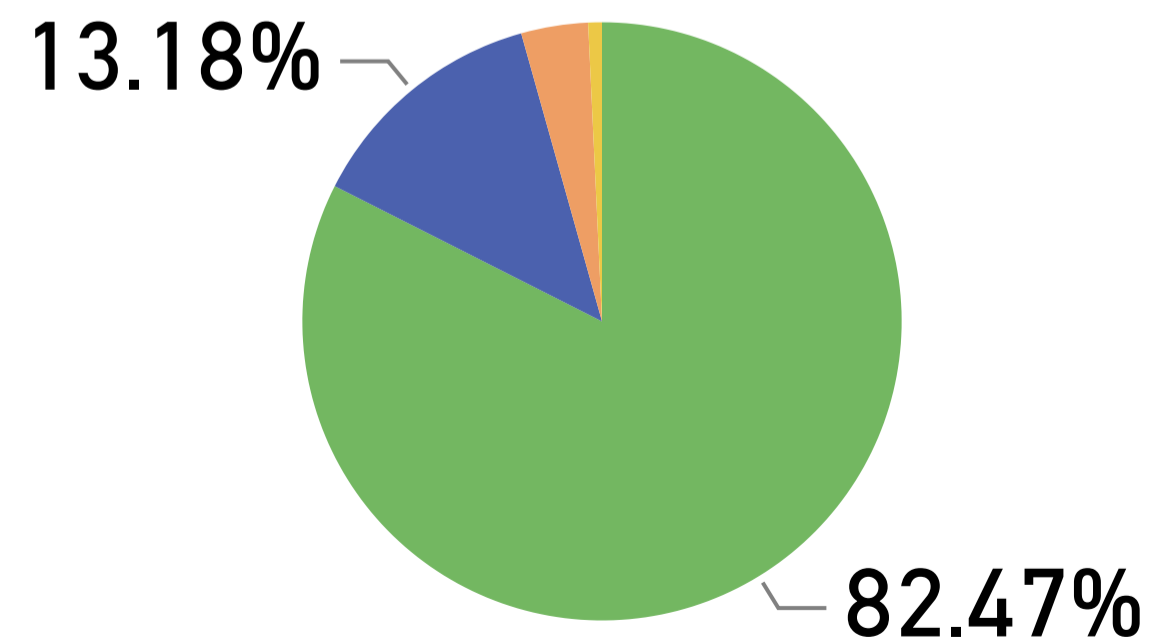
Tab A
Homeownership Finance Report

of Households by Month



Loan Type

- FHA - Purchase
- Conv. - Purch.
- VA - Purchase
- USDA-RHS Purch.



77.00K

Average Annual Income

240K

Average of Loan Amount

6.80%

Average Interest Rate

694

Average Credit Score

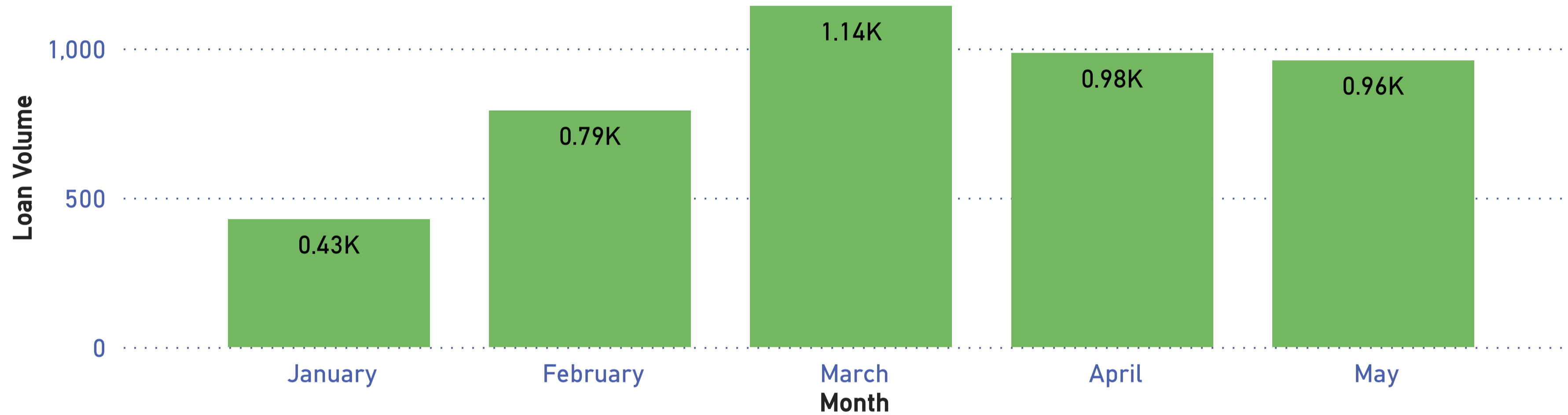
4324

Households Served

2

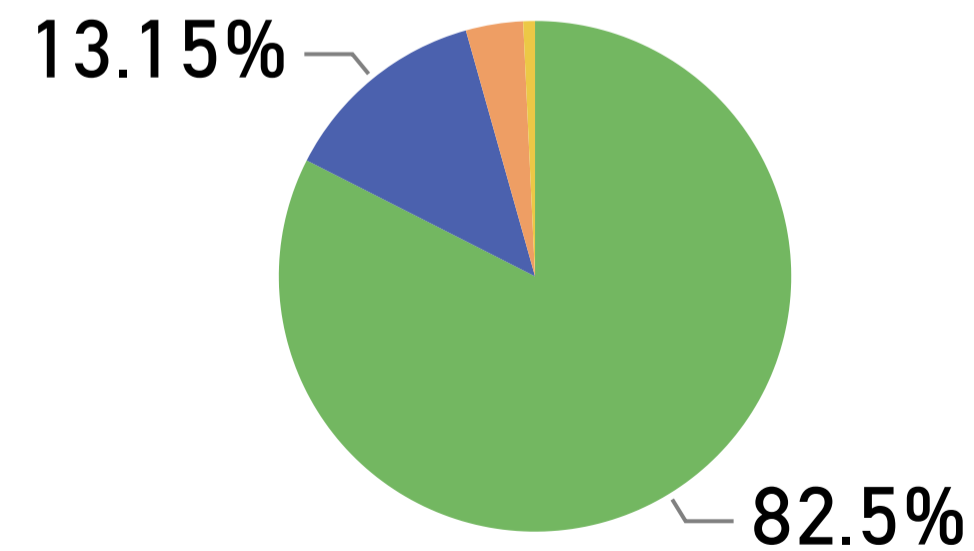
Average Household Size

Loan Volume by Month



Loan Type

- FHA - Purch...
- Conv. - Purch.
- VA - Purchase
- USDA-RHS ...



