

Official Board Packet



October Board Meeting

To be held at
Treaty Oak Bank
101 Westlake Dr.
Treaty Oak Conference Room
Austin, TX 78746

Friday, October 10, 2008
10:30 a.m.

BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
To be held at
Treaty Oak Bank
101 Westlake Drive
Treaty Oak Conference Room
Austin, Texas 78746
October 10, 2008 at 10:30 am

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

Thomas Leeper
Chair

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

STAFF REPORT

David Long

ACTION ITEMS IN OPEN MEETING:

- | | |
|-------|---|
| Tab 1 | Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on September 19, 2008. |
| Tab 2 | Presentation, Discussion and Possible Approval of Potential Modifications, Including Cancellation of, Corporation's Single Family Bond Drawdown Program, Financed By Its Single Family Mortgage Revenue Refunding Bonds, Drawdown Series 2007. |
| Tab 3 | Presentation, Discussion, and Possible Approval of the 2008 Grant Awards for the Texas Foundations Fund. |
| Tab 4 | Presentation, Discussion and Possible Approval of a Resolution Regarding the Approval of Amended and Restated Guidelines for the Texas Foundations Fund, a Segregated Fund of the Corporation, to Provide Certain Relief in Areas Affected by Recent Hurricanes, the Approval of the Transfer of Additional Unrestricted Funds of the Corporation to the Texas Foundations Fund for this Purpose and Concerning Other Matters Incident and Related Thereto. |
| Tab 5 | Presentation, Discussion and Possible Approval of the Publication for Public Comment Guidelines, Scoring Criteria and Targeted Areas for the Allocation of Qualified Residential Rental Project Bond Funds under the 2009 Multifamily Housing Private Activity Bond Program Request for Proposals. |
| Tab 6 | Presentation, Discussion and Possible Approval of the Publication for Public Comment Policies Governing the Allocation of Qualified Residential Rental Project Bonds under the 501(c)(3) Bond Program. |
| Tab 7 | Presentation, Discussion and Possible Approval of the Publication for Public Comment Policies Governing Refunding and Restructuring of Multifamily Mortgage Revenue Bonds. |
| Tab 8 | Presentation, Discussion and Possible Approval of Application for Participation in the Texas Short Term Asset Reserve Program (TexSTAR). |

PUBLIC COMMENT

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

OPEN MEETING

Action in Open Meeting on Items Discussed in Closed Meeting

ADJOURN

Individuals who require auxiliary aids or services for this meeting should contact Laura Ross, ADA Responsible Employee, at 512-477-3555, x 400 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that the appropriate arrangements can be made.

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.

STAFF REPORT

Single Family Lending Report

**Texas State Affordable Housing Corporation's
Professional Educators Home Loan Program Series 2007A
As of February 22, 2007 through October 1, 2008**

Month	# of Loans	% of Total Loans	Total Originated
Feb-07	24	8%	\$ 2,878,911
Mar-07	95	32%	\$ 11,576,371
Apr-07	62	21%	\$ 7,625,851
May-07	55	19%	\$ 6,271,973
Jun-07	10	3%	\$ 1,090,049
Jul-07	15	5%	\$ 1,417,994
Aug-07	5	2%	\$ 648,177
Sep-07	2	1%	\$ 225,000
Oct-07	2	1%	\$ 264,465
Nov-07	2	1%	\$ 235,690
Dec-07	2	1%	\$ 200,795
Jan-08	2	1%	\$ 196,137
Feb-08	6	2%	\$ 699,475
Mar-08	4	1%	\$ 671,094
Apr-08	4	1%	\$ 328,821
May-08	3	1%	\$ 278,261
Jun-08	2	1%	\$ 244,051
Jul-08	2	1%	\$ 194,094
Totals	297	100%	\$ 35,047,209

Lender	Originated	# of Loans	Total %
Countrywide Home Loans, Inc.	\$5,871,921.00	52	18%
Cornerstone Mortgage Company	\$4,350,410.00	34	11%
WR Starkey Mortgage	\$3,043,233.00	27	9%
Rocky Mountain Mortgage Co.	\$2,329,545.00	19	6%
Wells Fargo Bank, NA	\$1,869,540.00	16	5%
DHI Mortgage Company, Ltd.	\$1,814,846.00	13	4%
Market Street Mortgage Corp.	\$1,792,587.00	14	5%
Hammersmith Financial, L.P.	\$1,661,450.00	12	4%
Universal American Mortgage Co	\$1,635,839.00	12	4%
Wachovia Mortgage, FSB	\$1,494,969.00	13	4%
CTX Mortgage Company, LLC	\$1,205,816.00	10	3%
Service First Mortgage	\$922,274.00	9	3%
Texas State Bank	\$825,467.00	9	3%
Hometrust Mortgage Company	\$704,897.00	7	2%
Colonial Savings, FA	\$630,211.00	5	2%
Countrywide - Wholesale	\$629,350.00	6	2%
First Continental Mortgage Ltd	\$419,882.00	3	1%
Home Loan Corporation	\$413,116.00	4	1%
American Bank, N.A	\$374,170.00	4	1%
New South Federal Savings Bank	\$359,016.00	3	1%
First National Bank Texas	\$356,902.00	4	1%
PrimeLending, A PlainsCptl Co.	\$318,350.00	3	1%
Willow Bend Mortgage	\$258,400.00	2	1%
First United Bank & Trust Co.	\$229,200.00	2	1%
Maverick Residential Mortgage	\$195,275.00	3	1%
First Tennessee Bank, N.A	\$181,785.00	2	1%
Standard Pacific Mortgage, Inc.	\$177,625.00	1	0%
R. H. Lending, Inc	\$149,900.00	1	0%
Pulaski Mortgage Company	\$136,422.00	1	0%
GMAC Mortgage, LLC	\$128,375.00	1	0%
Chase Home Finance, LLC	\$124,000.00	1	0%
SWBC Mortgage Corporation	\$119,744.00	1	0%
Prado Mortgage	\$119,300.00	1	0%
Primary Residential Mtg, Inc.	\$111,122.00	1	0%
Castle & Cooke Mortgage, LLC	\$92,270.00	1	0%
Total Committed	\$35,047,209	297	100%

Total Allocation \$35,000,000
Remaining to Commit -\$47,209

At a Glance	
Total Amount Originated	\$35,047,209
Average Annual Income	\$49,012
Average Purchase Price	\$121,390
Average Loan Amount	\$118,004
Average Household Size	2
New/Existing	
New	32%
Existing	68%
Professional Breakdown	
Teacher	64%
Teacher Aide	2%
School Counselor	1%
School Nurse	0%
School Librarian	0%
Not Specified	33%
Type of Loan	
Conventional	56%
FHA	42%
VA	2%
USDA-RD	0%
Ethnicity	
American Indian/Alaskan Native	0%
Asian or Pacific Islander	1%
Black	16%
Hispanic	23%
White	46%
Other	14%
Not Defined	0%
Top Originating Counties	# of Loans
Harris	69
Dallas	32
El Paso	24
Tarrant	22
Travis	20
Bexar	17
Fort Bend	12
Hidalgo	10
Denton	8
Collin	8
Williamson	7
Montgomery	5
Brazoria	5
Kaufman	4
Galveston	4
Cameron	4
Taylor	3
Hunt	3
Bell	3
Tom Green	2
Parker	2
Lubbock	2
Jefferson	2
Harrison	2
Guadalupe	2
Chambers	2
Bastrop	2

**Texas State Affordable Housing Corporation's
Professional Educators Home Loan Program Series 2007 A-3
As of June 20, 2007 through October 1, 2008**

Month	# of Loans	% of Total Loans	Total Originated
Jun-07	127	40%	\$ 14,970,664
Jul-07	100	32%	\$ 11,554,603
Aug-07	9	3%	\$ 994,384
Sep-07	11	3%	\$ 1,374,398
Oct-07	16	5%	\$ 1,856,105
Nov-07	2	1%	\$ 231,833
Dec-07	2	1%	\$ 286,759
Jan-08	6	2%	\$ 578,420
Feb-08	21	7%	\$ 2,487,001
Mar-08	9	3%	\$ 1,181,483
Apr-08	2	1%	\$ 216,430
May-08	3	1%	\$ 350,017
Jun-08	6	2%	\$ 656,696
Jul-08	2	1%	\$ 203,031
Aug-08	1	0%	\$ 145,956
Totals	317	100%	\$ 37,087,780

Lender	Originated	# of Loans	Total %
Countrywide Home Loans, Inc.	\$8,440,386.00	75	24%
Cornerstone Mortgage Company	\$4,058,387.00	31	10%
WR Starkey Mortgage	\$3,622,179.00	30	9%
Wells Fargo Bank, NA	\$2,141,478.00	18	6%
CTX Mortgage Company, LLC	\$1,965,634.00	15	5%
Rocky Mountain Mortgage Co.	\$1,262,006.00	10	3%
Market Street Mortgage Corp.	\$1,205,788.00	10	3%
Texas State Bank	\$1,136,892.00	13	4%
DHI Mortgage Company, Ltd.	\$1,033,255.00	8	3%
Wachovia Mortgage, FSB	\$1,029,066.00	9	3%
Universal American Mortgage Co	\$997,670.00	8	3%
Hammersmith Financial, L.P.	\$907,700.00	7	2%
PrimeLending, A PlainsCptl Co.	\$850,769.00	7	2%
Service First Mortgage	\$827,296.00	8	3%
Countrywide - Wholesale	\$689,893.00	6	2%
Primary Residential Mtg, Inc.	\$601,565.00	5	2%
R. H. Lending, Inc	\$538,350.00	5	2%
Hometrust Mortgage Company	\$530,708.00	5	2%
Houstonian Mortgage Group Inc.	\$468,750.00	4	1%
First National Bank Texas	\$449,158.00	5	2%
Standard Pacific Mortgage, Inc	\$421,066.00	3	1%
Prado Mortgage	\$346,550.00	3	1%
GMAC Mortgage, LLC	\$329,971.00	3	1%
Prime West Mortgage Corp.	\$291,971.00	3	1%
Chase Home Finance, LLC	\$278,324.00	2	1%
National City Mortgage	\$247,296.00	2	1%
Bankers Financial Group - TX	\$242,297.00	2	1%
Colonial Savings, FA	\$239,175.00	2	1%
American Bank, N.A	\$218,262.00	2	1%
Willow Bend Mortgage	\$192,850.00	2	1%
Happy State Bank	\$180,713.00	2	1%
Ryland Mortgage Company	\$148,941.00	1	0%
Maverick Residential Mortgage	\$133,500.00	2	1%
First Tennessee Bank, N.A	\$133,000.00	1	0%
Republic Mortgage Home Loans	\$132,500.00	1	0%
BSM Financial, LP	\$131,249.00	1	0%
First United Bank & Trust Co.	\$127,000.00	1	0%
SWBC Mortgage Corporation	\$123,265.00	1	0%
NTFN, Inc.	\$115,583.00	1	0%
Home Loan Corporation	\$100,395.00	1	0%
American State Bank - Lubbock	\$98,719.00	1	0%
Coastal Bend Mortgage, Inc.	\$98,223.00	1	0%
Total Committed	\$37,087,780	317	100%

Total Allocation \$37,235,000
Remaining to Commit \$147,220

At a Glance	
Total Amount Originated	\$37,087,780
Average Annual Income	\$48,941
Average Purchase Price	\$120,413
Average Loan Amount	\$116,996
Average Household Size	2
New/Existing	
New	28%
Existing	72%
Professional Breakdown	
Teacher	82%
Teacher Aide	1%
School Counselor	1%
School Nurse	0%
School Librarian	0%
Not Specified	15%
Type of Loan	
Conventional	49%
FHA	50%
VA	1%
USDA-RD	0%
Ethnicity	
American Indian/Alaskan Native	0%
Asian or Pacific Islander	2%
Black	13%
Hispanic	21%
White	45%
Other	19%
Not Defined	0%
Top Originating Counties	# of Loans
Harris	87
Bexar	34
Dallas	30
El Paso	20
Tarrant	19
Hidalgo	19
Travis	13
Montgomery	10
Fort Bend	9
Collin	8
Denton	6
Taylor	4
Nueces	4
Brazos	4
Brazoria	4
Bell	4
Williamson	3
Randall	3
Lubbock	3
Ellis	3
Webb	2
San Patricio	2
Potter	2
Kaufman	2
Jefferson	2
Guadalupe	2

