



## **MULTIFAMILY TAX-EXEMPT BOND PROGRAM COMPLIANCE POLICY**

**Section 1. Policy.** This policy was adopted on June 17, 2025, by the Board of Directors of the Texas State Affordable Housing Corporation (TSAHC). This policy is intended to ensure that the compliance requirements for the Private Activity Bonds or 501(c)(3) bonds programs are met. Any applicant, developer, owner, or borrower (collectively defined as the “Borrower” hereafter) that receives, or benefits from the receipt of, proceeds from multifamily bonds issued by TSAHC for the development and/or rehabilitation of affordable multifamily housing shall agree to the requirements found in this policy.

**Section 2. Bond Program.** Through the Private Activity Bonds or 501(c)(3) bond program, TSAHC awards or restructures bonds for the construction of and/or rehabilitation of affordable rental housing developments. Once an award is made, the Borrower shall enter into one or more agreements that specify the conditions that must be met throughout the term of the agreement(s).

**Section 3. Affordability Reporting Requirements.** Any Borrower that utilizes the benefits of the bonds issued by TSAHC shall agree to provide all required documentation and complete or submit all reporting (via email or through TSAHC’s Online Compliance System) according to the terms and conditions outlined in any agreement between the Borrower and TSAHC (or any other applicant agreement, including any tax or other regulatory agreement) to show compliance with affordability and habitability requirements outlined in any such agreement.

**Section 4. Section 8 Policy.** The Borrower shall agree that with respect to any prospective resident who qualifies for and intends to supplement their monthly rent with funds and/or other assistance under the United States Housing Act of 1937, 42 U.S.C.A. Section 1437(f), and the regulations promulgated pursuant thereto (“Section 8 Residents”), such prospective resident shall only be required to provide evidence to the Borrower that such resident’s monthly income is two and one-half times greater than the actual out-of-pocket amounts to be paid by such resident rather than two and one-half times greater than the actual monthly rent for the applicable unit, in order to qualify for such unit. For project-based Section 8 properties, the Borrower shall agree to accept a HUD form 50058 or 50059 as adequate income certification.

**Section 5. Asset Oversight Agreement.** The Borrower shall agree to enter into an asset oversight agreement (the “Asset Oversight Agreement”) with TSAHC, and agree that TSAHC or its agent shall conduct a review of the Borrower’s related developments (defined as developments financed by TSAHC’s bond financing) and its compliance records as well as any other documents or records requested by TSAHC. The review shall include, but is not limited to, a physical inspection, a review of policies and procedures, and an evaluation of budget management and financial reporting.

**Section 6. Compliance Agreement.** The Borrower shall agree to enter into a compliance agreement (the “Compliance Agreement”) with TSAHC, and agree that TSAHC or its agent shall conduct a review of the Borrower’s related development(s) and its compliance records (i.e., written policies, tenant files reviews, unit status report and resident services reviews, etc.) and other documents and records as requested by TSAHC. For administrative convenience, the Asset Oversight Agreement and the Compliance Agreement may be combined into a single document.

**Section 7. Resident Services.** The Borrower shall provide resident services as required by TSAHC’s bond policy at the time of bond application. Resident services shall be free of charge and available to all residents. The Borrower shall also submit a resident services program plan (the “Program Plan”) that explains the services to be provided on an annual basis. The Borrower shall submit an updated Program Plan on or before December 1st of each year. A line-item budget that details the cost of services to the Borrower must accompany the Program Plan, and the Borrower shall maintain a dedicated budget for such resident services. To the extent feasible, the budget should include salaries for on-site staff to provide or coordinate resident services, and if services are provided off-site, transportation costs (transportation costs may not be charged to the residents). A non-exhaustive list of resident services can be found on TSAHC’s website or provided if requested.

**Section 8. Notice of Health and Safety.** The Borrower shall provide all residents with a copy of TSAHC’s Notice of Health and Safety Form. The Notice must be signed by the Head of Household prior to but no later than the date of initial move-in and maintained in the tenant file. The purpose of the Notice is to make each resident aware that if management fails to maintain certain levels of habitability, the resident may contact TSAHC.