7,848.40
 Average DPA Awarded

33898027
 Total DPA Awarded

77.00K

Average Annual Income

240K

Average Loan Amount

1035M

Total Loan Volume

4320

Households Served

6.80%

Average Interest Rate

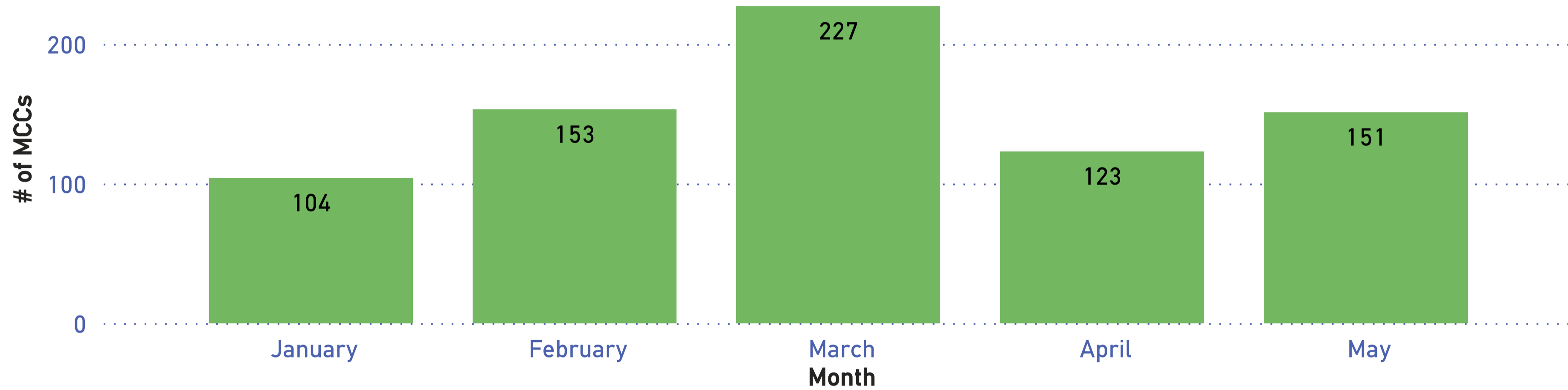
694

Average Credit Score

2

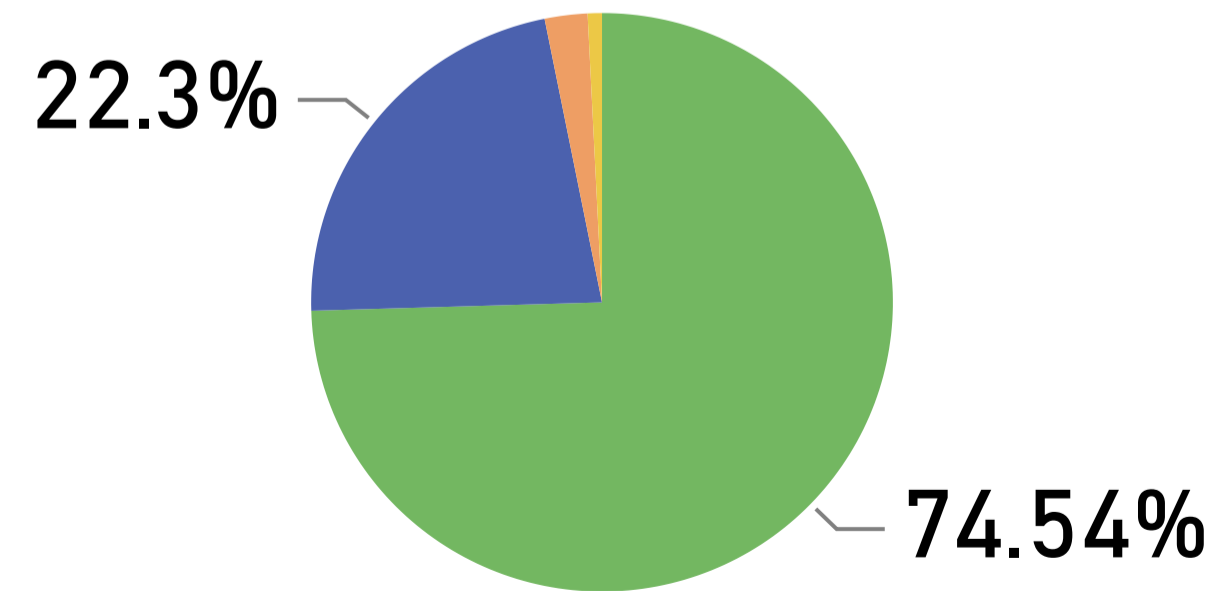
Average Household Size

of MCCs by Month



Loan Type

- FHA - Purchase
- Conv. - Purch.
- VA - Purchase
- USDA-RHS Purch.