**Texas State Affordable Housing Corporation's
Professional Educators Home Loan Program Series 2007B
As of August 20, 2007 through October 2, 2008**

Month	# of Loans	% of Total Loans	Total Originated
Aug-07	29	15%	\$ 3,314,112
Sep-07	36	18%	\$ 4,261,053
Oct-07	42	21%	\$ 4,716,488
Nov-07	21	11%	\$ 2,572,450
Dec-07	10	5%	\$ 1,402,406
Jan-08	2	1%	\$ 250,119
Feb-08	3	2%	\$ 290,400
Mar-08	17	9%	\$ 1,859,682
Apr-08	19	10%	\$ 2,439,091
May-08	8	4%	\$ 847,062
Jun-08	4	2%	\$ 433,309
Jul-08	3	2%	\$ 358,103
Aug-08	2	1%	\$ 225,630
Sep-08	1	1%	\$ 115,192
Totals	197	100%	\$ 23,085,097

Lender	Originated	# of Loans	Total %
Countrywide Home Loans, Inc.	\$6,417,676.00	54	27%
WR Starkey Mortgage	\$2,252,595.00	21	11%
Wells Fargo Bank, NA	\$2,024,579.00	17	9%
Cornerstone Mortgage Company	\$1,560,622.00	14	7%
CTX Mortgage Company, LLC	\$1,139,460.00	9	5%
Rocky Mountain Mortgage Co.	\$1,017,336.00	8	4%
Hammersmith Financial, L.P.	\$991,900.00	8	4%
Primary Residential Mtg, Inc.	\$970,965.00	8	4%
Countrywide - Wholesale	\$728,893.00	7	4%
PrimeLending, A PlainsCapl Co.	\$689,049.00	6	3%
GMAC Mortgage, LLC	\$626,891.00	5	3%
Texas State Bank	\$480,993.00	4	2%
Service First Mortgage	\$473,059.00	5	3%
DHI Mortgage Company, Ltd.	\$439,244.00	3	2%
Wachovia Mortgage, FSB	\$390,665.00	4	2%
Universal American Mortgage Co	\$371,439.00	3	2%
Castle & Cooke Mortgage, LLC	\$303,972.00	2	1%
First Continental Mortgage Ltd	\$300,305.00	2	1%
Draper and Kramer	\$240,528.00	2	1%
National City Mortgage	\$226,900.00	2	1%
Hometrust Mortgage Company	\$195,074.00	2	1%
Prado Mortgage	\$162,450.00	1	1%
First National Bank Texas	\$145,847.00	1	1%
Coastal Bend Mortgage, Inc.	\$135,411.00	1	1%
Community Financial Services	\$131,000.00	1	1%
American State Bank - Lubbock	\$123,700.00	2	1%
R. H. Lending, Inc	\$123,500.00	1	1%
SWBC Mortgage Corporation	\$120,051.00	1	1%
Compass Bank - AL	\$115,192.00	1	1%
Home Loan Corporation	\$110,000.00	1	1%
NTFN, Inc.	\$75,801.00	1	1%
Total Committed	\$23,085,097	197	100%

Total Allocation \$23,510,000
Remaining to Commit \$424,903

At a Glance	
Total Amount Originated	\$23,085,097
Average Annual Income	\$48,943
Average Purchase Price	\$119,982
Average Loan Amount	\$117,183
Average Household Size	2
New/Existing	
New	27%
Existing	73%
Professional Breakdown	
Teacher	68%
Teacher Aide	1%
School Counselor	1%
School Nurse	0%
School Librarian	0%
Nursing Faculty Member	1%
Allied Health Faculty Member	0%
Not Specified	30%
Type of Loan	
Conventional	36%
FHA	62%
VA	2%
USDA-RD	0%
Ethnicity	
American Indian/Alaskan Native	0%
Asian or Pacific Islander	2%
Black	13%
Hispanic	18%
White	37%
Other	31%
Not Defined	0%
Top Originating Counties	# of Loans
Harris	64
Bexar	28
El Paso	18
Dallas	15
Tarrant	7
Montgomery	6
Collin	6
Hidalgo	5
Guadalupe	5
Fort Bend	5
Travis	4
Lubbock	3
Galveston	3
Cameron	3
Wichita	2
Denton	2
Brazoria	2
Williamson	1
Walker	1
Rockwall	1
Randall	1
Potter	1
Parker	1
Orange	1
Nueces	1
Medina	1
Lamar	1
Kaufman	1
Jefferson	1
Jasper	1
Hood	1
Hale	1
Grayson	1
Comal	1
Chambers	1
Bell	1

**Texas State Affordable Housing Corporation's
Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program
Series 2007C
As of April 9, 2007 through September 3, 2008**

Month	# of Loans	% of Total Loans	Total Originated
Apr-07	27	14%	\$ 3,213,259
May-07	39	20%	\$ 4,572,852
Jun-07	45	23%	\$ 5,476,420
Jul-07	41	21%	\$ 4,722,943
Aug-07	17	9%	\$ 1,987,882
Sep-07	3	2%	\$ 252,665
Oct-07	4	2%	\$ 371,315
Nov-07	5	3%	\$ 545,943
Dec-07	3	2%	\$ 387,997
Jan-08	3	2%	\$ 348,110
Feb-08	10	5%	\$ 849,279
Mar-08	1	1%	\$ 118,047
Apr-08	2	1%	\$ 173,317
Totals	200	100%	\$ 23,020,029

Lender	Originated	# of Loans	Total %
Countrywide Home Loans, Inc.	\$3,220,461.00	31	16%
Chase Home Finance, LLC	\$2,322,401.00	21	11%
WR Starkey Mortgage	\$1,867,389.00	16	8%
Comerstone Mortgage Company	\$1,136,128.00	9	5%
Market Street Mortgage Corp.	\$1,135,070.00	9	5%
Hometrust Mortgage Company	\$1,049,102.00	10	5%
CTX Mortgage Company, LLC	\$1,047,755.00	7	4%
R. H. Lending, Inc	\$1,028,954.00	8	4%
Wachovia Mortgage, FSB	\$903,412.00	8	4%
Wells Fargo Bank, NA	\$879,342.00	8	4%
Rocky Mountain Mortgage Co.	\$691,500.00	7	4%
Home Loan Corporation	\$666,168.00	5	3%
Castle & Cooke Mortgage, LLC	\$605,734.00	4	2%
Texas State Bank	\$578,820.00	6	3%
City Bank	\$556,303.00	4	2%
Universal American Mortgage Co	\$555,341.00	4	2%
Countrywide - Wholesale	\$542,795.00	3	2%
Service First Mortgage	\$519,042.00	4	2%
PrimeLending, A PlainsCptl Co.	\$419,736.00	3	2%
Weststar Mortgage Corp. Inc.	\$387,556.00	3	2%
Maverick Residential Mortgage	\$377,401.00	6	3%
Colonial Savings, FA	\$355,260.00	4	2%
Willow Bend Mortgage	\$325,301.00	2	1%
Houstonian Mortgage Group Inc.	\$195,000.00	2	1%
Prime West Mortgage Corp.	\$194,679.00	2	1%
Ryland Mortgage Company	\$177,680.00	1	1%
First National Bank Texas	\$175,150.00	2	1%
American Bank, N.A	\$168,609.00	2	1%
DHI Mortgage Company, Ltd.	\$151,660.00	1	1%
Hammersmith Financial, L.P.	\$141,800.00	1	1%
imortgage.com	\$125,060.00	1	1%
Primary Residential Mtg. Inc.	\$107,315.00	1	1%
GMAC Mortgage, LLC	\$91,500.00	1	1%
Capital One, NA	\$89,000.00	1	1%
Republic Mortgage Home Loans	\$82,745.00	1	1%
Prado Mortgage	\$79,500.00	1	1%
National City Mortgage	\$69,360.00	1	1%
Total Committed	\$23,020,029	200	100%

Total Allocation \$23,529,000
Remaining to Commit \$508,971

At a Glance	
Total Amount Originated	\$23,020,029
Average Annual Income	\$53,848
Average Purchase Price	\$117,365
Average Loan Amount	\$115,100
Average Household Size	2
New/Existing	
New	21%
Existing	79%
Professional Breakdown	
Correctional Officer	12%
Peace Officer	33%
Fire Fighter	17%
EMS Personnel	1%
County Jailer	3%
Public Security Officer	0%
Not Specified	32%
Type of Loan	
Conventional	50%
FHA	46%
VA	4%
USDA-RD	0%
Ethnicity	
American Indian/Alaskan Native	1%
Asian or Pacific Islander	1%
Black	11%
Hispanic	19%
White	58%
Other	12%
Not Defined	0%
Top Origination Counties	# of Loans
Harris	28
Montgomery	15
Tarrant	12
Brazoria	11
El Paso	10
Fort Bend	9
Hidalgo	8
Galveston	8
Travis	7
Dallas	7
Collin	7
Bexar	7
Williamson	5
Potter	4
Jefferson	4
Taylor	3
Polk	3
Nueces	3
Moore	3
Hays	3
Hale	3
Coryell	3
San Patricio	2
Medina	2
Hardin	2
Ellis	2
Callahan	2

**Texas State Affordable Housing Corporation's
Home Sweet Texas Loan Program Series 2007D
As of October 15, 2007 through October 2, 2008**

Month	# of Loans	% of Total Loans	Total Originated
Oct-07	26	11%	\$ 2,461,328
Nov-07	47	19%	\$ 4,795,213
Dec-07	45	18%	\$ 4,288,603
Jan-08	46	19%	\$ 4,181,338
Feb-08	27	11%	\$ 2,269,133
Mar-08	14	6%	\$ 1,192,244
Apr-08	15	6%	\$ 1,633,939
May-08	5	2%	\$ 555,899
Jun-08	5	2%	\$ 447,151
Jul-08	3	1%	\$ 258,189
Sep-08	11	5%	\$ 1,036,958
Totals	244	100%	\$ 23,119,995

Lender	Originated	# of Loans	Total %
Countrywide Home Loans, Inc.	\$6,167,794.00	66	27%
WR Starkey Mortgage	\$3,615,280.00	39	16%
Service First Mortgage	\$2,033,738.00	24	10%
DHI Mortgage Company, Ltd.	\$1,903,702.00	17	7%
Rocky Mountain Mortgage Co.	\$1,428,237.00	15	6%
Comerstone Mortgage Company	\$1,339,087.00	12	5%
SWBC Mortgage Corporation	\$1,033,881.00	12	5%
Wells Fargo Bank, NA	\$851,036.00	9	4%
Hometrust Mortgage Company	\$676,883.00	8	3%
Texas State Bank	\$564,291.00	7	3%
Countrywide - Wholesale	\$430,029.00	4	2%
Community Financial Services	\$341,218.00	3	1%
Coastal Bend Mortgage, Inc.	\$281,564.00	3	1%
Houstonian Mortgage Group Inc.	\$253,441.00	2	1%
Castle & Cooke Mortgage, LLC	\$240,640.00	2	1%
Primary Residential Mtg, Inc.	\$234,500.00	2	1%
Happy State Bank	\$178,480.00	2	1%
First National Bank Texas	\$178,103.00	3	1%
Universal American Mortgage Co	\$167,830.00	1	0%
PrimeLending, A PlainsCptl Co.	\$156,748.00	2	1%
Colonial Savings, FA	\$144,175.00	1	0%
CTX Mortgage Company, LLC	\$141,033.00	2	1%
Wachovia Mortgage, FSB	\$118,700.00	1	0%
imortgage.com	\$107,750.00	1	0%
Home Loan Corporation	\$103,377.00	1	0%
AmericaHomeKey, Inc.	\$102,505.00	1	0%
Chase Home Finance, LLC	\$89,492.00	1	0%
Maverick Residential Mortgage	\$89,381.00	1	0%
National City Mortgage	\$83,900.00	1	0%
Patriot Bank Mortgage, Inc.	\$63,200.00	1	0%
Total Committed	\$23,119,995	244	100%