**Section 9. Use of Replacement Reserves.** The Borrower shall maintain the related developments and make necessary repairs thereto and shall otherwise comply with Section 2306.5671 of the Texas Government Code and the related agreement(s). The Borrower shall grant TSAHC any and all rights to enter upon the related developments and such right of access thereto as necessary to comply with Section 2306.555 of the Texas Government Code, this Compliance Policy and the Asset Oversight and/or Compliance Agreements.

The Borrower shall further agree, subject to reasonable limitations, to grant TSAHC the right to withdraw an amount from available replacement reserves equal to the reasonable cost to maintain the physical needs of the development in order to comply with Section 2306.5671(3) of the Texas

Government Code, this Compliance Policy, Asset Oversight and/or Compliance Agreements and all requirements of any agreements entered into. TSAHC may begin withdrawing funds from the replacement reserves 90 days after the initial corrective action period ends.

**Section 10. Annual Review.** TSAHC, or an agent of TSAHC, will conduct an annual review (virtually or in-person) to verify compliance with one or more of the agreements entered in accordance with this Compliance Policy, the Asset Oversight and/or Compliance Agreements and any tax regulatory or other agreement. The Borrower shall agree to provide any documentation or information requested either by TSAHC or its agent related to such review that is reasonably available to the Borrower.

**Section 11. TSAHC's Asset Oversight and/or Compliance Fees.** For cost related to any annual review to be performed by TSAHC, or an agent of TSAHC, for asset oversight and/or compliance, the Borrower shall pay all fees at least annually to TSAHC directly as an operating expense of the related development or developments and prior to the payment of any related bond or other debt service, except as otherwise agreed to in writing by the TSAHC.

**Section 12. Management of the Development.** TSAHC shall have the following rights and remedies with respect to the related developments, subject to reasonable limitations:

- A) To approve all managers, including the initial manager, which approval shall not be unreasonably withheld, conditioned or delayed;
- B) To approve all management agreements including those that may be assigned to TSAHC as bond issuer, if an event of default has occurred and is continuing under any agreement entered into in accordance with this Compliance Policy;
- C) To remove the manager in the event that
  - i. the related developments are not maintained in a manner which complies with Section 2306.5671 (2) of the Texas Government Code
  - ii. the Borrower does not follow the reasonable recommendations of TSAHC, or its agent in accordance with the Asset Oversight and/or Compliance Agreement or as required by any agreement entered into in accordance with this Compliance Policy; or
  - iii. The Borrower does not correct the findings noted within the applicable Asset Oversight Report and/or the Compliance Report, within the time periods set forth in this Compliance Policy.

**Section 13. Default; Enforcement.** Following the declaration of an event of default (after any applicable cure period) as set forth and defined in any agreement entered into in accordance with this Compliance Policy (each an "Event of Default"), TSAHC, subject to being indemnified to its

satisfaction with respect to the costs and expenses of any proceeding, may, at its option, take any one or more of the following steps:

- A) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform their obligations and covenants or enjoin any acts or things which may be unlawful or in violation of the rights of TSAHC;
- B) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the developments during regular business hours following reasonable notice;
- C) pursuant to Section 12, remove the manager and replace the manager with a manager reasonably acceptable to the TSAHC;
- D) pursuant to Section 9, withdraw funds from replacement reserves to make repairs/replacements to the related development or developments;
- E) pursuant to Section 14, undertake the ex parte appointment of a receiver;
- F) pursuant to Section 19, assess reasonable penalties for non-compliance which complies with Section 2306.5671(1) of the Texas Government Code; and
- G) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower.

The Borrower shall agree that specific enforcement of any agreement entered into in accordance with this Compliance Policy may be the only means by which TSAHC may obtain the benefits of such agreements made by the Borrower, and the Borrower therefore shall agree to the imposition of the remedy of specific performance against them in the case of any Event of Default by the Borrower.