68.99K

Average Annual Income

238K

Average of Loan Amount

6.61%

Average Interest Rate

700

Average Credit Score

758

Issued MCCs

2

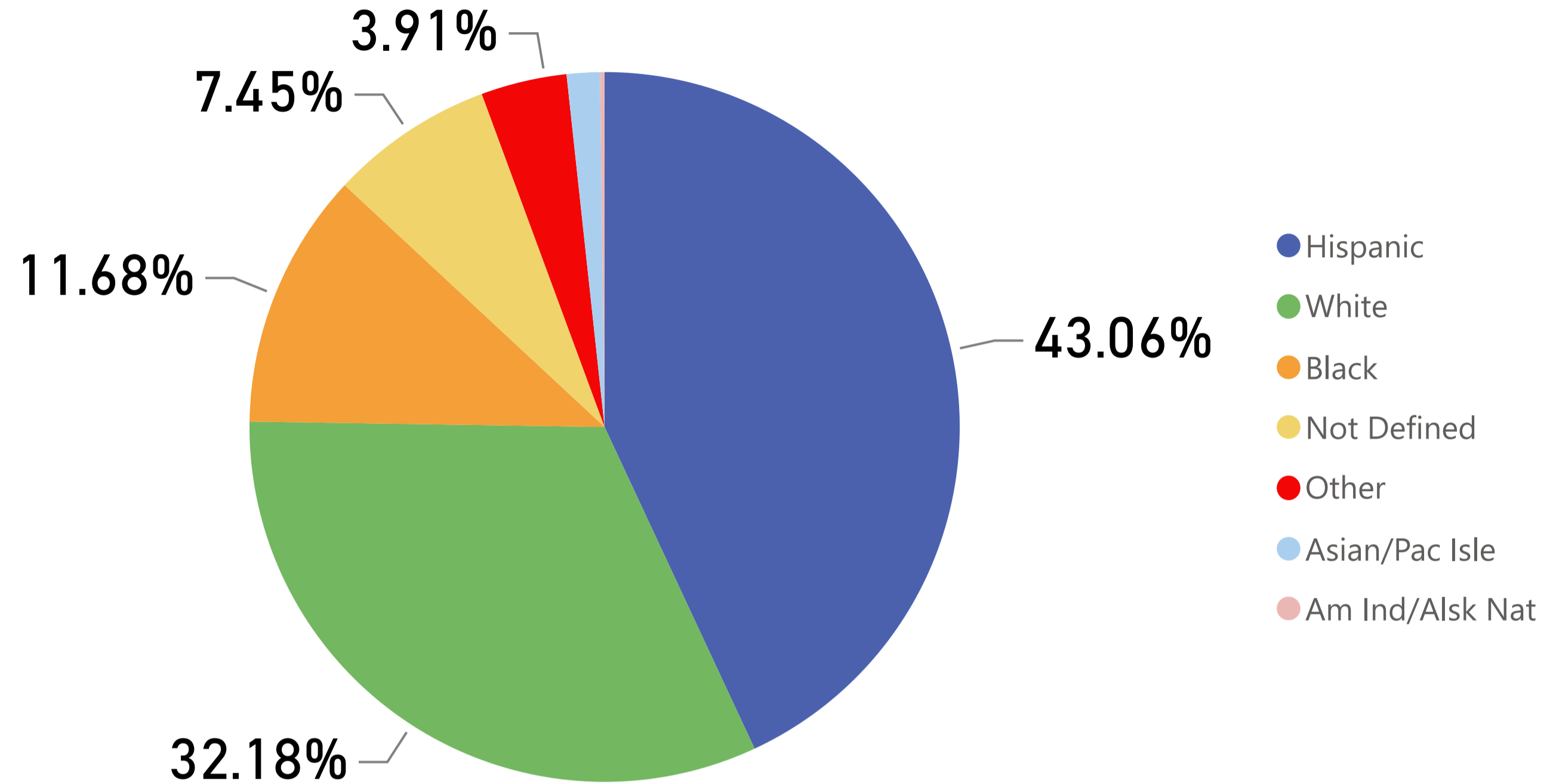
Average Household Size

Professions

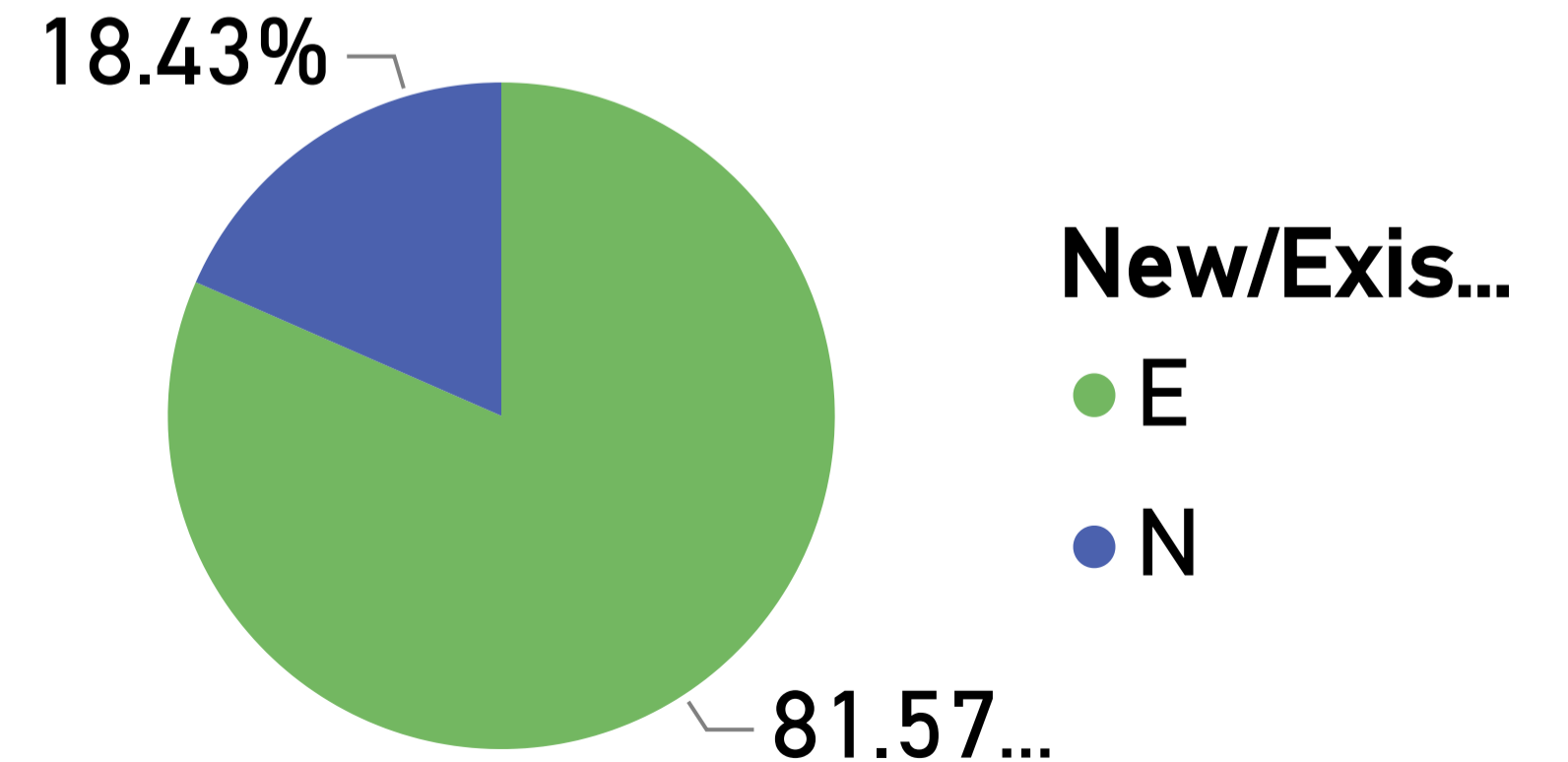
Occupation % of Total

Occupation	% of Total
Other	87.25%
Teacher	5.45%
Veteran	1.98%
Prof Nurse Fac	1.51%
Peace Officer	1.01%
Active Military	0.82%
Public Sec Off	0.39%
Fire Fighter	0.37%
Corrections Off	0.34%
EMS Personnel	0.27%
Teacher Aide	0.21%
Sch Counselor	0.12%
Allied Hlth Fac	0.11%
County Jailer	0.07%
School Nurse	0.05%
Sch Librarian	0.03%
Total	100.00%

Household Ethnicity



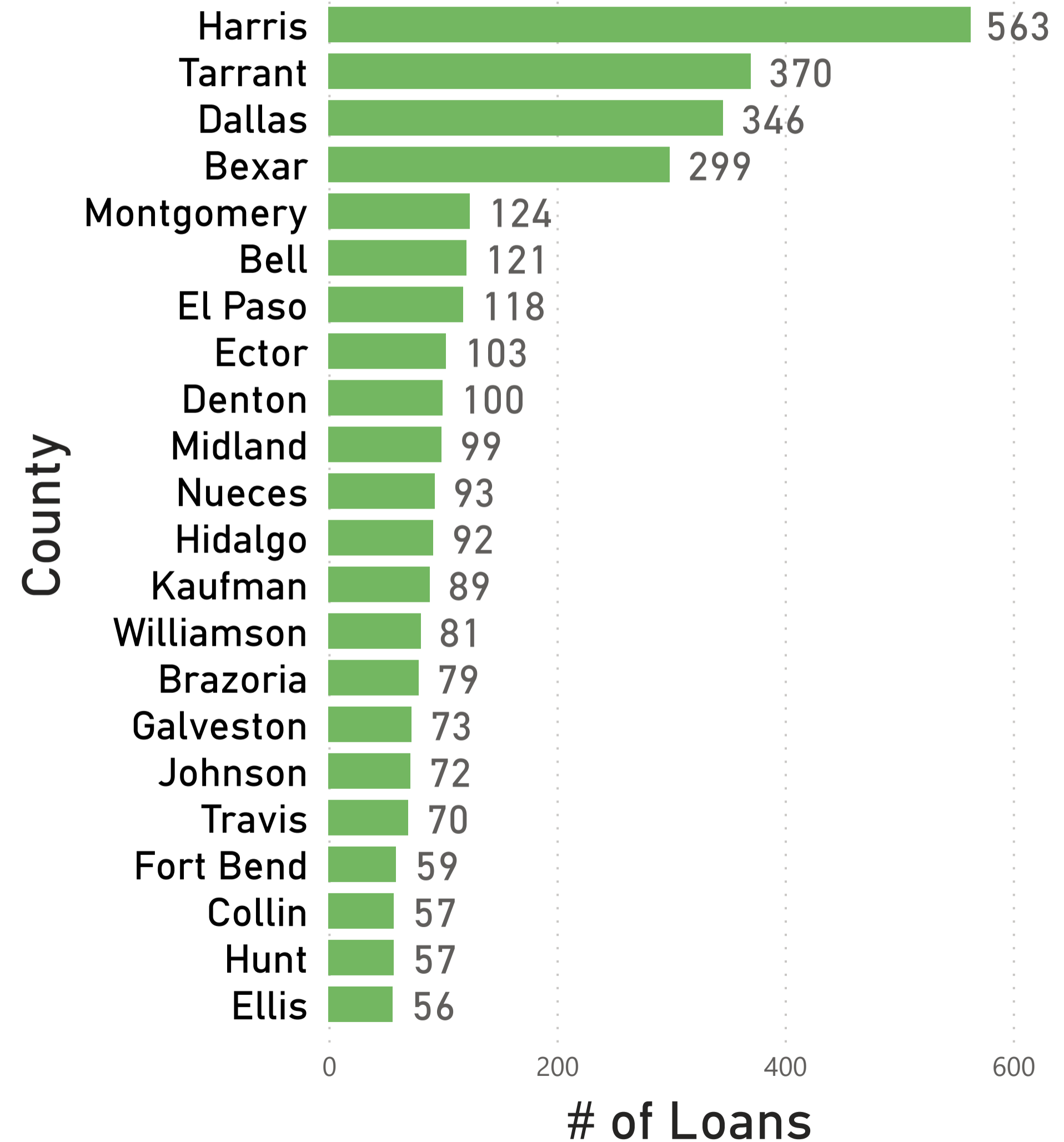
New/Existing Home



Top Lenders

Top Lenders	# of Loans
Everett Financial, dba Supreme Lending	360
Fairway Independent Mortgage Corporation	349
Cardinal Financial Company	208
Guaranteed Rate	154
CMG Mortgage, Inc. dba CMG Financial	152
Amcap Mortgage, LTD	140
Gateway Mortgage, a division of Gateway	136
PrimeLending	122
Crosscountry Mortgage, LLC	116
Guild Mortgage Corporation	111
SFMC, LP dba Service First Mortgage Comp	111
Security National Mortgage Company	101
Cornerstone Home Lending	87
Mortgage Financial Services, LLC	84
loanDepot.com LLC	82
T2 Financial dba Revolution Mortgage	81
Nations Reliable Lending, LLC	63
Ark-La-Tex Financial (Benchmark Mtg.)	62
Highlands Residential Mortgage	61
Academy Mortgage Corporation	56
Town Square Mortgage & Investments, LLC	54
Willow Bend Mortgage Company, LLC	50
American Pacific Mortgage Corporation	49
DHI Mortgage Company, Ltd.	43
Total	3110

Top Originating Counties



Tab B
Development Finance Report

Texas State Affordable Housing Corporation

Development Finance Programs Report
August 2023

Affordable Communities of Texas Program (ACT)

Staff is excited to share that 2715 Sayle (the last of three homes built in Greenville) sold in July. The family utilized TSAHC's Home Sweet Texas Loan program to complete the sale.