Total Allocation **\$23,535,000**
Remaining to Commit **\$415,005**

At a Glance	
Total Amount Originated	\$23,119,995
Average Annual Income	\$38,471
Average Purchase Price	\$96,543
Average Loan Amount	\$94,754
Average Household Size	2
New/Existing	
New	20%
Existing	80%
Type of Loan	
Conventional	29%
FHA	68%
VA	2%
USDA-RD	0%
Ethnicity	
American Indian/Alaskan Native	0%
Asian or Pacific Islander	1%
Black	10%
Hispanic	8%
White	39%
Other	41%
Not Defined	0%
Top Origination Counties	# of Loans
Harris	39
Tarrant	31
Dallas	25
El Paso	20
Bexar	14
Taylor	10
Galveston	10
Travis	9
Williamson	8
Bell	8
McLennan	7
Fort Bend	7
Hidalgo	6
Collin	5
Brazoria	5
Randall	4
Wichita	3
Potter	3
Kaufman	3
Nueces	2
Montgomery	2
Hale	2
Ellis	2
Cameron	2
Wise	1
Willacy	1
Wharton	1
Polk	1
Parker	1
Navarro	1
Medina	1
Johnson	1
Hunt	1
Hays	1
Gregg	1
Ector	1
Denton	1
Coryell	1
Carson	1
Atascosa	1
Anderson	1

Multifamily Lending Report



Developer Financing Programs Report

Oct. 10, 2008

Summary of Activities

The Corporation's Multifamily Private Activity Bond program continues to stay active despite the sluggish bond markets. While the Corporation did induce one application, no developments were reserved or closed on this year. With the passing of the Federal Housing Act in late July and the allocation of approximately \$748 million in new housing bond volume cap to the state, the Corporation approved a carryforward application for \$50 million for multifamily activities. The Corporation's bond counsel has begun processing the carryforward application.

Staff has also continued to work with developers, bond holders and stakeholders to refine its bond programs. This month the Board will review draft policies for the Corporation's 501(c)(3) bond program, Private Activity Bond program, and new policies for refunding and restructuring of prior bond issues. Furthermore, staff has attended policy summits and association conferences in order to promote the Corporation's bond programs.

The Corporation's lending programs continue to be active with efforts to market lending products to developers and raise capital for our loan pool. Staff has received two new proposals for loans to affordable rental developments, but is waiting on formal applications before bringing them to the loan committee. Fund raising efforts also have kept us busy responding to information requests from grantors and financial institutions.

Marketing and Development Report

Texas State Affordable Housing Corporation

Marketing & Development Report October 10, 2008

Date	Category	Activity Summary
October	Marketing	Participating in the Combined Law Enforcement Association of Texas (CLEAT) Conference.
October	Marketing	Mailing first-time homebuyer programs poster to school districts, police stations and jails across the state.
November	Marketing	Will be exhibiting at Texas EMS Conference in Fort Worth.
September	Development	Received a \$10,000 grant from Neighbor Works for the Texas Foreclosure Prevention Task Force.
September	Development	Reviewed and scored grant applications for the Texas Foundations Fund.
October	Development	Advisory Council met to review and score grant applications for Texas Foundations Fund. Will be making recommendations to Board at October Board Meeting.
September	Development	Assisted TDHCA with preparation of Texas application for NFMC foreclosure prevention funds.
October	Development	Met with a Foundation Program Manager to discuss possible TSAHC programs they could fund.
September	Government Relations	Attended the Center for Public Policy Priorities Conference.
October	Government Relations	Attended a Senate IGR Committee hearing on interim charges.
October	Government Relations	Attended TACDC Policy Summit.

Financial Report

TEXAS STATE AFFORDABLE HOUSING CORPORATION
COMPARISON OF BUDGETED TO ACTUAL OPERATING ACTIVITY

(Prepared on a Cash Basis)

For the Twelve Months Ending August 31, 2008

Revenues	FY 2008		% of Annual
	Budget	Actual	Budget
Servicing Revenue, Net of Subservicer Fees	553,000	494,162	89.36%
Multifamily Revenue	105,000	555,724	529.26%
Federal Home Loan Bank Note Income	119,000	119,133	100.11%
Asset Oversight Revenue	592,000	788,242	133.15%
Investment Revenue	370,000	236,631	63.95%
Single Family	446,000	805,016	180.50%
Grants & Donations	15,000	55,000	366.67%
TOTAL REVENUES	2,200,000	3,053,908	138.81%
Expenditures			
Salaries & Payroll Related Expenditures	1,200,000	1,099,666	91.64%
Professional Services - Legal, Audit & IT	381,000	391,608	102.78%
Office & Equipment Lease	136,000	147,338	108.34%
Travel & Meals	87,900	74,618	84.89%
Principal & Interest on FHLB/Wells Fargo CDC Notes	100,900	100,862	99.96%
Sponsorships & Grants	17,500	16,370	93.54%
Marketing	40,000	41,499	103.75%
Insurance	29,000	20,855	71.91%
Professional Dues & Training	17,200	19,289	112.15%
Communication	13,800	13,264	96.12%
Bank Fees & Charges	10,000	9,713	97.13%
Office Supplies	4,000	3,727	93.18%
Publications, Subscriptions, Maintenance & Misc. Program Expenses	5,300	16,344	308.37%
Freight, Delivery & Postage	6,300	7,394	117.37%
Furniture, Equipment, & Software	19,000	29,192	153.64%
Printing	2,600	2,015	77.50%
TOTAL EXPENDITURES	2,070,500	1,993,754	96.29%
NET INCOME	129,500	1,060,154	818.65%

TEXAS STATE AFFORDABLE HOUSING CORPORATION
COMPARISON OF BUDGETED TO ACTUAL OPERATING ACTIVITY
(Prepared on a Cash Basis)

For the Twelve Months Ending August 31, 2008

Target Percentage = 100%



Monthly Investment Report
August 31, 2008



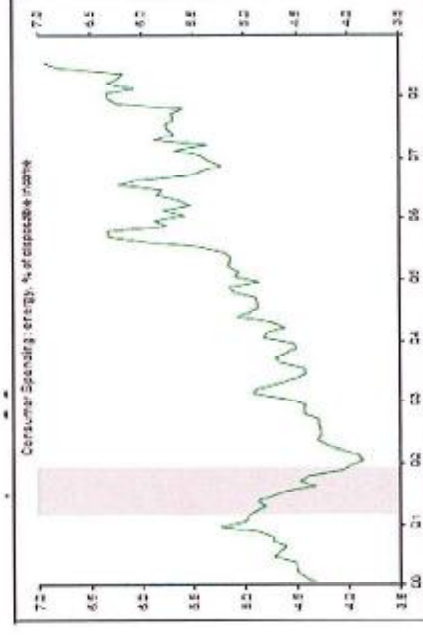
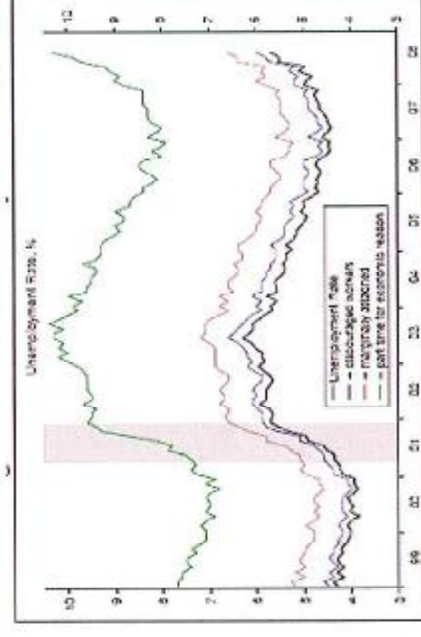
A Gloomy Picture from Every Direction

■ In a surprise, the GDP rose a strong 3.3% during the quarter. The change was due primarily to higher exports from a weak dollar and slower imports as the consumer slows down.

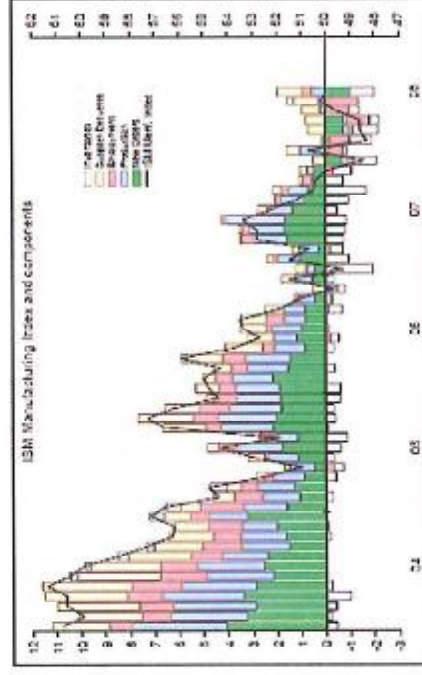
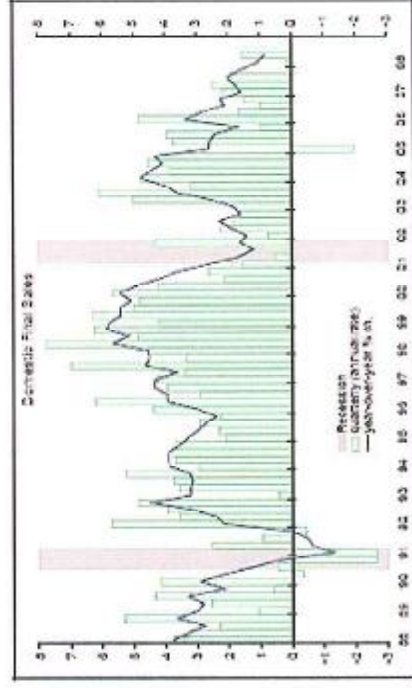
■ Consumer spending was up slightly (1.7%) but with personal income down (5.2% YOY) and the end of the tax rebates, the move looks clearly down.

■ The consumer has to be concerned with the upward unemployment trend.

■ Inflation is pushing down on consumers, also with oil and food still relatively high.



The Fed is Ready to Hike But Not in this Economy



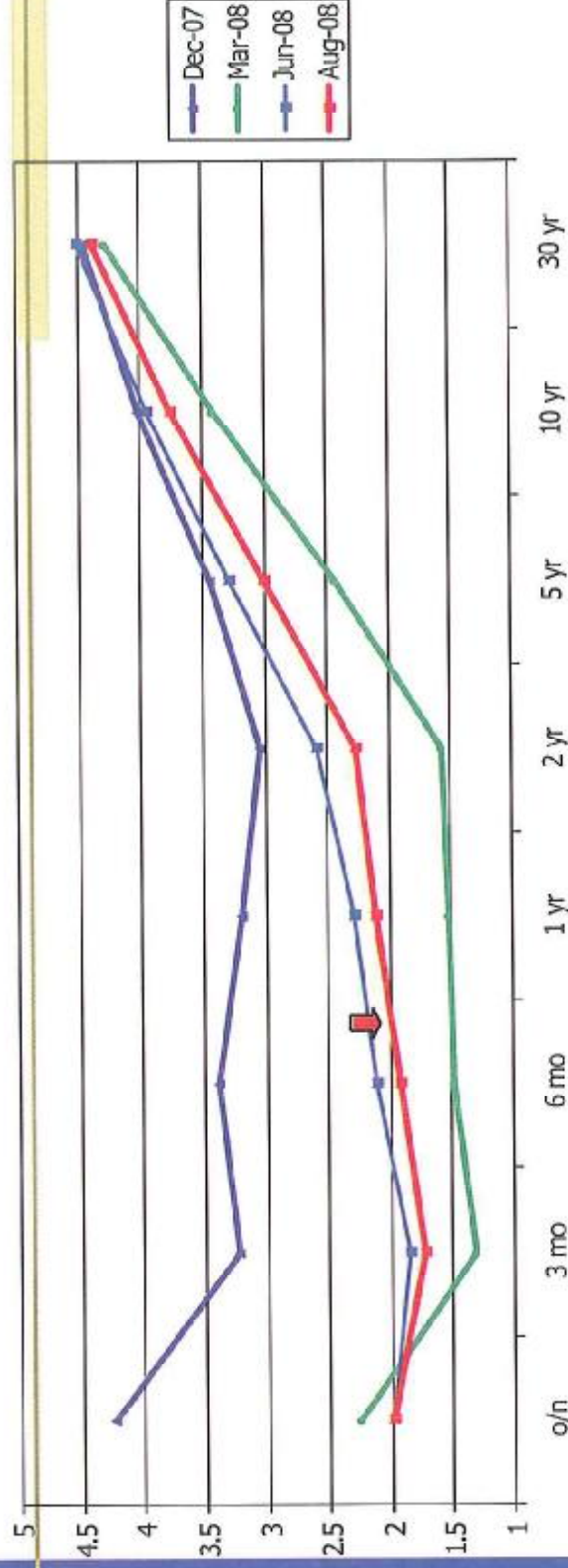
The minutes from the Fed meeting in August showed consensus that a "continued downside risk...particularly reflecting possible further deterioration in financial conditions"

Most Fed Governors did not "see the current stance of policy as particularly accommodative" and "expected that the next move would likely be a tightening of policy". The timing of such rate hikes is unknown.