**Section 14. Appointment of Receiver; Corporation in Possession.** As provided in Section 2306.5671(4) of the Texas Government Code, if and only if all of the following have occurred; (i) a “Material Event of Default”, defined below, has occurred and is continuing, and (ii) TSAHC has already pursued any remedies in accordance with Section 9 and 12 above and such Material Event of Default still remains, the Borrower shall agree that TSAHC as a matter of strict right and without notice to the Borrower, without the showing of any insolvency, fraud or mismanagement on the part of the Borrower and without the necessity of filing any judicial or other proceeding other than for the appointment of a receiver, TSAHC shall be entitled to the ex parte appointment of a receiver to take possession of, protect, control, manage and operate any development in order to remedy the Material Event of Default with respect to such development but for only so long as the Material Event of Default is continuing and remains uncured. The Borrower shall irrevocably agree, consent to, and waive any notice of or defense to the appointment of a receiver for any development subject to any agreement entered into in accordance with this Compliance Policy. The Borrower shall

further agree that, following an Extraordinary Additional Cure Period, the equitable appointment of a receiver hereunder is the only remedy available for TSAHC to ensure compliance with the terms of any agreement entered into in accordance with this Compliance Policy and the safety and well-being of the residents of the development owned by the Borrower who has committed a Material Event of Default. Any receiver appointed shall have all usual powers and duties in such matters as ordered by a court, including, without limitation, the power to take possession of, enter upon, hold, develop, rent, lease, manage, maintain, operate and otherwise use and operate the development upon such terms and conditions as the receiver may deem to be prudent and reasonable under the circumstances in order to remedy the Material Event of Default with respect to such development.

During an Extraordinary Additional Cure Period, TSAHC shall agree to cooperate fully with all parties (or their successors and assigns) that are named parties in the transaction and hold a significant financial interest in the development to rectify the Event(s) of Default in a diligent manner.

“Material Event of Default” means an Event of Default that materially adversely affects the health, welfare and/or safety of the tenants of the development that is continuing after the Extraordinary Additional Cure Period has passed.

“Extraordinary Additional Cure Period” means a period of an additional 90 days from the cure periods provided in any agreement entered into in accordance with this Compliance Policy that begins on the date that the Borrower receives written notice from TSAHC that it intends to appoint a receiver as an enforcement remedy for a Material Event(s) of Default. If corrective action is instituted to cure such Material Event(s) of Default within this 90 day period, TSAHC shall agree this Extraordinary Additional Cure Period shall last so long as, in the reasonable discretion of TSAHC, the Borrower is diligently pursuing a remedy for such Material Event(s) of Default; provided, however in no event shall the Extraordinary Additional Cure Period last for more than one year from the date the Borrower receives notice as described above.

**Section 15. Assessment of Penalties.** The Borrower shall grant TSAHC the right to assess reasonable penalties for non-compliance against the defaulting Borrower. All penalties assessed will be for the compliance action and penalty amounts per time period as provided in Appendix A attached hereto (the “Penalties”); provided that these amounts and time periods may be changed by TSAHC from time to time in its sole, but reasonable, discretion. All penalties assessed shall be paid by the Borrower within 30 days of receipt of a written complaint and assessment of penalties provided by TSAHC to the Borrower. If any penalty remains unpaid for an additional 30-day period (total of 60 days) after receipt by the Borrower of any written complaint and assessment of Penalties, additional Penalties may be assessed by TSAHC. Upon receipt of the written complaint and assessment of Penalties by the Borrower from TSAHC, the Borrower shall have ten days to request an appearance before the Board of Directors of TSAHC (the “Board”) to contest the assessment of such Penalties by TSAHC by written notice to TSAHC within such ten-day period.

**Section 16. Assessment of Lien.** The payments due under any agreement made in accordance with this Compliance Policy shall be made a charge on the property of the development and, in order to secure the payment of the sums due, the Borrower shall grant a subordinate continuing lien (an "Assessment Lien") upon such property against which the payments are due, and shall also be the continuing obligation of the Borrower. The Borrower shall further agree that any such Assessment Lien may be foreclosed upon by non-judicial foreclosure pursuant to the provisions of Section 51.002 of the Texas Property Code (or any successor statute).

**Section 17. Indemnification.** Any agreement made between TSAHC and the Borrower shall include indemnification provisions in a form reasonably acceptable to TSAHC that indemnify TSAHC from and against all liability, losses, damages, costs, and expenses arising in any manner from TSAHC's exercise of its rights under said agreement.

**Section 18. Board Waivers.** A Borrower may request that the Board consider waiving one or more of the provisions of this Compliance Policy at a public meeting of the Board.