This month, TSAHC will complete the acquisition of a single-family home in Nederland through the National Community Stabilization Trust (NCST). Longtime local partner, Legacy Community Development Corporation, will finance the purchase and rehabilitation with their existing revolving line of credit.

Properties located at 1910 E. MLK Jr. Blvd and 11630-11616 N. Lamar, both in Austin, have been transferred to the ACT Land Bank program. 1910 East MLK Jr. Blvd is an existing TSAHC property that currently provides office space for three nonprofits but is ideal for multifamily housing based on site location, zoning, and surrounding amenities. Staff is in the early stages of redeveloping this site into approximately 30 affordable for sale condominium units and has hired Urban Foundry Architecture for design services.

The property at 11630-11616 N. Lamar is the location for the Juniper Creek Apartment project described in the Multifamily Bond Program section below. This is a joint venture with Foundation Communities (development partner) in which site control is vested with TSAHC for property tax exemption. This is TSAHC's first joint venture project.

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

Program	Portfolio as of July 1, 2023	Transferred	Sold	Portfolio as of August 1, 2023	Current Portfolio Value
ACT Land Bank	33	2	1	34	\$4,861,995.60
ACT Land Trust	1			1	\$650,000.00
Totals	34			35	\$5,511,995.60

Our current pipeline report:

- 1 property listed for sale
- 6 homes under construction
- 2 properties leased to Local Partner
- 24 properties in predevelopment
- 3 properties searching for a Local Partner
- 1 multifamily property under construction
- 1 multifamily property in predevelopment

Texas Housing Impact Fund (THIF)

In August, staff will present a second loan commitment extension to Cady Lofts, LLC for a \$300,000 Affordable Housing Partnership deferred forgivable loan for the Cady Lofts project. An additional loan commitment extension is needed because of continued delays in City approvals and a budget gap caused

Texas State Affordable Housing Corporation

Development Finance Programs Report August 2023

by increases in construction costs and financing costs. A second extension approval requires TSAHC board approval due to recent THIF policy changes.

Manor Town Phase II, located in Manor, is under construction and is prepping for a foundation pour. The \$225,000 AHP loan has been fully drawn down to meet eligible construction expenses. At final buildout the project will include 20 multi-family units serving extremely low-income households at 30% AMI or below, including a three-unit AHP set-aside.

Multifamily Bond Program

The Juniper Creek Apartments, in Austin, closed on July 28th. This is TSAHC's first bond transaction in a joint venture general partnership and will be managed through the ACT portfolio from now on. In addition, TSAHC's Asset Oversight and Compliance staff will provide bond compliance oversight as they do for all TSAHC bond-financed properties. Foundation Communities, our developer partner, has already mobilized contractors. The project has a 24-month construction timeframe.

If approved by the Board at this meeting, TSAHC will publish its 2024 request for proposals for the Multifamily Bond Program, along with an updated application. Staff has already been speaking with a number of potential applicants, and we expect a competitive application cycle this year.

Tab C
Monthly Financial Reports

Texas State Affordable Housing Corporation

Statement of Net Position (unaudited)

As of June 30, 2023

Assets

Current assets:

Cash and cash equivalents	\$ 3,074,945
Pooled investments	12,643,412
Restricted assets:	
Cash and cash equivalents	16,042,370
Accrued interest	104,081
Investments, at fair value	15,601,485
Accounts receivable and accrued revenue	150,687
Accrued interest receivable	266,486
Loans receivable, current portion	72,550
Notes receivable, current portion	28,688,953
Downpayment assistance, current portion	343,492
Prepaid expenses	341,053

Total current assets 77,329,514

Noncurrent assets:

Loans receivable, Net of uncollectible amounts of \$9,395	161,232
Notes receivable, net of allowance for loss \$410,641	233,966,075
Lease Receivable	120,524
Investments, at fair market value	24,372,638
Mortgage servicing rights, net of accumulated amortization of \$2,644,630	83,432
Capital assets, net of accumulated depreciation of \$1,025,571	5,656,944
Owned real estate, net of depreciation of \$2,166,701	14,805,377
Downpayment assistance	63,684
Restricted investments held by bond trustee, at fair market value	68,088,798

Total noncurrent assets 347,318,704

Total assets \$ 424,648,218

(continued)

Texas State Affordable Housing Corporation

Statement of Net Position (unaudited)

As of June 30, 2023

Liabilities

Current liabilities:

Accounts payable and accrued expenses	\$	435,348
Notes payable, current portion		64,620
Custodial reserve funds		154,671
Other current liabilities		379,450
Payable from restricted assets held by bond trustee:		
Revenue bonds payable, current portion		385,000
Accrued interest on revenue bonds		205,950

Total current liabilities 1,625,039

Noncurrent liabilities:

Notes payable		2,016,511
Revenue bonds payable		79,275,876
Unearned revenue		1,863,831

Total noncurrent liabilities 83,156,218

Total liabilities 84,781,257

Deferred Inflows of Resources

Deferred revenue 341,604

Total deferred inflows of resources 341,604

Net Position

Invested in capital assets		5,656,944
Restricted for:		
Debt service		65,460
Other purposes		4,554,691
Unrestricted		329,248,262

Total net position 339,525,357

Total liabilities and net position \$ 424,648,218

Texas State Affordable Housing Corporation

Statement of Revenues, Expenses and Changes in Net Position (unaudited) For the 10 Months Ending June 30, 2023

Operating Revenues:	
Interest and investment income	\$ 2,501,222
Net increase (decrease) in fair value of investments	(1,417,207)
Single family income	58,243,852
Asset oversight and compliance fees	295,563
Rental program income	807,458
Multifamily income	542,448
Land bank income	78,875
Public support:	
Federal & state grants	38,790
Contributions	126,365
Other operating revenue	35,885
Total operating revenues	\$ <u>61,253,251</u>
Operating Expenses:	
Interest expense on bonds and notes payable	\$ 581,934
Program and loan administration	1,634,300
Texas Foundation Fund & Misc Grants	50,000
Down Payment Assistance Program	2,058,330
Salaries, wages and payroll related costs	3,831,254
Professional fees and services	412,547
Depreciation and amortization	15,877,316
Office expense and maintenance	123,615
Travel and meals	83,804
Other operating expenses	648,677
Total operating expenses	<u>25,301,777</u>
Net income	35,951,474
Total net position, beginning	<u>303,573,883</u>
Total net position, ending	\$ <u><u>339,525,357</u></u>

Tab 1

Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on July 25, 2023.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION
BOARD MEETING**

The Governing Board of the Texas State Affordable Housing Corporation (TSAHC)

**July 25, 2023
10:30 a.m.**

Summary of Minutes

**Call to Order
Roll Call
Certification of Quorum**

The Board Meeting of the Texas State Affordable Housing Corporation (the “Corporation”) was called to order by Bill Dietz, Chairman, at 10:45 a.m., on July 25, 2023, at the offices of Texas State Affordable Housing Corporation, 6701 Shirley Avenue, Austin, TX 78752. Roll Call certified that a quorum was present.

Members Present:
Bill Dietz, Chair
Andy Williams, Member
Lemuel Williams, Member

Guests Present:
Sarah Scott, Coats Rose

President’s Report

David Long

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on June 20, 2023.

Mr. Lemuel Williams made a motion to approve the minutes of the Board meeting held June 20, 2023. Mr. Andy 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 9 in the official transcript.