With trends in sales and manufacturing as shown here, the Fed moves can hardly be imminent. A hike in rates would choke off any strength in the now-weak economy.

Commodity prices will have to fall slightly on global slowing in order to give manufacturers a reprieve.

The Effect on the Yield Curve



- Rates remain in a tight range as the markets move between concerns. Overall the rates have dropped due to elections, Russian bear rumblings and hurricanes. But the overall effect of the turmoil in credit markets and commodities has not changed materially.
- The high inflationary fears generated from high oil prices has decreased during the month and the Treasury's stance on support for FNMA and FHLMC should act to calm the markets farther.
- The Fed statement from the August meeting points at higher rates, but with slowing economies globally, the Fed is unlikely to move from 2% Fed Funds rate for at least two quarters.

Your Portfolio

As of August 31, 2008

tsahc

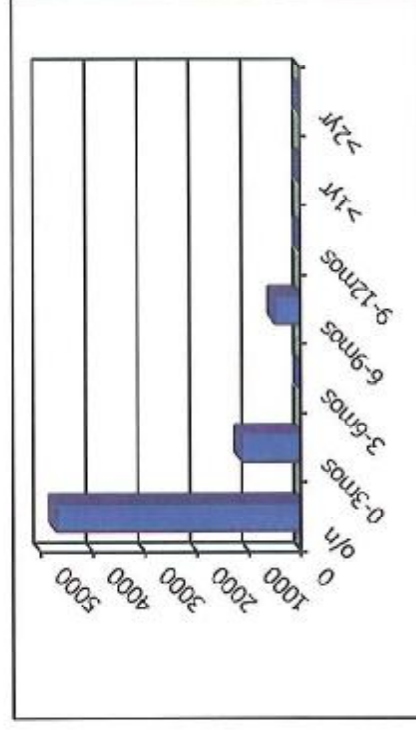
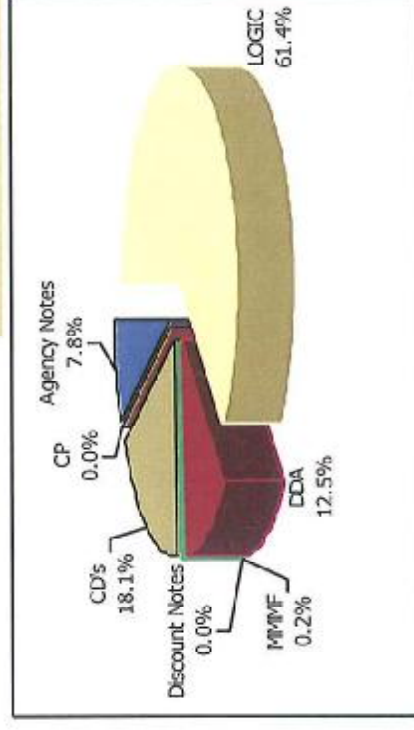
T E X A S
State Affordable Housing Corporation

■ P&A constantly reviews your portfolio on the basis of its asset allocation and its weighted average maturity. A diversified portfolio can better adjust to volatile market conditions like the ones we continue to see in 2008.

■ The portfolio allocations will change with market conditions, also because of the shifting of market values and risks.

■ Concerns regarding FNMA and FHLMC continue but have decreased significantly with a back-stop credit line from the Federal Reserve and Treasury support. The wide spreads of agencies over treasuries will continue until the final chapter is written however. Short agencies still provide good value over the pools which will be stuck near the 2% Fed Funds level and are having their seasonal drain period.

■ Since it is likely that rates will not rise appreciably for a few quarters we are moving out in short increments generally.





**Texas State Affordable Housing
Portfolio Management
Portfolio Summary
August 31, 2008**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX, 78701

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 365 Equiv.
Certificates of Deposit - Bank	1,152,186.25	1,152,186.25	1,152,186.25	18.03	184	25	2.210
Federal Agency Coupon Securities	500,000.00	499,052.30	500,000.00	7.85	365	243	2.625
LOGIC	3,909,523.91	3,909,523.91	3,909,523.91	61.35	1	1	2.580
FHLB Dallas-Money Fund	13,964.52	13,964.52	13,964.52	0.22	1	1	1.932
Federated Money Market Fund	78,956.80	78,956.80	78,956.80	1.24	1	1	1.940
Bank of America-Checking Account	712,925.85	712,925.85	712,925.85	11.19	1	1	0.758
Wells Fargo Bank	4,910.00	4,910.00	4,910.00	0.08	1	1	0.000
Investments	6,372,467.33	6,371,529.83	6,372,467.33	100.00%	63	25	2.301

	August 31	Month Ending	Fiscal Year To Date	Fiscal Year Ending
Total Earnings				
Current Year	12,405.65		223,370.59	223,370.59
Average Daily Balance	6,249,912.18		6,053,816.53	

The following reports are submitted in accordance with the Public Funds Investment Act (Texas Gov't Code 2256). The reports also offer supplemental information not required by the Act in order to fully inform the governing body of the Texas State Affordable Housing Corporation of the position and activity within the Corporation's portfolio of investments. The reports include a management summary overview, a detailed inventory report for the end of the period, a transaction report, as well as graphic representations of the portfolio to provide full disclosure to the governing body.

Melinda Smith 9/2008

Melinda Smith, Chief Financial Officer

Reporting period 08/01/2008-08/31/2008

Run Date: 09/15/2008 - 14:44

Portfolio TSAH
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PV (PRF_PMT) 7.1.1
Report Ver. 7.1.4



**Texas State Affordable Housing
Summary by Type
August 31, 2008
Grouped by Fund**

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Fund: Bunker Hill Debt						
Bank of America-Checking Account	1	22,612.43	22,612.43	0.35	0.500	1
Subtotal	1	22,612.43	22,612.43	0.35	0.500	1
Fund: Bunker Hill Operating						
Bank of America-Checking Account	1	22,602.25	22,602.25	0.35	0.500	1
Subtotal	1	22,602.25	22,602.25	0.35	0.500	1
Fund: Bunker Hill Senior						
Bank of America-Checking Account	1	48,458.12	48,458.12	0.76	1.200	1
Subtotal	1	48,458.12	48,458.12	0.76	1.200	1
Fund: Disbursement						
Bank of America-Checking Account	1	0.00	0.00	0.00	0.003	0
Subtotal	1	0.00	0.00	0.00	0.003	0
Fund: General Investments						
Federated Money Market Fund	1	78,956.80	78,956.80	1.24	1.940	1
Certificates of Deposit - Bank	1	1,152,186.25	1,152,186.25	18.08	2.210	25
Federal Agency Coupon Securities	1	500,000.00	500,000.00	7.85	2.625	246
FHLB Dallas-Money Fund	1	13,964.52	13,964.52	0.22	1.931	1
LOGIC	1	3,909,523.91	3,909,523.91	61.35	2.580	1
Subtotal	5	5,654,631.48	5,654,631.48	88.74	2.498	28
Fund: Operating Fund						
Bank of America-Checking Account	1	221,068.09	221,068.09	3.47	0.665	1
Subtotal	1	221,068.09	221,068.09	3.47	0.666	1
Fund: Payment Clearing						
Bank of America-Checking Account	1	0.00	0.00	0.00	0.000	0

**Texas State Affordable Housing
Summary by Type
August 31, 2008
Grouped by Fund**

Page 2

Security Type	Number of Investments	Par Value	Book Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Fund: Sagebrush Apartments						
Bank of America-Checking Account	1	35,299.72	35,299.72	0.55	1.200	1
Subtotal	1	35,299.72	35,299.72	0.55	1.200	1
Fund: Sagebrush Apartments - Debt						
Bank of America-Checking Account	1	38,738.06	38,738.06	0.51	0.900	1
Subtotal	1	38,738.06	38,738.06	0.51	0.900	1
Fund: Sagebrush Apartments - Oper.						
Bank of America-Checking Account	1	22,955.86	22,955.86	0.36	0.300	1
Subtotal	1	22,955.86	22,955.86	0.36	0.300	1
Fund: T & I						
Bank of America-Checking Account	1	0.00	0.00	0.00	0.000	0
Subtotal	1	0.00	0.00	0.00	0.000	0
Fund: Texas Foreclosure Prevention						
Bank of America-Checking Account	1	292,693.36	292,693.36	4.59	0.672	1
Subtotal	1	292,693.36	292,693.36	4.59	0.672	1
Fund: Texas Foundations						
Bank of America-Checking Account	1	0.00	0.00	0.00	0.000	0
Subtotal	1	0.00	0.00	0.00	0.000	0
Fund: TX Home Education						
Bank of America-Checking Account	1	8,497.96	8,497.96	0.13	0.000	1
Subtotal	1	8,497.96	8,497.96	0.13	0.000	1
Fund: Wells Fargo - CDC						
Wells Fargo Bank	1	4,910.00	4,910.00	0.08	0.000	1
Subtotal	1	4,910.00	4,910.00	0.08	0.000	1
Total and Average	19	6,372,467.33	6,372,467.33	100.00	2.301	25

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Portfolio TSAH
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ST (PPE-ST) 7.1.1
Report Ver. 7.1.4



**Texas State Affordable Housing
Fund BHDEBT - Bunker Hill Debt
Investments by Fund
August 31, 2008**

Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX, 78701

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Ratio	YTM 350	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0015	Bank of America	09/01/2006	22,612.43	22,612.43	22,612.43	0.900	0.887	0.900		1
		Subtotal and Average		22,612.43	22,612.43	22,612.43		0.888	0.900		1
		Total Investments and Average		22,612.43	22,612.43	22,612.43		0.888	0.900		1

Fund BHOPER - Bunker Hill Operating
Investments by Fund
August 31, 2008

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0010	Bank of America	09/01/2006	22,602.25	22,602.25	22,602.25	0.900	0.887	0.900		1
			Subtotal and Average	22,602.25	22,602.25	22,602.25		0.888	0.900		1
			Total Investments and Average	22,602.25	22,602.25	22,602.25		0.888	0.900		1

Fund BHSENIOR - Bunker Hill Senior
Investments by Fund
August 31, 2008

Page 3

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0009	Bank of America	09/01/2006	48,458.12	48,458.12	48,458.12	1.200	1.163	1.200		1
		Subtotal and Average		48,458.12	48,458.12	48,458.12		1.164	1.200		1
		Total Investments and Average		48,458.12	48,458.12	48,458.12		1.164	1.200		1

Fund DISBURSE - Disbursement

Investments by Fund

August 31, 2008

Page 4

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0007	Bank of America	09/01/2008	0.00	0.00	0.00					1
		Subtotal and Average		0.00	0.00	0.00		0.000	0.000		0
		Total Investments and Average		0.00	0.00	0.00		0.000	0.000		0