**Section 19. Appendix A (Schedule of Penalties)**

**APPENDIX A**  
**SCHEDULE OF PENALTIES**

(Penalty amounts and time periods subject to change)

<b>Compliance Action</b>	<b>Corrective Action Required to Regain Compliance</b>	<b>Penalty for Continued Non-compliance and Time Period</b>
Units leased to households that are not eligible because the income exceeds the allowable limit; occupied by non-eligible full-time students; or other noncompliance.	Change unit designation to market if the household is not qualified within 30 days of initial notification.	Compliance penalty of \$500 for failure to change unit designation; Compliance penalty of \$500 for repeated violation.
Failure to meet set-aside requirement as stated in the asset oversight, compliance, and/or regulatory agreement.	Only qualified households are eligible for move in. No market households should be moved in until the set-aside requirement is met.	Compliance penalty of \$500 for each market household moved in during the time the set aside requirement is not being met.
Rents charged exceeds allowable limits.	Borrower/manager demonstrates reduction in rent and refund difference to tenants.	Compliance penalty in the amount equal to the uncorrected overcharge.
Failure to submit requested reports timely and/or failure to execute and record program documents.	The Borrower must provide corrective action within 30 days of initial notification of failure to submit reports/documents.	Compliance penalty of \$250 for every 30 days of non-response.
Failure to follow fair housing or federal laws providing access by the general public or failure to comply with Section 8 minimum income to rent standard.	Borrower must enter into a corrective action agreement and amend leasing requirements if appropriate.	Report possible fair housing violation. Compliance penalty of \$250 per violation.
Failure to maintain adequate income certification documentation for compliance.	Borrower to recertify household accordingly and provide documentation within 30 days of initial notification.	Compliance penalty of \$100 per 30 day period of failure to provide documentation after corrective action period.

Low income units used on transient basis, unless otherwise approved by TSAHC.	Borrower must execute a minimum of a six-month lease and provide evidence of lease. If Borrower is unable to extend lease terms, the unit must take market designation. If the unit is being held vacant and was previously occupied by a qualified household on a transient basis, the unit designation must be changed to Market.	Compliance penalty of up to \$100 per 30 days for failure to provide documented lease.
The development has physical condition violation(s).	Appropriate repairs must be corrected in a timely manner and supporting documentation must be submitted for review. Health and Safety violations must be completed within 24 hours, and all other violations must be completed within 30 days.	Compliance penalty of \$500 per violation that has not been corrected after the initial 30-day corrective action period has ended.
Failure to provide the minimum number of agreed to resident services.	If the minimum number of resident services is not provided in the calendar quarter, the deficit of that quarter must be made up in the following quarter.	Compliance penalty of \$500 per listed service not provided per quarter, if not made up the following calendar quarter.
Failure to pay asset oversight and/or compliance review fees or compliance penalties timely.	Fees due and payable must be submitted 30 days after initial notice.	Begin collection proceedings. Add State maximum interest rate and additional penalty of up to \$250 per 30-day period of nonpayment.
Failure to meet minimum rehabilitation standards.	If discovered during development, the Borrower would be required to make necessary corrections per the specifications in the related loan agreement. If discovered	Compliance penalty up to \$500 per 30-day period of non-compliance.



	after building, establish an account to fund necessary modifications.	
Failure to remove manager or replacement of manager.	Remove manager or replace manager pursuant to Section 12.	Compliance penalty of \$500 per 30-day period of non-compliance.
Failure to correct Findings under the Asset Oversight Report and/or Compliance Report.	Complete corrective actions required in the Asset Oversight Report and/or Compliance Report within 30 days from date the Report is issued.	Compliance penalty of \$500 per 30-day period of non-compliance after the corrective action period has ended.
Determination of material non-compliance for more than the sum of all cure periods provided in the related compliance agreement.	After notice of violation, corrective action plan developed with bond issuer.	Institution of appointment of receivership and possession by bond issuer proceedings with all costs payable by Borrower.
Failure to notify and gain approval from TSAHC of change in ownership or General Partner.	Discuss change of ownership or General Partner with the Corporation to ensure TSAHC is in agreement.	Penalty of \$1,000 per violation.