Tab 2 Presentation, Discussion and Possible Approval of a Resolution to Restate, Ratify, and Affirm the Officers of the Corporation and Restate the Signature and Approval Authority of Officers of the Corporation.

Presented by Melinda Smith, Chief Financial Officer

Mr. Andy Williams made a motion to Approve a Resolution to Restate, Ratify, and Affirm the Officers of the Corporation and Restate the Signature and Approval Authority of Officers of the Corporation. Mr. Lemuel

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 3 Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of One or More Applications for Allocation of Private Activity Bonds to the Texas Bond Review Board for Qualified Mortgage Revenue Bonds (post August 6, 2023).

Presented by Joniel LeVecque, Senior Director of Single Family Programs

Mr. Lemuel Williams made a motion to Approve Resolution Regarding the Submission of One or More Applications for Allocation of Private Activity Bonds to the Texas Bond Review Board for Qualified Mortgage Revenue Bonds (post August 6, 2023). Mr. Andy 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 13 in the official transcript.

Tab 4 Presentation, Discussion and Possible Approval of the 2023 Texas Foundations Fund Nonprofit Partners.

Presented by Michael Wilt, Senior Manager, External Affairs and Anna Orendain, Specialist, Communications & Marketing

Mr. Andy Williams made a motion to Approve the 2023 Texas Foundations Fund Nonprofit Partners. Mr. Lemuel 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 18 in the official transcript.

Announcements and Closing Comments

Mr. Long and Board Members tentatively scheduled the next Board Meeting for August 22, 2023, at 10:30am. Audit Committee Meeting will be held @ 9:30am.

Adjournment

Mr. Dietz adjourned the meeting at 11:40 am.

Respectfully submitted by _____
Rebecca DeLeon, Corporate Secretary

Tab 2

Presentation, Discussion and Possible Approval of the Fiscal Year 2024
Annual Operating Budget.

Texas State Affordable Housing Corporation
Proposed Operating Budget
Fiscal Year 2024

	2023	2023	2024
	Budget	Actual	Budget
Revenues			
Single Family Revenue	\$ 8,653,000	11,634,547	10,472,000
Lending Program Revenue	5,645,000	4,250,389	2,762,000
Multifamily Program Revenue	1,055,000	1,009,392	1,272,000
Rental Program Revenue	918,000	972,263	1,364,000
Federal & State Grants	1,500,000	1,041,699	198,000
Grants, Donations & Other Awards	260,000	293,810	250,000
Land Bank Revenue	601,000	1,277,706	4,893,000
Servicing Revenue	98,000	75,867	72,000
Investment Revenue	1,580,000	1,685,951	1,380,000
Unrestricted Reserves	5,500,000	5,500,000	-
	\$ 25,810,000	27,741,624	22,663,000
Expenditures			
Texas Housing Impact Fund	\$ 6,575,000	5,756,693	9,221,000
Affordable Communities of Texas	4,100,000	2,090,794	5,390,000
Other Program Expenditures	7,961,000	8,711,315	553,000
Salaries & Payroll Related Expenditures	4,400,000	4,442,650	4,500,000
Grants	1,115,000	1,069,674	1,005,000
Principal & Interest on Notes Payable	136,000	136,074	213,000
Professional Services	605,000	518,874	791,000
Marketing	159,000	140,552	169,000
Insurance	260,000	263,367	310,000
Travel & Meals	99,000	98,241	124,000
Furniture, Equipment, & Software	49,000	55,274	54,000
Building Maintenance	70,000	72,770	69,000
Professional Dues, Conferences & Training	34,000	34,535	49,000
Sponsorships	24,000	23,500	25,000
Communication	27,000	25,181	21,000
Publications, Subscriptions & Other Office	26,000	26,015	25,000
Freight, Delivery, & Postage	12,000	8,197	12,000
Printing & Office Supplies	5,000	3,695	5,000
	\$ 25,657,000	23,477,403	22,536,000
Net Income	\$ 153,000	4,264,221	127,000

Tab 3

Presentation, Discussion and Possible Approval of the Fiscal Year 2024
Audit Committee Guidelines.

TEXAS STATE AFFORDABLE HOUSING CORPORATION
AUDIT COMMITTEE GUIDELINES
Fiscal Year 2024

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

I. PURPOSES

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

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

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

II. COMPOSITON AND MEETINGS

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

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

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

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

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

III. RESPONSIBILITIES AND DUTIES

The Audit Committee shall have the following duties and responsibilities:

Review Procedures

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

significant issues regarding accounting and auditing principles, practices, and judgments.

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

Independent Auditors

1. The independent auditors are ultimately accountable to the Audit Committee and the Board of Directors. The Audit Committee shall approve the appointment of auditors, review their independence, qualifications, and performance, and approve any discharge of auditors when circumstances warrant.
2. On an annual basis, the Audit Committee should review and discuss with the independent auditors all significant relationships they have with the Corporation that could impair the auditors' independence.
3. Prior to releasing the audit report, discuss the results of the audit with the independent auditors. Discuss certain matters required to be communicated to the Audit Committee in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States and any other standards required by applicable federal or state law or regulation.
4. Review with the independent auditor any management letter provided by the auditor and the Corporation's response to that letter.

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

Tab 4

Presentation, Discussion, and Possible approval of a second loan commitment extension to Cady Lofts, LLC for a \$300,000 Affordable Housing Partnership deferred forgivable loan for the Cady Lofts Project.

Texas State Affordable Housing Corporation

Texas Housing Impact Fund Loan Recommendation

Agenda:

Presentation, discussion, and possible approval of a second loan commitment extension to Cady Lofts, LLC for a \$300,000 Affordable Housing Partnership deferred forgivable loan for the Cady Lofts project.

Summary:

Staff was approached by Cady Lofts, LLC, (Borrower) in February 2022 to discuss the Affordable Housing Partnership (AHP) pilot program and financing strategies to construct Cady Lofts – a proposed 100-unit multifamily project, to be located in Austin. The loan request was for \$375,000 to assist in the permanent financing of five-units set-aside to serve extremely low-income persons with disabilities.



However, the balance of funds available for lending through the AHP loan program was only sufficient to guarantee a \$225,000 loan. In May of 2022, loan committee approved a loan, up to \$300,000, conditioned on TSAHC's success in fundraising an additional \$75,000. Staff secured the additional funds through Wells Fargo Bank grants and increased the final loan amount to \$300,000 in exchange for a four-unit AHP set-aside.

Update:

Since loan approval, loan committee has granted an initial loan commitment extension due to rezoning and building permit delays that is set to expire on August 28th. An additional loan commitment extension is needed because of continued delays in City approvals and a \$2,000,000 budget gap caused by increases in construction and financing costs. A second loan commitment extension requires TSAHC board approval due to recent THIF policy changes. Staff recommends that the board approve a 180-day loan commitment extension. The Borrower has submitted applications to FHLB Dallas and the City of Austin to meet the budget gap and is working to close on financing as soon as September.

Public Benefit:

TSAHC's loan will help finance the construction of Cady Lofts which will include one hundred furnished studio apartments serving the chronically homeless with primary financing through the 9% LIHTC program. The development will include a four-story podium, wood-frame building, with three floors of residential units above ground floor community/service area space and parking. The building design integrates principles of trauma-informed design to create a physical space that promotes safety, well-being, and healing for residents.

Cady Lofts will be developed through a partnership between the SGI Ventures (Developer) and Austin Affordable Housing Corporation (AAHC) with a goal of developing a deeply affordable and supportive housing project in fulfillment of the City's supportive housing goals to reduce homelessness. Of the one hundred units, 20 units will be set-aside for households earning 60% AMI or less, 60 units will be set-aside for households earning 50% AMI or less, and 20 units will be set-aside for households earning at or below 30% AMI. Twenty-five units are supported with project-based rental vouchers. Additionally, ten units will be designed for persons with mobility impairments. A variety of social services, based on TDHCA's requirements and programs, will be provided onsite. New Hope Housing (NHH) nationally known for its expertise in developing and operating permanent supportive housing for the chronically homeless in Houston, has partnered as the supportive service provider and will provide wrap-around services based on their success Houston model.