Portfolio TSAH

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Report Ver: 7.1.4

Fund GENERAL - General Investments

Investments by Fund

August 31, 2008

Page 5

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Certificates of Deposit - Bank											
100071828844	34	Certificate of Deposit	03/28/2008	1,152,186.25	1,152,186.25	1,152,186.25	2.180	2.180	2.210	09/23/2008	25
		Subtotal and Average		1,152,186.25	1,152,186.25	1,152,186.25	2.180	2.180	2.210		25
Federal Agency Coupon Securities											
3133XQX23	36	FHLB Note	05/05/2008	500,000.00	500,000.00	499,062.50	2.625	2.589	2.625	05/05/2009	246
		Subtotal and Average		500,000.00	500,000.00	499,062.50	2.625	2.589	2.625		246
LOGIC											
999999995	9005	Logic	08/01/2006	3,909,523.91	3,909,523.91	3,909,523.91	2.580	2.544	2.579		1
		Subtotal and Average		3,909,523.91	3,909,523.91	3,909,523.91	2.580	2.544	2.580		1
FHLB Dallas-Money Fund											
999999995	9002	FHLB Money Market Fund	09/01/2006	13,964.52	13,964.52	13,964.52	1.932	1.905	1.931		1
		Subtotal and Average		13,964.52	13,964.52	13,964.52	1.932	1.905	1.932		1
Federated Money Market Fund											
60934N807	3	Bank of America Money Market	09/01/2006	78,956.80	78,956.80	78,956.80	1.840	1.913	1.940		1
		Subtotal and Average		78,956.80	78,956.80	78,956.80	1.840	1.913	1.940		1
		Total Investments and Average		5,654,631.48	5,654,631.48	5,553,693.98	2.464	2.498			27

Fund OPERATING - Operating Fund
Investments by Fund
August 31, 2008

Page 6

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 300	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
599999991	0001	Bank of America	08/01/2006	221,068.09	221,068.09	221,068.09	0.868	0.655	0.665		1
		Subtotal and Average		221,068.09	221,068.09	221,068.09		0.655	0.665		1
		Total Investments and Average		221,068.09	221,068.09	221,068.09		0.655	0.665		1

Fund PCLEAR - Payment Clearing

Investments by Fund

August 31, 2008

Page 7

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0006	Bank of America	09/01/2006	0.00	0.00	0.00					1
			Subtotal and Average	0.00	0.00	0.00		0.000	0.000		0
			Total Investments and Average	0.00	0.00	0.00		0.000	0.000		0

Fund SBAPT - Sagebrush Apartments
Investments by Fund
August 31, 2008

Page 8

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0011	Bank of America	09/01/2008	35,299.72	35,299.72	35,299.72	1.200	1.183	1.200		1
		Subtotal and Average		35,299.72	35,299.72	35,299.72		1.184	1.200		1
		Total Investments and Average		35,299.72	35,299.72	35,299.72		1.184	1.200		1

Fund SBDEBT - Sagebrush Apartments - Debt
Investments by Fund
August 31, 2008

Page 9

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0013	Bank of America	09/01/2006	38,738.06	38,738.06	38,738.06	0.900	0.837	0.900		1
		Subtotal and Average		38,738.06	38,738.06	38,738.06		0.863	0.900		1
		Total Investments and Average		38,738.06	38,738.06	38,738.06		0.863	0.900		1

Fund SBOPER - Sagebrush Apartments - Oper.

Investments by Fund

August 31, 2008

Page 10

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
899999991	0012	Bank of America	09/01/2006	22,955.86	22,955.86	22,955.86	0.900	0.837	0.900		1
		Subtotal and Average		22,955.86	22,955.86	22,955.86		0.883	0.900		1
		Total Investments and Average		22,955.86	22,955.86	22,955.86		0.883	0.900		1

Fund TI - T & I
Investments by Fund
August 31, 2008

Page 11

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	0009	Bank of America	09/01/2006	0.00	0.00	0.00					1
		Subtotal and Average		0.00	0.00	0.00		0.000	0.000		0
		Total Investments and Average		0.00	0.00	0.00		0.000	0.000		0

Portfolio TSAH
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FI (PRF-FI) 7.1.1
Report Ver. 7.1.4

Fund TXFORE - Texas Foreclosure Prevention
Investments by Fund
August 31, 2008

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	35	Bank of America	04/01/2008	292,693.36	292,693.35	292,693.36	0.673	0.663	0.672		1
		Subtotal and Average		292,693.36	292,693.35	292,693.36		0.663	0.673		1
		Total Investments and Average		292,693.36	292,693.36	292,693.36		0.663	0.673		1

**Fund TXFOUN - Texas Foundations
Investments by Fund
August 31, 2008**

Page 13

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
999999991	37	Bank of America	08/18/2008	0.00	0.00	0.00					1
		Subtotal and Average		0.00	0.00	0.00		0.000	0.000		0
		Total Investments and Average		0.00	0.00	0.00		0.000	0.000		0

Portfolio TSAH
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Report Ver. 7.1.4

Fund TXHOME - TX Home Education
Investments by Fund
August 31, 2008

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Bank of America-Checking Account											
998999951	0002	Bank of America	09/01/2008	8,497.96	8,497.96	8,497.96					1
		Subtotal and Average		8,497.96	8,497.96	8,497.96		0.000	0.000		1
		Total Investments and Average		8,497.96	8,497.96	8,497.96		0.000	0.000		1

Fund WELLS - Wells Fargo - CDC
Investments by Fund
August 31, 2008

Page 15

CUSIP	Investment #	Issuer	Purchase Date	Book Value	Par Value	Market Value	Current Rate	YTM 360	YTM 365	Maturity Date	Days To Maturity
Wells Fargo Bank 98599594	0014	Wells Fargo Bank	08/01/2008	4,910.00	4,910.00	4,910.00					1
			Subtotal and Average	4,910.00	4,910.00	4,910.00		0.000	0.000		1
			Total Investments and Average	4,910.00	4,910.00	4,910.00		0.000	0.000		1

Run Date: 08/15/2008 - 14:45

Portfolio TSAH
 AP
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 Report Ver. 7.1.4



Patterson & Associates
301 Congress Ave
Suite 570
Austin, TX, 78701

**Texas State Affordable Housing
Interest Earnings**
Sorted by Fund - Fund
August 1, 2008 - August 31, 2008
Yield on Average Book Value

CUSIP	Investment #	Fund	Issuer	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Yield	Adjusted Interest Earnings	
										Interest Earned	Amortization/ Accretion
Fund: Bunker Hill Debt											
999999991	0015	BHDEBT	BOA	22,612.43	22,595.21	22,595.88		0.900	0.897	17.22	0.00
		Subtotal		22,612.43	22,595.21	22,595.88			0.897	17.22	0.00
Fund: Bunker Hill Operating											
999999991	0010	BHOPER	BOA	22,602.25	22,585.03	22,586.70		0.900	0.898	17.22	0.00
		Subtotal		22,602.25	22,585.03	22,586.70			0.898	17.22	0.00
Fund: Bunker Hill Senior											
999999991	0009	BHSENIOR	BOA	48,458.12	47,876.24	47,880.34		1.200	1.199	48.55	0.00
		Subtotal		48,458.12	47,876.24	47,880.34			1.199	48.55	0.00
Fund: General Investments											
999999995	9002	GENERAL	FHLB/M	13,984.52	21,596.74	21,598.86		1.832	1.808	22.89	0.00
999999996	9005	GENERAL	LOGIC	3,909,523.91	3,903,377.76	3,901,304.81		2.680	2.579	8,546.15	0.00
60934N807	8	GENERAL	BOAM/	78,956.80	78,329.72	79,342.02		1.940	1.898	127.08	0.00
100071828644	34	GENERAL	CD	1,152,186.25	1,152,186.25	1,152,186.25	09/23/2008	2.180	2.210	2,162.91	0.00
3133XQX23	36	GENERAL	FHLB	500,000.00	500,000.00	500,000.00	05/05/2009	2.625	2.575	1,093.75	0.00
		Subtotal		5,654,631.48	5,652,590.47	5,653,432.03			2.489	11,952.78	0.00
Fund: Operating Fund											
999999991	0001	OPERATING	BOA	231,068.09	241,825.32	239,816.56		0.666	0.643	130.92	0.00
		Subtotal		231,068.09	241,825.32	239,816.56			0.643	130.92	0.00
Fund: Sagebrush Apartments											
999999991	0011	SBRAPT	BOA	35,299.72	34,264.50	34,267.91		1.200	1.210	35.22	0.00
		Subtotal		35,299.72	34,264.50	34,267.91			1.210	35.22	0.00

Texas State Affordable Housing
Interest Earnings
August 1, 2008 - August 31, 2008

Page 2

CUSIP	Investment #	Fund	Issuer	Ending Par Value	Beginning Book Value	Average Book Value	Maturity Date	Current Annualized Rate	Annualized Yield	Adjusted Interest Earnings			
										Interest Earned	Amortization/ Accretion	Adjusted Interest Earnings	
Fund: Sagebrush Apartments - Debt													
999999991	0013	SBDEBT	BOA	38,738.06	38,708.55	38,711.41		0.900	0.898	28.51	0.00	28.51	
			Subtotal	38,738.06	38,708.55	38,711.41			0.898	28.51	0.00	28.51	
Fund: Sagebrush Apartments - Oper.													
999999991	0012	SBCPER	BOA	22,938.85	22,938.37	22,940.06		0.900	0.893	17.49	0.00	17.49	
			Subtotal	22,938.85	22,938.37	22,940.06			0.893	17.49	0.00	17.49	
Fund: Texas Foreclosure Prevention													
999999991	35	TXFORE	BOA	292,693.36	152,443.36	152,458.53		0.673	1.210	156.74	0.00	156.74	
			Subtotal	292,693.36	152,443.36	152,458.53			1.210	156.74	0.00	156.74	
			Total	6,359,059.37	6,235,527.05	6,234,491.00			2.343	12,405.65	0.00	12,405.65	



Patterson & Associates
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Austin, TX, 78701

Texas State Affordable Housing Projected Cashflow Report

Sorted by Fund

For the Period September 1, 2008 - March 31, 2009

Projected Trans. Date	Investment #	Fund	Secure ID	Transaction Type	Issuer	Par Value	Original Cost	Principal	Interest	Total
General Investments										
09/28/2008	34	GENERAL	100071326844	Maturity	Certificate of Deposit	1,152,186.25	1,152,186.25	1,152,186.25	12,937.62	1,165,024.17
11/05/2008	36	GENERAL	3133XQX23	Interest	FHLB Note	500,000.00	500,000.00	0.00	6,562.50	6,562.50
					Total for General Investments	1,652,186.25	1,652,186.25	1,152,186.25	19,400.42	1,171,586.57
					GRAND TOTALS:	1,652,186.25	1,652,186.25	1,152,186.25	19,400.42	1,171,586.57

**BOARD MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION**

**Held at
Treaty Oak Bank
101 Westlake Drive
Treaty Oak Conference Room
Austin, Texas 78746
September 19, 2008 at 10:30 am**

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 Thomas Leeper, Chair, at 10:30 a.m., on September 19, 2008, at Treaty Oak Bank, 101 Westlake Drive, Treaty Oak Conference Room, Austin, TX 78701. Roll Call certified that a quorum was present.

Members Present

Thomas A. Leeper, Chair
Jesse A. Coffey, Vice Chair
Robert Elliott Jones, Member
R. Carter Sanders, Member
Jo Van Hovel, Member

Staff Present

David Long, President
Katherine Closmann, Executive Vice President
Melinda Smith, Chief Financial Officer
Nick Lawrence, Controller
Betsy Lau, Accountant
Paige McGilloway, Single Family Programs Manager
David Danenfelzer, Multifamily Programs Manager
Janie Taylor, Manager of Marketing and Development
Laura Ross, Corporate Secretary

Special Guests

Rob Dubbelde, Greenberg Traurig
Russell Harris, Disability Policy Consortium
Don Mikeska, Mikeska Monahan & Peckham
John Morris, Disability Policy Consortium
Judy Telge, Disability Policy Consortium

Audit Committee Report

Mr. Sanders reported that Mr. Mikeska had informed the Committee of his oversight responsibilities as Auditor. Mr. Sanders also informed the Board that the Committee recommended the engagement letter with Mikeska, Monahan & Peckham be approved.

Mr. Sanders made a motion to approve the engagement letter with Mikeska Monahan & Peckham. Mr. Coffey seconded the motion.

Mr. Mikeska reported to the Board of the discussion at the Audit Committee meeting regarding what procedures would be employed. Mr. Mikeska gave a brief explanation of the various types of reviews and tests done during the audit. Mr. Mikeska also informed the board that materiality was discussed at the Committee hearing. Mr. Mikeska then went into how material fraud and misstatements were detected.

Mr. Sanders inquired about the controls in place should current economic conditions affect the Corporation, and Mr. Mikeska referred to the Public Funds Investment Act, which made it very clear how the Corporation could invest. Mr. Mikeska noted the conservativeness of the Corporation's portfolio and the controls that were in place to limit the Corporation's liability. Mr. Mikeska stated that he would not be issuing an opinion on the Corporation's investments this year, however he would be charged with the responsibility of auditing the financial statements and seeing if there are any material non-compliance issues that would impact the financial statements.

Mr. Sanders requested that Mr. Mikeska explain the Guaranteed Investment Contracts (GIC), and so Mr. Mikeska noted that they were selected at the time of the bond issue statement and the banks were investigated at that time. Mr. Dubbelde weighed in on the discussion. Mr. Dubbelde noted that the trustee had reporting responsibility and could not move funds out of a GIC unless there were legal issues. Mr. Dubbelde further explained that there were downgrade procedures, which would include the GIC provider having to collateralize the GIC. Discussion followed.

Ms. Van Hovel turned the discussion to the lease, and asked Mr. Mikeska if he audited the lease. Mr. Mikeska answered that he looked at it to ensure that we had fulfilled our terms under the lease. Mr. Long noted the Corporation had already terminated the lease and Mr. Mikeska stated that there should be no negative impact because there were no capitalized assets on the books that would be written off as abandoned leasehold improvements.

Discussion continued as to what would occur during the audit.

There was a return to the previous motion. A vote was called and the motion passed unanimously. [NOT AN AGENDA ITEM; PREVIOUS ACTION TAKEN BY AUDIT COMMITTEE WAS SUFFICIENT]

Staff Report

Mr. Long made the Board aware that he, Ms. Closmann and Ms. Taylor had met with the Corporation's new liaison from the Governor's office, Mr. Brian Owens. Mr. Long noted that Ms. Jackie King, the previous liaison, had left the Governors office for another position.

Mr. Long then gave the Board a brief update on the Corporation's office space. Mr. Long informed the Board that the lease on Congress Avenue had expired. Mr. Long thanked staff for their hard work, especially Ms. Gonzales for all her hard work in coordinating the move. Mr. Long noted the 6 month lease for the space the Corporation was currently in would expire in February at which time staff hoped not only to have closed on the permanent space, but also to have made necessary renovations. Mr. Long noted that Mr. Danenfelzer had coordinated the

inspection of the new building and as a result staff was coordinating with the current owners on what needed to be fixed. Mr. Long stated that we were still in the option period on the building, but that the Corporation had submitted the deposit and staff was looking forward to closing by the end of the year.

Mr. Long made the Board aware of the staff development day on July 25, 2008. Mr. Long then stated that staff had been involved in interim charge meetings with Senate IGR and House Urban Affairs Committees. Mr. Long noted that staff would continue to attend those meetings and roundtables until the charges were finalized and submitted.

Mr. Long then turned to the Texas Foreclosure Prevention Task Force, which Mr. Long reminded the Board was a statewide organization made up of financial lenders, institutions and others involved in assisting borrowers facing foreclosure in the State of Texas by providing them with access to and funding for foreclosure mitigation and homebuyer counseling. Mr. Long noted that \$450,000 had been raised to date for the Task Force. Mr. Long also noted that he was working with TDHCA to submit an application for an award through the NMFC fund, that was money being made available nationwide to states that had task forces so they could continue to provide additional funding for homebuyer counseling.

Mr. Long made the Board aware that staff had had discussions with the Governor's office on ways the Corporation could assist the hurricane affected areas and he would make the Board aware should something be decided on that would need board approval to go forward. Mr. Jones inquired about the effect the hurricane had had on people's ability to pay loans and Mr. Long noted that while it wouldn't affect the Corporation directly, it might be an area where the Corporation could help.

Mr. Sanders inquired about Federal Housing Bill 3221, and Mr. Long noted that staff had spoken with the Bond Review Board (BRB) on how we might be able to utilize the bond authority being offered (over \$700 million). Mr. Dubbelde reported that he and Corporation staff had gone to a meeting held with TDHCA and the local housing authorities to discuss the BRB's emergency rules and how the allocation could be used. Mr. Long noted that it would be discussed further under Tab 3.

Mr. Leeper thanked staff on behalf of the Board, for their effort and hard work during the move.

Tab 1 Discussion and Possible Approval of Minutes of the Board Meeting held on July 18, 2008.

Mr. Sanders made a motion to approve the minutes of the Board Meeting held on July 18, 2008. Mr. Jones seconded the motion. Ms. Van Hovel abstained from voting. Motion passed.

Tab 2 Presentation, Discussion and Possible Appointment of New Members to the Advisory Council of the Corporation and Appointment of a Chair to the Advisory Council.

Ms. Closmann began by making the Board aware that Mr. Long and Mr. Romero had met with Mr. Vandenburg in El Paso. Ms. Closmann referred to his biographical information that was included in the Board Packet. Ms. Closmann highlighted his familiarity with housing and property management, and the community service he had done in the past.

Mr. Long reported on his meeting with Mr. Vandenburg. Mr. Long noted that Mr. Vandenburg was in the industry as a developer of real estate, but was extremely interested in working with the Corporation from both a philanthropic standpoint and also a standpoint of offering ideas for putting projects on the ground. Mr. Long stated that the Corporation would be fortunate to have him serve on the Advisory Council and he would be a great asset to the Corporation.

Mr. Sanders inquired about the application for becoming a member of the Advisory Council, and Ms. Closmann spoke about the packet that potential advisory council members received and had to fill out that spoke to what their responsibilities would be. Ms. Closmann stated that the information included would hopefully show their commitment to working on the Advisory Council and raising \$5000 (a key part of the application). Ms. Closmann further noted that potential members made a commitment to follow the Conflict of Interest and Ethics Policies of the Board which were also included in the packet.

Ms. Van Hovel expressed her satisfaction with the staff's review and approval process of the application and Mr. Sanders noted his preference that the Board review and approve the application. Mr. Dubbelde weighed in stating that this wasn't necessary from a legal standpoint, but could be something the Board decided on from a policy standpoint.

Mr. Long informed the board that five members made up the Council and, if Mr. Vandenberg was approved, there would be three members already appointed including Mr. Romero and Ms. Closmann, who acted as the staff liaison. It was noted by Mr. Long that the grant application process had already begun for the first round of funding, and that all five spots did not need to be filled before this was done.

Mr. Jones requested to see the basic form packet for the Advisory Council and Ms. Closmann agreed to send the Board this information.

Ms. Closmann stated that staff was asking the Board to approve Mr. Vandenberg as the newest member of the Advisory Council, and also to appoint Mr. Romero, who was already an approved member of the Advisory Council, as Chair.

Mr. Jones inquired as to who was being targeted as potential Advisory Council members, and it was noted that those criteria were laid out in the resolution that established the Foundations Fund, which would also be sent to the board for their reference. Ms. Van Hovel helped clarify that the Chair of the Advisory Council would present to the Board the Council's recommendations of who should receive grants and the Board would make the final decision.

Discussion followed regarding the grant application review process. Ms. Closmann noted that recommendations would be presented at the October meeting. Discussion followed as to why an Advisory Council was set up for the Fund.

Mr. Jones made a motion to appoint Mr. Vandenburg to the Advisory Council of the Corporation. Mr. Sanders seconded the motion. Motion passed unanimously.

Mr. Jones made a motion to appoint Mr. Romero as Chair of the Advisory Council of the Corporation. Mr. Sanders seconded the motion. Motion passed unanimously.

Public Comment

Mr. Harris, Ms. Telge and Mr. Morris, all representing the Disability Policy Consortium, were present at the meeting to recognize Ms. Taylor's work on the Housing Summit. Mr. Harris informed the Board of what a great job she had done and how much help she had provided in putting the Summit together. Mr. Harris presented Ms. Taylor with an award. Ms. Telge also offered a few words, noting that Ms. Taylor did a wonderful job with the first annual Summit and they appreciated her and the Corporation's involvement. Ms. Telge also identified herself as being from Corpus Christi, and noted that Mr. Jones who was also from Corpus Christi, was a great addition to the Board.

Ms. Taylor stated what an honor it was for her to work with the Disability Consortium and how much she enjoyed it. Ms. Taylor informed the Board that her job had been to raise money for the event, and that they were able to raise more than enough to put some aside for next time. Ms. Taylor said she was pleased with the outcome of the Summit and was glad to be able to participate.

Mr. Leeper thanked the guests for giving the Corporation the ability to participate in the Summit and for recognizing Ms. Taylor. Mr. Leeper noted what a great asset she was and the effort she put into the event. Mr. Leeper thanked the guests for being there.

Mr. Leeper then called for a brief recess.

Tab 3 Presentation, Discussion and Possible Approval of a Resolution Authorizing the Submission of a Carryforward Application for Emergency Housing Volume Cap Allocation of Private Activity Bonds to the Texas Bond Review Board for Multifamily Revenue Bonds and Concerning Other Matters Incident and Related thereto.

Ms. Closmann stated that the resolution before the Board asked for the authority to submit a carryforward application to the BRB for an amount of \$50 million that would go toward multifamily projects. Ms. Closmann made the Board aware that \$700 million in volume cap was coming to the state through housing bill 3221, and potential uses for the money had been discussed in a round table between TDHCA, TSAHC and the local issuers. Ms. Closmann made the Board aware that the BRB had passed emergency rules to be used specifically for these funds. Ms. Closmann referred the Board to the handouts – a blackline and new resolution, and the IRS guidance to the funds available under 3221. Ms. Closmann stated that staff was looking at how these and the BRB emergency rules would work together. Ms. Closmann also referred back to Mr. Long's point that discussions were ongoing as to how to help out in the hurricane affected zones, and noted that these funds might be useful towards that end. Ms. Closmann stated that since traditionally an application for carryforward could be for an amount not to exceed \$50 million, staff was looking into the possibility of putting forth two \$50 million applications so as to take hurricane efforts into account. With that in mind, Ms. Closmann turned the Board's attention to the new resolution which asked for an amount not to exceed \$100 million to allow for this possibility.

Ms. Closmann made the Board aware that while new volume cap was available, the current world financial crisis might make it difficult to issue bonds and find investors.

Mr. Sanders inquired how owners and developers were made aware that these funds were available, and Mr. Dubbelde informed the Board that developers had attended and participated in the meeting where the BRB emergency rules were discussed and approved and while they were

aware that these funds were available, the situation was still being absorbed. Mr. Dubbelde spoke to the IRS guidance and stated that because it was more liberal in its rules, the staff had drafted the new resolution to allow some flexibility in how the Corporation used the money. Mr. Dubbelde pointed out that traditionally, applications for carryforward had to designate either single family or multifamily, but under IRS guidance for the emergency funding it only had to be distinguished as being for housing and could go for either single family or multifamily. Mr. Dubbelde noted that the BRB had not set up their rules the same way. Discussion followed as to the rules of both the BRB and the IRS. Mr. Dubbelde added that by doing only one resolution, it created flexibility in the amount designated for multifamily and single family under the \$100 million. Discussion followed as to the language in the resolution. Mr. Dubbelde clarified that the funds being spoken of were bonds, and would need investors to be issued. Ms. Closmann stated that the application would reserve the volume cap for the Corporation's use, but that staff would come back to the Board for approval of any individual project it could be used on.

Mr. Leeper summarized that the resolution gave the BRB notice that the application was approved by the Board to preserve the opportunity to issue the bonds in the most flexible way possible given current market conditions, the hurricane and the IRS ruling.