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Texas Housing Impact Fund Loan Recommendation

Four-units will be set-aside for individuals qualified for Long-Term Services and Supports through Medicare/Medicaid (LTSS) pursuant to the AHP guidelines. This will increase the availability of affordable, accessible, and integrated housing to a very vulnerable population in fulfillment of AHP goals.

Financial Summary:

At the time of loan application, the total projected development budget for Cady Lofts was roughly \$21 million, or approximately \$210,000, per unit. The project's financing includes \$3.4 million from the City of Austin, \$14.7 million in equity from the sale of 9% housing tax credits, and \$2.3 million in permanent debt from a permanent mortgage. The borrower is deferring approximately \$387,000 in developer fees to meet remaining development costs. The developer has submitted applications to FHLB Dallas and the City of Austin to meet a \$2,000,000 development budget increase caused by rising construction costs and construction financing costs. However, the Borrower is working to close on financing as soon as September. TSAHC's \$300,000 AHP loan will assist with construction cost increases.

Market Conditions:

The site is in the transit served and amenity-rich Hancock neighborhood located within the Central Austin Combined Neighborhood Plan area and near a high concentration of jobs at the University of Texas at Austin and St. David's Medical Center. The site is afforded with great walkability and access to high frequency transit, proximity to Mueller retail, Hancock Center Retail, and the Hancock Recreation Center. In addition, the site is in an underserved census tract, and is within one half mile of the Airport Blvd Imagine Austin Activity Corridor, the Airport Blvd Mobility Bond Corridor, and the Downtown Imagine Austin Activity Center.

Borrower Summary:

SGL Ventures, Inc. (related to the Borrower entity) has partnered with AAHC to develop Cady Lofts in which AAHC serves as the nonprofit managing member. Formed in 2003, AAHC has been in the community for 19 years, actively expanding the stock of affordable housing in Austin and preserving long-term affordability through new development and the acquisition of unrestricted market units and making them affordable for the long term.

SGL Ventures, Inc. has been in the affordable housing industry since 1996. Ms. Gaskin, SGL Ventures President, is a founding board member and Past Board President of the Texas Affiliation of Affordable Housing Providers. Between 1996 and 2005, SGL co-developed seven properties utilizing 9% credits and 4% credits with bonds. In 2005, SGL Ventures was selected by PNC, SLP investor, to be the substitute General Partner in the 140-unit Woodlands development in Beaumont, a 9% tax credit development, and was sole general partner with responsibility for day-to-day operations, management, and compliance through December 31, 2020. In 2006, SGL Ventures was lead developer of CityView at the Park, a 70-unit affordable senior community located in Austin on behalf of Strategic HFC of the Housing Authority of Travis County. In total, SGL has co-developed, and held general partner interests in nine tax credit/bond developments, with over 970 units.

Recommendation:

Staff recommends approval of a second loan commitment extension to Cady Lofts, LLC for a \$300,000 Affordable Housing Partnership deferred forgivable loan for the Cady Lofts project.

Tab 5

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 2024.

Development Finance Programs

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 2024.

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 housing 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. Below is a summary of proposed amendments for this year.

- Section 6(a) – clarification has been added to better define the period for which affordability requirements will be in effect.
- Section 7(a) – scoring for *Cost Per Unit* was updated based on Staff’s survey of recent projects approved for bonds and 4% housing tax credits throughout the state of Texas.
- Section 7(b) – the requirement that units must be supported with project based rental assistance has been removed. The current policy limits this scoring item to projects serving extremely low-income households without project based rental assistance. However, staff understand that rental assistance, both project based and tenant based, is critical to serving extremely low-income households and thus is removing the current limitation.
- Section 7(f) – certification by other local or statewide energy efficiency programs to receive points for this scoring item has been added. This has been requested by several applicants in recent years and staff believes it is justified.
- Section 12(c) – collection of professional services deposit for our Municipal Advisor has been removed from this section. This is based on current rules prohibiting the collection of this fee prior to closing on the obligations.
- Section 12(i) – this is a new section added to better align how TSAHC has documented in agreements the pricing and collection of asset oversight and compliance fees. Parts of this section were previously incorporated in a later section on continuing costs.

Additional minor changes to capitalization of terms, dates and phrases are included based on input from Bond Counsel and Municipal Advisor reviews.

Staff received one public comment on the published draft. The comment was in regard to the Cost Per Unit figures amended in Section 7(a). The commentor noted that the figures provided were much lower than average costs in their target markets. Staff reviewed our bond database and updated our calculations

in the scoring category. While this did increase the average cost figures, it should be noted that TSAHC uses statewide averages, and this methodology may skew our figures toward lower cost markets. However, it is also the statutory purpose of this program to target areas of the state that do not typically receive private activity bond volume cap for affordable housing so the impacts of lesser served markets is minimal.

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 2024, as presented. If approved, staff will accept all changes and post the final approved document.

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The Texas State Affordable Housing Corporation (the “Corporation”) has approved these policies and request for proposals (“RFP”) for its multifamily tax-exempt bond programs for calendar year ~~2023~~2024. 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, or similar obligations (the “bonds”) issued by the Corporation. All ~~submissions~~project applications 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 “Directors”) for an Inducement Resolution.

1. Introduction.

- a. 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 residential rental developments (“Developments”). Pursuant to §§2306.554, 564 and 565 of the Texas Government Code, the Corporation is authorized to issue qualified 501(c)(3) bonds and to direct the Texas Bond Review Board (the “TBRB”) on the issuance of the portion of the ~~state’s~~State of Texas’ (“State”) 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 ~~2023~~2024, the amount is estimated to be approximately \$~~85~~95 million. This volume cap is available for reservation until August 14, ~~2023~~2024. Thereafter, the Corporation will be able to apply to reserve any additional available volume cap through the TBRB. There are no deadlines or sizing limitations on the amount of qualified 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:

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Development Finance Program
Texas State Affordable Housing Corporation
6701 Shirley Avenue
Austin, Texas 78752
Tel. 512-477-3562
Email: MFBonds@tsahc.org

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 bonds. 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 currently 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~~ 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.

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- i. A proposed Development that meets the requirements of the federal Fair Housing Act and: a) is intended for, and solely occupied by, individuals 62 years of age or older; or b) is intended and operated for occupancy by at least one individual 55 years of age or older per unit, where at least 80% of the total housing units are occupied by at least one individual who is 55 years of age or older; and where the owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older. (See 42 U.S.C. Section 3607(b));
 - 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 March 1, ~~2023~~2024, 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 described by this policy; or
 - b. Include at least 15% 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 \$2,000 for private activity bonds or \$2,500 for 501(c)(3) bonds.
5. **Application Review and Management.**

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- a. The Corporation will accept applications on an ongoing basis starting on October ~~32~~, ~~2022-2023~~ and until either 1) all of the anticipated private activity bond volume cap for ~~2023-2024~~ has been allocated to applications with approved inducement allocations, or 2) until May 1, ~~2023~~~~2024~~. After May 1, ~~2023~~~~2024~~, the Corporation may reopen the acceptance window in order to either 1) accept applications for the State of Texas' annual private activity bond volume collapse or 2) to utilize volume cap freed up from previous applications that were not able to close.
- b. Each application will be provided a submission date (Submission Date) based on the date the complete application and all fees were received by the Corporation.
- c. The Corporation requires at least 35 days to review an application for threshold and scoring criteria, before any presentation to the Board for approval. All applications that have completed the review process and fulfill the Corporation's threshold and scoring criteria will be presented to the Board for consideration of the approval of an inducement resolution ("Inducement Resolution").
- d. 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. Once all errors, omissions or insufficient documentation have been corrected, the application will receive a new Submission Date. If an application fails to fulfill the minimum threshold and scoring criteria, the application will be terminated and will not be considered for further review.
- e. Once an Inducement Resolution is approved, Developments must be able to move forward with an application for a reservation of private activity bond volume cap within 90-days. If a Development cannot proceed within this timeline, the Corporation may assign the project a new submission date and place the application at the end of our application pipeline, behind applications submitted after the original submission date.
- f. The Corporation may require a Developer to withdraw and resubmit an application for reservation of private activity bond volume cap, if the Developer is unable to submit their application for 4% housing tax credits within 30-days of the date of issuance of the docket number for their reservation from the Texas Bond Review Board. This requirement allows for better management of the Corporation's pipeline and reduces the need to obtain new docket numbers later in the review and approval process.
- g. The application and all materials submitted to the Corporation constitute public records subject to Tex. Gov't Code, Chapter 552. The application includes a certification acknowledging that the signatory has the authority to release all materials for publication on the Corporation's website and release them in response to a request for public information and make other use of the information as authorized by law. This includes all third-party reports, which may be posted in their entirety on the Corporation's website, as they constitute a part of the Application.