Mr. Sanders made a motion to approve the resolution authorizing the submission of a carryforward application for Emergency Housing Volume Cap Allocation of Private Activity Bonds to the Texas Bond Review Board for Multifamily Revenue Bonds and concerning other matters incident and related thereto. Discussion continued as to who could use these funds. A vote was taken and the motion passed unanimously.

Open Meeting

Mr. Long made the Board aware that Morgan Keegan, the corporation's underwriter on the Drawdown program, had asked all issuing partners to collapse their Drawdown programs due to the financial burden the programs were for Morgan Keegan. Mr. Long stated that this would mean the Corporation's Drawdown Program would be eliminated, and that in the future it could be reinvented. Mr. Long informed the Board that while funds had already been captured under the program, they only represented bond authority, not cash. Mr. Long made the Board aware that if the Corporation were to collapse the program, it would be his recommendation that staff ask for all fees associated with the program be paid back by Morgan Keegan. Mr. Long stated that the Board would be made aware of the options available. Mr. Leeper suggested that the Members let the staff know if they had any questions.

Ms. Van Hovel inquired if TDHCA had a disaster program, and Mr. Danenfelzer explained that TDHCA's primary disaster program was related to the Hurricanes Katrina and Rita relief. Mr. Danenfelzer noted that the other disaster program, under HOME, went to assisting with rehab of single family homes only. Ms. McGilloway followed that funds under the HOME program only went to projects affected by a disaster declared by the Governor. Discussion followed regarding potential ways the Corporation could assist in disaster relief for areas affected by Hurricane Ike. Ms. Closmann stated that if the Board was interested, it could be considered at the next Board meeting whether to increase the funding for the Foundations Fund so as to provide grants specifically for hurricane affected areas.

Mr. Jones referred to the minutes summary and asked for a follow-up from staff regarding the alternative accounting for the single family bond program. Ms. Smith reported that she had spoken with Mr. Galloway, the Government Accounting Standards Board's (GASB) grant

expert, the previous day and he had suggested that the program be recorded as a loan, instead of an expense; the premium on the bond could then be matched with the down payment assistance and would then eliminate the negative impact on the books. Ms. Smith noted that the audit would be complete by December 20th and this issue would be resolved by then.

After discussion, it was determined that the next board meeting would be held on Friday, October 10, 2008 at 10:30am. It was also discussed that in the past the Board had authorized scheduling the meetings for the second Friday of every month unless said Friday fell too early in the month to prepare the financial statements, in which case it would be held on the third Friday.

Adjournment

Mr. Sanders made a motion to adjourn the Board meeting. Ms. Van Hovel seconded the motion. Motion passed. The Board Meeting for the Texas State Affordable Housing Corporation officially adjourned at 12:15 pm.

Respectfully submitted by _____
Laura Ross, Corporate Secretary

Morgan Keegan & Company, Inc.
951 E. Byrd Street Suite 930
Richmond, VA 23219
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Fax: 804-225-1180
Members New York Stock Exchange, Inc.

October 2, 2008

David Long
President
Texas State Affordable Housing Corporation (the "Corporation" or "TSAHC")
1005 Congress Avenue, Suite 500
Austin, TX 78701

Dear Mr. Long:

Morgan Keegan & Company purchased the Corporation's Drawdown Series 2007 bonds with an initial draw that occurred on October 1, 2007. This program was put in place to provide TSAHC with an avenue to capture and to store private activity volume cap in an effort to increase your organization's ability to offer first-time homebuyer programs. By way of background and update:

- There is currently \$10,399,047 of Drawdown Series 2007 bond principal outstanding, representing "recycled" single family bond volume cap all of which is subject to the Alternative Minimum Tax ("AMT") derived from mortgage loan prepayments from the Corporation's prior single family bond programs. The maximum amount of volume cap that can be recycled by the program is \$100,000,000 with no more than \$50,000,000 outstanding at any point in time.
- The volume cap that has been recycled is subject to the AMT and it is less attractive than the Corporation's available new money volume cap that is not subject to the AMT. Based on the H.R. 3221 effective date of July 31, 2008, all new volume cap is now significantly more attractive due to its non-AMT nature. The Corporation has over \$100,000,000 of new money volume cap that has not been used this year due to difficult market conditions and a minimum of an additional \$50,000,000 will be made available to the Corporation in calendar year 2009. The effect is that the use of the AMT proceeds recycled by the Drawdown Series 2007 is questionable in the near term and even with a longer term view.
- Morgan Keegan has the right to tender the bonds back to the Corporation on September 1, 2011 and every two years thereafter until the maturity date.
- The Bond Purchase Agreement conveys certain rights to Morgan Keegan in the event of a national emergency in which a crisis on the financial markets, in the reasonable opinion of Morgan Keegan, has adversely affected the ability to market the bonds.
- Morgan Keegan did not receive a fee in conjunction with the issuance of the bonds and we actually incurred expenses that included a rating agency fee, DTC, CUSIP and trust documentation fees.

Since the initial draw on the Corporation's Drawdown Series 2007 bonds in October of 2007, the financial markets have become increasingly volatile and have culminated with the our nation's financial crisis. Morgan Keegan continued to honor its commitments under Drawdown Series 2007 bonds through; (a) the destruction of the \$200 billion auction rate securities market, (b) the collapse of Bear Stearns, (c) the conservatorship of Fannie Mae and Freddie Mac as well as the continued deterioration of investment banks, commercial banks and the financial markets in general. Indeed, the financial markets have deteriorated considerably as the listed events transpired which in turn increased the cost and difficulty of providing drawdown bond programs to our housing finance agency clients. The best way to describe the markets prior to the week of September 14 – 20 would be that they were difficult but still functioning and Morgan Keegan was able to continue to fund its drawdown bond commitments.

The week of September 14 – 20 ushered in an \$85 billion bailout loan by the Federal Reserve to AIG, the collapse of Lehman Brothers, the purchase of Merrill Lynch by Bank of America and the rumblings that some money market funds may not be able to maintain a net asset value of \$1.00. In an historical event, past actions and investor fear of

the unknown caused the financial markets to discontinue functioning in an efficient manner and liquidity in the market disappeared. As an example of the immediate impact of market fear and the lack of investors, the short-term municipal bond index increased from 1.63% early in September to 7.96% less than three weeks later and short-term Treasury Bill yields dropped to almost 0.00%. As of the drafting of this letter, the fixed income markets continue to be frozen and legislation in Congress has been drafted to begin addressing the problem on a large scale. Ultimately, the financial market events have led to a deterioration of our drawdown bond investor base and funding mechanisms.

Morgan Keegan pioneered the recycling program concept in 1996 and was the first investment bank to implement such a program. Since 1996, Morgan Keegan has implemented well over 125 recycling programs with a notional par value exceeding \$5 billion. Our firm has honored its commitments under each program and even in difficult market conditions Morgan Keegan has stood by its housing agency clients and continued to make its recycling program available. Morgan Keegan has maintained this commitment because of our belief that the Note Program that we provide is an invaluable service to our issuer clients.

The recent financial market developments have led Morgan Keegan to begin discussions with many of our drawdown bond clients to determine if there are steps that can be undertaken to reduce outstanding drawdown bond principal balances. Each drawdown bond issue has a unique set of tender and redemption features that need to be addressed, but in most cases housing finance agencies have been willing to work with our firm to reduce the amount of outstanding drawdown bond principal. In many cases, the issuers have been willing to reduce the amount of AMT volume cap (since it is less attractive than available non-AMT volume cap and the use is in question) that has been stored in the drawdown facilities by (1) redeeming entire balances and terminating the drawdown facility or by (2) redeeming virtually all of the drawdown facility but keeping a minimum balance outstanding with the hope of re-starting the facility once the financial markets settle down. It should be noted that the Internal Revenue Service recognizes the financial crisis and this week published Notice 2008-88. This notice, pending bond counsel review, may allow for redemption of the outstanding drawdown bonds but also provide for their refunding/use in a new first-time homebuyer program through December 31, 2009.

This letter serves as my request to TSAHC to work with Morgan Keegan to develop a solution agreeable to both parties that will provide for the redemption of all or a portion of the outstanding drawdown bonds while recognizing the financial and operating impact on TSAHC. Please call me at (804) 225-1161 if you have any questions or need additional information.

Sincerely,



Vice President

cc: Don Peterson, Morgan Keegan & Co., Inc.

RESOLUTION NO. 08-__

TEXAS STATE AFFORDABLE HOUSING CORPORATION

**RESOLUTION AUTHORIZING MODIFICATION, INCLUDING
CANCELLATION, OF THE CORPORATION'S SINGLE FAMILY
DRAW DOWN PROGRAM, AND AUTHORIZING THE
EXECUTION OF ANY DOCUMENTS OR OTHER ITEMS OR
INSTRUMENTS NECESSARY OR CONVENIENT TO EFFECT
SUCH MODIFICATION.**

WHEREAS, the Texas State Affordable Housing Corporation (the "Corporation") was duly created and organized pursuant to and in accordance with the provisions of the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq. Vernon's Annotated Texas Civil Statutes, as amended and under the authority of Subchapter Y of Chapter 2306, Texas Government Code, as amended (the "Act"); and

WHEREAS, the Corporation previously issued its Single Family Mortgage Revenue Refunding Bonds, Drawdown Series 2007 (the "Bonds"), in order to establish a program (the "Drawdown Program") for "recycling" principal repayments relating to its single family bond issues primarily to conserve state volume cap; and

WHEREAS, after due consideration of recent federal legislation, current market conditions and other factors, and after discussion with the staff of the Corporation and its financial advisor, the Board of Directors of the Corporation has determined that modification of the Drawdown Program, including the termination of the Drawdown Program (through the redemption of all outstanding Bonds), is in the best interests of the Corporation.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CORPORATION:

Section 1. Modification of Program, Including Cancellation. That the modification of the Drawdown Program, including the cancellation and termination thereof, is hereby approved and that the President and the Executive Vice President of the Corporation are each authorized to approve the final form of such modification, including any such cancellation or termination.

Section 2. Execution and Delivery of Related Documents. That the President and Executive Vice President of the Corporation are each hereby authorized to consent to, accept, execute and attest such agreements, certificates, contracts, documents, instruments, releases, letters of instruction, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 3. Ratification of Certain Prior Actions. That any prior actions taken by or on behalf of the Corporation by its officers or staff with respect to the Drawdown Program, are hereby authorized, ratified, confirmed and approved.

Section 4. Conflicting Prior Actions. That any resolution or other action, or any part thereof, of the Board that is in conflict with any provision of this Resolution is hereby expressly repealed to the extent of any such conflict.

Section 5. Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

[Remainder of page intentionally left blank]

PASSED, APPROVED AND EFFECTIVE this October __, 2008.

TEXAS STATE AFFORDABLE HOUSING
CORPORATION

Chairperson

Attest:

Secretary

SCHEDULE I

I. Listing of previously issued Refundable Bonds.

Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds
(Teachers Home Loan Program), Series 2002

Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds
(Professional Educators, Fire Fighters and Police Officers Home Loan Program) Series
2004A and Series 2004B

Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds
(Professional Educators Home Loan Program) Series 2005A

Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds
(Fire Fighter and Law Enforcement or Security Officer Home Loan Program) Series
2005B

Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds
(Professional Educators Home Loan Program) Series 2006A

Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds
(Fire Fighter and Law Enforcement or Security Officer Home Loan Program) Series
2006B

Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds,
Series 2006C

Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds
(Professional Educators Home Loan Program) Series 2007A-1, Series 2007A-2 and Series
2007A-3

Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds
(Fire Fighter and Law Enforcement or Security Officer Home Loan Program) Series
2007C

II. Single family mortgage revenue bonds issued subsequent to the date of the adoption of the Resolution to which this Schedule I is attached to provide low-interest home mortgage loans to persons and families who qualify as mortgagors under the programs of the Corporation as permitted by the Act, as such Act may be amended from time to time.

Tab 3

Presentation, Discussion, and Possible Approval of the 2008 Grant Awards for the Texas Foundations Fund.