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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 private activity bonds shall agree to the following minimum terms and conditions through a ~~Regulatory Agreement~~regulatory agreement associated with the Development (“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 the greater of 15 years or as long as the Qualified Project Period, as defined in the Regulatory Agreement, for the bonds are outstanding is in effect.

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 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-

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party construction supervisor must be submitted prior to closing of the bonds or other obligations to be issued by the Corporation in connection with the financing. 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 the Corporation's website at: www.tsahc.org. Developers and their affiliates will also be evaluated on prior compliance history with the Corporation's and any other state or federal affordable housing program. Developers who have completed projects involving housing tax credits within the State of Texas, must provide evidence that they have passed their most recent Previous Participation review and are considered in Category 1 or 2, pursuant to the Texas Department of Housing and Community Affairs multifamily program rules. The Corporation will require through its application process the submission of compliance information and references in order to evaluate 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 ~~should~~ may be taken from the Corporation's Resident Services Program Guidelines, available on our website at: <https://www.tsahc.org/property-managers/compliance>
- 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.
- g. *Environmental Review Threshold.* Prior to closing, the Developer is required to conduct a Phase I Environmental Site Assessment. At or prior to the closing of the financing, the Developer will be required to provide an environmental indemnity in the form satisfactory to the Corporation. For properties located in a Flood Plain with 1-percent

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annual chance of flooding, as identified by the Federal Emergency Management Agency (FEMA), Developers must provide a mitigation plan drafted by the Development's project engineer. The mitigation plan drafted by the project engineer must be submitted with the initial application and either 1) demonstrate that the ~~project-Development~~ will be built so that all residential and common use buildings are 18 inches or more above the stated flood plain, or 2) that flood risks can be mitigated through automated systems.

- 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 TBRB, 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 required 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;

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- 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
 - 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 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 financing documents that prohibits any future application for exemption. If a

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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.

- m. *Readiness to Proceed.* Developers must be able to demonstrate that the proposed Development is ready and able to move forward with the proposed financing. To do so the following documents are required to be submitted with the application.
- i. A letter from the Developer’s counsel stating that there are no known lawsuits or other legal actions against the Developer, Developer’s affiliates or involving the proposed Development site; and
 - ii. A copy of the application, letter of intent or term sheet from the proposed bond purchaser, underwriter, or originator. Letters of intent or term sheets from the proposed tax credit equity purchaser must be submitted prior to submission of an application for reservation of private activity bond volume cap.
- n. *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

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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 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

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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.
- 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 ~~\$150~~190,000 per unit
 - B. New construction costs equal to or less than ~~\$160~~225,000 per unit; or
 - ii. 8 points for:
 - A. Acquisition and rehabilitation costs equal to or less than ~~\$180~~225,000 per unit
 - B. New construction costs equal to or less than ~~\$190~~240,000 per unit; or
 - iii. 15 Points for rehabilitation costs that exceed \$40,000 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 ~~without project based rental subsidy~~; or

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- ii. 10 points – at least 40% of units will be reserved for families who earn 50% or less of the area median income ~~without project based rental subsidy.~~
- 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. At least 20% of the total number of housing units will be available to person earning more than 60% of the area median income; or
 - ii. At least 15% of the total number of 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.
- 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; or
 - ~~iii.~~ Receives certification from an alternative local or statewide energy efficiency program, that has been approved by the Corporation. Applicants must submit information regarding the program to be used for scoring along with their application, and the Corporation will determine eligibility, in its sole discretion.

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.

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- 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"-inch entrance door;
 - ii. All housing and community spaces will be accessible via pathways that meet ADA and Fair Housing accessibility standards;
 - iii. All doorways in ground floor units (including closets, bathrooms, storage areas, etc.) must have doors with at least a 32-inch clear opening;
 - iv. All doors must have lever handles and windows shall have accessible release and opening mechanisms;
 - v. All ground floor units must have at least one ground floor bathroom with an accessible bathtub 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 government to the proposed development. The only qualifying units of government will be Counties, Cities, Municipal Utility Districts, School Districts and Councils of Government. The Corporation considers fee waivers, grants and loans as financial support.
- i. *Letters of Local Support.* Applications will receive 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. *Competitive Cycles and Tie Breakers.* Applications are accepted on a daily basis and may be scored and ranked with all other applications received by 5pm on the same day. In the event several applications are received on the same day and total requests for

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volume cap exceed the estimated amount available to the Corporation in ~~2023-2024~~, Applications will be prioritized and ranked in the following manner:

- i. First, Applications that meet the Housing Needs Set-Asides of Section 3 of this document will be considered priority 1 projects. All other projects will be labeled as priority 2 projects: then
 - ii. Priority 1 applications will be ranked by score and allocated volume cap based on their ranking. If two or more applications have the same score then the following tie breakers will be used.
 - A. The application with the highest percentage of units serving households at or below 50% of area median income will be given priority, if tied then
 - B. The application with the highest total unit count, if tied then
 - C. The application with the lowest total development costs per unit will be given priority.
 - iii. Priority 2 applications will be ranked by score and will only be allocated volume cap if there is enough available. In the event of a tie among Priority 2 applications, the same tie breaker criteria will be used as for Priority 1 applications. Staff may recommend applications be induced to receive a forward commitment of volume cap in the following allocation year (i.e. an application applying for ~~2023-2024~~ volume cap would receive ~~2024-2025~~ volume cap) only if such reservation will not commit more than 25% of the next year's estimated allocation.
8. **Subsequent Filing Requirements.** Prior to final approval of the bonds or other obligations by the Board or the TBRB, 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 term sheet, 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;

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- 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 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 require any Developer to attend a meeting to review the Developer's experience, qualifications, and/or the characteristics of a Development.
- b. The Corporation requires the Developer or a representative of the Developer, to attend public hearings where a Development is proposed. If the Development includes multiple sites in several cities, the Corporation 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 resolution authorizing the issuance of the requested debt by the Corporation's Board.
- c. With respect to public hearings required by Section 147(f) of the Internal Revenue Code and the related regulation ("TEFRA"), the Corporation will plan and post notice, at the expense of the Developer, of the hearing in the *Texas Register* and on the Corporation's website at least seven (7) days prior to the planned TEFRA hearing. 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 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 and Reservation of Volume Cap.

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- a. Once the Corporation has approved an Inducement Resolution for a Development, the Corporation and its Bond Counsel will work with the Developer to prepare and time the submission of the application to reserve volume cap (Reservation Application) to the TBRB;
- b. Applications approved for Inducement for the Corporation's ~~2023-2024~~ allocation of private activity bonds will have until May 1, ~~2023-2024~~ to notify the Corporation and its Bond Counsel they are prepared to move forward with a Reservation Application. Those not prepared to move forward, will be placed to the back of the list of Inducement Resolutions, and must be prepared to submit a Reservation Application within one year from the date of Inducement or the Corporation, in its sole determination, may terminate the award.
- c. In the event the Corporation has approved Inducement Resolutions in excess of its annual allocation, a Developer may choose to submit their Reservation Application to the TBRB to be considered for allocation on or after August 15, ~~2023~~~~2024~~, pursuant to Section 1372.022 of Texas Government Code. The Corporation cannot ensure the availability of private activity bond volume cap on or after August 15, ~~2023~~~~2024~~.
- d. 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 TBRB.

11. Bond Review Board Approval.

- a. Bonds, notes or similar obligations issued by the Corporation are subject to approval by the TBRB. TBRB rules provide an optional exemption from the formal approval process for the Corporation's 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

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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 or other obligations issued on their behalf (the “Cost of Issuance”). Up to two percent (2%) of the Cost of Issuance may be financed through tax-exempt obligation proceeds and will be considered part of the obligations authorized for issuance by the Corporation, where eligible under the federal tax code. Developers shall commit to pay from other sources any Costs of Issuance not payable from tax-exempt obligation proceeds. The following fees are payable at the times and in the amounts as described below. ALL FEES ARE NONREFUNDABLE, EXCEPT AS OTHERWISE PROVIDED HEREIN.
- a. *Application Fee.* Developers shall submit a nonrefundable fee of \$2,000 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 fee of \$8,000, 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 Reservation Application to the TBRB, 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 certificate for volume cap from the Texas Bond Review Board, Developers shall make a deposit with the Corporation which will be credited against fees and expenses incurred by the Corporation for the services of Bond Counsel, ~~the Municipal Advisor~~ and Issuer’s Counsel in connection with the proposed financing. Such deposit shall be ~~\$4030,000~~, which represents a ~~\$2520,000~~ deposit for Bond Counsel fees, ~~a \$5,000 deposit for Financial Advisor’s fees,~~ and a \$10,000 deposit for Issuer’s Counsel fees (collectively, the “Professional Fee Deposit”). If the accrued fees and expenses of Bond Counsel, ~~the Municipal Advisor~~ and/or Issuer’s Counsel exceed the amount of such Professional Fee 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

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related expenses) of conducting public hearings and related meetings [described herein] and (iv) such other activities, inspections and investigations as are deemed necessary or appropriate by the Corporation in connection with its determination of the suitability of the proposed Development for financing assistance to be offered by the Corporation. The Corporation will include any of the above expenditures in its closing fees estimate prior to the closing date.

- e. *Municipal Advisor Fees.* The fee to be paid to the Corporation's Municipal Advisor, acting as a financial advisor to the Corporation for its issuance of debt transactions issued for the multifamily bond program, will be \$10,000 plus \$2.00 per \$1,000 of bonds issued, plus actual expenses, unless otherwise agreed to by the Corporation's Municipal Advisor. In addition, for an additional fee the Corporation's Municipal Advisor ~~will~~ may 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 the 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 TBRB.
- f. *Bond Counsel Fees.* Developer shall pay the 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, 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 TBRB, 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 to Issuer's Counsel can be based on a fixed fee approved by the Corporation.
- h. *Closing Fees.* Concurrently with the closing of the financing, the Developer shall pay or cause to be paid all fees and expenses in connection with the issuance of the obligations including Bond Counsel Fees, Municipal Advisor Fees, Issuer's Counsel Fees, TBRB 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

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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, or 15-years from the closing date, whichever is later, 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. *Asset Oversight and Compliance Fee.* Until the end of the Qualified Project Period, as defined in the Regulatory Agreement, Period an annual fee in an amount equal to the greater of \$45 per unit or \$2,500 for each property included in the Development shall be paid, remitted through the respective bond trustee, or other designee, to the Corporation in advance each calendar year. The first calendar year's fee shall be paid at closing. The second calendar year's fee, and all subsequent year's fees, shall be paid on or before February 10 of the applicable year. Beginning with the third annual payment the fee shall increase by 2% per annum, with a maximum increase of 20% or ten annual increases. The Corporation may require the payment of the Asset Oversight and Compliance Fee to be guaranteed by the Development owner and/or general partner(s).
- †k. *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.
- †l. *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.

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~~l.m.~~ Continuing Costs. Developers shall pay to the Corporation, in the manner described in the Development documents, the following amounts:

~~i.~~ ~~An annual asset oversight and compliance fee equal to the greater of \$45 per unit or \$2,500 for each property included in the Development (as such fee may be adjusted in accordance with the Asset Oversight and Compliance Agreement). The Corporation may require the owner of the Development and/or related entities or persons to guarantee the payment of these fees;~~

~~ii.i.~~ Any amounts payable pursuant to any indemnity contract or agreement executed in connection with any financing by the Corporation completed as herein contemplated, and

~~ii.ii.~~ 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.n.~~ 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.o.~~ 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 and the Attorney General of the State of Texas. The Developer and its legal counsel shall cooperate fully with Bond Counsel, the Municipal 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.

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15. **Time Limits.** In the event that the Development does not close within the time frame established by the Corporation, the Corporation reserves the right to terminate its participation in the financing.
16. **Final Approval by the Corporation.** The Corporation’s Board will consider final action on the Bonds after the completion of the public hearings and upon recommendation by the Corporation’s staff. If approved, the Board will adopt a resolution, in such form as is recommended by Bond Counsel, authorizing the issuance of obligations to provide financing for the Development. Final approval will be granted only upon:
- a. Receipt by the Board of evidence satisfactory to it that the Developer has complied in all material respects with this RFP not otherwise waived by the Board; and
 - b. An affirmative determination of the Board that:
 - i. All requirements for and prerequisites to final approval under this RFP have either been satisfied or waived and are in form and substance satisfactory to the Board; and
 - 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 Financing.** Following the public hearing(s) and final approval by the Corporation and the TBRB 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 consult with the Corporation’s Municipal Advisor and Bond Counsel for information regarding the structure of contemplated 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-/A3” rating assigned to long-term obligations by a nationally recognized rating agency acceptable to the Corporation. Bonds with an investment grade of “A-/A3” or higher may be sold in minimum denominations of \$5,000,
 - ii. The Corporation will consider any bonds with rating lower than “A-/A3” to be non-rated obligations. Non-rated obligations must be sold in minimum denominations

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of at least \$25,000 and in integrated multiples of any amounts in excess of \$25,000.

- iii. All non-rated obligations must be privately placed or offered on a limited basis with transfer and other restrictions. In order for a non-rated transaction to be considered by the Corporation, the placement must comply with the following minimum requirements: (i) the sale must be made to a “qualified institutional buyer” as defined in Rule 144A of the Securities Act of 1933 (a “QIB”) or an “institutional accredited investor” as defined in Rule 501(a)(1), (2), or (3) of Regulation D under such act (an “Institutional Accredited Investor”) and cannot be an underwriting or purchase with an intent to resell any portion of the obligations, (ii) the obligations must be issued in minimum denominations of not less than \$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, Municipal Advisor, and Issuer’s Counsel.

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- d. *Required Approvals.* No Developer, or any representative of any Developer or the Corporation, shall represent, directly or indirectly, to any lender (interim or otherwise) supplier, contractor, or other person, firm, or entity that the Corporation has agreed or is firmly committed to issue any obligations in relation to any Development or Response or Reservation Detail until the Board has given final approvals for the issuance thereof under this RFP, and then subject to the governmental approvals required by this RFP and the approval of the Attorney General of the State of Texas, the approval of Bond Counsel and subject to any requirements imposed by the Corporation's Articles of Incorporation.
- e. *Offering Statement.* No Developer, or any representative of the Developer or the Corporation, shall make any representation, directly or indirectly, express or implied, of any fact contrary to the disclosures required to be made by this RFP.
- f. *Registration.* Neither the Developer nor any securities firm, underwriter, broker, dealer, salesman, or other person, firm, or entity shall offer, sell, distribute, or place any obligations authorized by the Corporation by any process, method, or technique or in any 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-Development~~ 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. Termination for Cause.

The Corporation may terminate an ~~Application~~application, or deny the acceptance of any ~~application~~Application, if one or more of the following conditions has occurred or is occurring:

- a. *Failure to Comply with 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 the Corporation's policies and procedures with respect to such previously issued obligations or is delinquent in the payment of any fees or costs with respect to such previously issued obligations of the Corporation; or
- b. *Ex Parte Communications.* The Corporation may terminate an ~~application~~Application, or refuse to consider submissions from a Developer, if the Developer or any related party thereto, attempts to communicate either verbally or through written means with a member of the Corporation's Board after the submission of an ~~application~~Application,

Texas State Affordable Housing Corporation

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while the Application is being reviewed, or prior to any decision about the ~~application~~Application by the Board. This excludes communications during any ~~board~~Board meeting or public hearing held with respect to the ~~application~~Application, but not during a recess or other nonrecorded portion of the meeting or hearing. For any ~~application~~Application involving the allocation of low-income housing tax credits, any violation of Section 2306.1113 of the Texas Government Code will also be cause for termination.

- 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 AND/OR THE TEXAS BOND REVIEW BOARD.