The Advisory Council will give a presentation and make recommendations to the Board regarding the Awards.

MINUTES AND CERTIFICATION

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

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

1. The Board of Directors of said corporation convened on the 10th day of October, 2008, at the designated meeting place in Austin, Texas, and the roll was called of the duly constituted members of said Board and officers, to wit:

BOARD OF DIRECTORS

<u>Name</u>	<u>Office</u>
Thomas A. Leeper	Chairperson
Jesse A. Coffey	Vice Chairperson
Robert Elliott Jones	Director
R. Carter Sanders	Director
Jo Van Hovel	Director

OFFICERS

<u>Name</u>	<u>Office</u>
David Long	President (non-Board member)
Katherine Closmann	Executive Vice President (non-Board member)
Melinda Smith	Chief Financial Officer (non-Board member)
Laura Ross	Secretary (non-Board member)

and all of said persons were present except _____, thus constituting a quorum. Whereupon, among other business, the following was transacted, to-wit: a written resolution (the "Resolution") bearing the following caption was introduced:

RESOLUTION NO. 08-____

TEXAS STATE AFFORDABLE HOUSING CORPORATION

"Resolution Regarding the Approval of Additional Unrestricted Funds of the Corporation to be Transferred to the Texas Foundations Fund, a Segregated Fund of the Corporation, to Provide Certain Relief in Areas Affected by Recent Hurricanes, and Concerning Other Matters Incident and Related thereto"

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

_ AYES

_ NOES

_ ABSTENTIONS

2. That a true, full and correct copy of the aforesaid Resolution adopted at the meeting described in the above and foregoing paragraph is attached to and follows this certificate; that said Resolution has been duly recorded in said Board's minutes of said meeting; that the above and foregoing paragraph is a true, full and correct excerpt from said Board's minutes of said meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said Board as indicated therein; that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that said Resolution would be introduced and considered for adoption at said meeting, and each of said officers and members consented, in advance, to the holding of said meeting for such purpose.

SIGNED this October 10, 2008.

Secretary, Texas State Affordable
Housing Corporation

RESOLUTION NO. 08-_____

TEXAS STATE AFFORDABLE HOUSING CORPORATION

“Resolution Regarding the Approval of Additional Unrestricted Funds of the Corporation to be Transferred to the Texas Foundations Fund, a Segregated Fund of the Corporation, to Provide Certain Relief in Areas Affected by Recent Hurricanes, and Concerning Other Matters Incident and Related thereto”

WHEREAS, the Texas State Affordable Housing Corporation (the “Corporation”) has been duly created and organized pursuant to and in accordance with the provisions of the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq. Vernon’s Annotated Texas Civil Statutes, as amended, and under the authority of Subchapter Y of Chapter 2306, Texas Government Code, as amended (the “Act”);

WHEREAS, in compliance with the Act, the Corporation previously created the Texas Foundations Fund as a segregated fund of the Corporation, established pursuant to Resolution 08-05 (the “Prior Resolution”) adopted on February 15, 2008 (the “Texas Foundations Fund”), to be comprised of certain unrestricted funds of the Corporation and of third party charitable donations and to be used to provide grants to certain Texas local governments (and/or their instrumentalities) and nonprofit corporations in Texas that benefit Texas residents of very low-income and extremely low-income with respect to various housing needs;

WHEREAS, the Corporation hereby determines to provide an additional deposit to the Texas Foundations Fund in an amount equal to \$250,000.00 from the Corporation’s unrestricted funds as excess earnings (the “Additional Deposit”) to provide certain relief in areas affected by recent hurricanes;

WHEREAS, the Board of Directors of the Corporation (the “Board of Directors”) has determined that the Additional Deposit has been made out of the excess earnings of the Corporation and the Board of Directors has further determined that sufficient provision has been made for the full payment of the expenses, bonds, and other obligations of the Corporation and for any establishment of reserves by the Corporation’s Board of Directors in accordance with Texas Government Code § 2306.557;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Texas State Affordable Housing Corporation:

Section 1. Approval of the Additional Deposit Into the Texas Foundations Fund. That the proper officers of the Corporation are hereby authorized to transfer \$250,000.00 of unrestricted funds as excess earnings of the Corporation for deposit into the Texas Foundations Fund as the Additional Deposit to provide certain relief in areas affected by recent hurricanes as more particularly described in Section 2 hereof below.

Section 2. Appropriation for Eligible Hurricane Relief Projects. That Amounts on deposit in the Texas Foundations Fund from the Additional Deposit shall only be appropriated for grants of up to \$50,000 for the purpose of rehabilitation and/or critical repair of owner-occupied single family homes located in any one or more counties affected by Hurricanes Ike and Dolly, as identified in Federal Emergency Management Agencies disaster declarations FEMA - 1791 - DR, Texas and FEMA - 1780 - DR, Texas which are owned by individuals or families at 50 percent or below of the area median family income (the "Eligible Hurricane Relief Projects"). To the extent practicable, all grants for Eligible Hurricane Relief Projects shall be subject to the Guidelines (as defined in the Prior Resolution); provided, however, that any provisions in the Guidelines related to new construction or supportive housing in multifamily housing projects shall not apply to Eligible Hurricane Relief Projects.

Section 3. Execution and Delivery of Other Documents. That the officers and authorized managers of the Corporation are each hereby authorized to consent to, accept, execute and attest such other certificates, documents, instruments, letters of instruction, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of the Texas Foundations Fund and this Resolution, all in accordance with the Guidelines to the extent made applicable hereby; such other documents shall include, but not be limited to, notices of funds availability, donation acceptance letters/agreements, gift instruments, grant proposals, grant award requirement checklists, grant award agreements and similar type documents.

Section 4. Ratification of Certain Prior Actions. That all prior actions taken by or on behalf of the Corporation in connection with the Texas Foundations Fund are hereby authorized, ratified, confirmed and approved.

Section 5. Purposes of Resolution. That the Board of Directors of the Corporation has expressly determined and hereby confirms that the approval of the Additional Deposit into the Texas Foundations Fund for Eligible Hurricane Relief Projects accomplishes a valid public purpose of the Corporation.

Section 6. Conflicting Prior Actions. That all orders, resolutions, or any actions or parts thereof of the Board of Directors in conflict herewith are hereby expressly repealed to the extent of any such conflict.

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

PASSED, APPROVED AND EFFECTIVE this 10th day of October, 2008.

TEXAS STATE AFFORDABLE
HOUSING CORPORATION

* * * * *



Developer Financing Programs Oct. 10, 2008

Agenda Item:

Presentation, Discussion and Possible Approval of the Publication for Public Comment Guidelines, Scoring Criteria and Targeted Areas for the Allocation of Qualified Residential Rental Project Bond Funds under the 2009 Multifamily Housing Private Activity Bond Program Request for Proposals.

Background:

Pursuant to §2306.565 of the Texas Government Code, the Corporation directs the Texas Bond Review Board on the issuance of the portion of the residential rental project bond funds set aside for the Corporation under §1372.0231(a) of the Texas Government Code. The Corporation is required to release a Request for Proposals (the “RFP”) that complies with both state and federal requirements.

The Corporation’s Board of Directors, pursuant to §2306.565(b-e) 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 RFP fulfills these statutory requirements.

Staff has conducted a review of several needs assessment sources, including the State Low-Income Housing Plan, market research published by the Real Estate Center at Texas A&M University, and other similar resources. Additionally, staff released an online survey to collect direct feed back from applicants, developers and financial institutions involved in affordable housing.

As a result of this review, staff is recommending that the Board consider two changes to the targeted housing needs listed in the 2008 RFP. The first change would replace Senior Housing as a targeted need with Assisted Living Facilities. In considering the elimination of senior housing staff looked at the number of units and developments being produced for senior housing by all statewide and local issuers. In the period from 1999 up to 2005 elderly housing represented less than 25% of bond issuances, but between 2005 and 2006 that percentage rose to 32%, and was up to 35% for 2007 and 2008. Staff believes that this trend will continue. Additionally, staff wants to be clear that under the rural targeted housing category, the Corporation could still fund elderly housing developments in rural areas or those projects involving the preservation of existing affordable units for persons who are elderly.

The addition of Assisted Living Facilities as a targeted housing need is a result of growing concern over the lack of affordable assisted living developments across the state. This issue has been the focus of a year long study conducted by the Legislative Budget Board, with



Developer Financing Programs Oct. 10, 2008

input from the Corporation and other state and local stakeholders. Staff believes that this research along with other data sources support a growing need for affordable assisted living, and its addition to the Corporation's list of targeted housing needs.

Staff is also recommending that its bond financing be openly available to regions of the state affected by hurricane's Ike and Dolly in the past year. This is in line with actions taken by the Corporation in 2006 in response to Hurricane Rita. Staff believes there are critical affordable housing needs in these communities that can be met through the issuance of private activity bonds.

The attached policies will be published to the Corporation's website, if approved, and public comment will be collected until the Corporation's next Board meeting. Staff will summarize all comments and highlight any revisions to the draft policy at that time.

Staff Recommendation:

Staff recommends that the Board approve the publication for public comment guidelines, scoring criteria and targeted areas for the allocation of qualified residential rental project bond funds under the 2009 multifamily housing private activity bond program request for proposals.

Texas State Affordable Housing Corporation

Draft ~~2008-2009~~ Private Activity Bond Program Request for Proposals

The Texas State Affordable Housing Corporation is requesting proposals from qualified developers for the creation or preservation of multifamily residential rental projects. The Corporation is releasing this Request for Proposals to inform the public of the process and guidelines to be used in selecting qualified projects for financing with residential rental bond funds. **Applications to be considered for an Inducement Resolution at the Corporation's January ~~2009~~2008 Board meeting must be submitted by 5:00 pm on December ~~1214,-2007~~ 2008.** All submissions thereafter must be submitted at least 21 days prior to the Corporation's Board meeting at which it will be considered for an Inducement Resolution.

1. Introduction.

- a. The Texas State Affordable Housing Corporation (the "Corporation") is a state sponsored nonprofit corporation that serves the housing needs of low, very low and extremely low-income Texans and other underserved populations who do not have comparable housing options through conventional financial channels. The Corporation will accept applications from residential rental developers ("Developers") to acquire and rehabilitate, or construct new affordable multifamily rental developments ("Developments"). Pursuant to §2306.565 of the Texas Government Code, the Corporation shall direct the Texas Bond Review Board on the issuance of the portion of state ceiling set aside for the Corporation under §1372.0231(a) of the Texas Government Code. The Corporation's available volume cap will be 10% of the State's available volume cap for residential rental private activity bonds. For ~~2008~~2009 the amount is estimated to be approximately \$44 million.
- b. This Request for Proposals (the "RFP") has been adopted by the Corporation's Board of Directors 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 shall use to review applications and creates the criteria for scoring and ranking applications.
- c. This RFP shall be extended month-to-month until such time as the Corporation chooses to close the RFP to further submissions, based on the amount of funds awarded or induced by the Corporation's Board. A notice that the RFP has closed will be posted to the Corporation's website, and written notice will be provided to any Developer who submits an application prior to the release of the closing notice. The Corporation reserves the right to re-open the RFP in the event that additional volume cap becomes available; or otherwise.
- d. Contact Information. All questions about the RFP and Application Process can be directed in writing to:

David Danenfelzer
Texas State Affordable Housing Corporation
~~4005 Congress Ave, Suite 500~~
~~Austin, Texas 78704~~P.O. Box 12637
~~Austin, Texas 78711~~
Tel. 512-477-3555 ext.403
Fax 512-477-3557
Email: ~~ddanenfelzer@tsahc.org~~

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Texas State Affordable Housing Corporation

Draft 2008-2009 Private Activity Bond Program Request for Proposals

2. **Targeted Housing Needs.** Pursuant to §2306.565(b) of the Texas Government Code, the Corporation's Board has identified target areas of housing need within the State of Texas ("Targeted Housing Needs") for the allocation of qualified residential rental project bond funds. The Targeted Housing Needs are based on research conducted by the Corporation, including a review of the State's strategic housing needs, relevant housing needs assessments and information from local and regional stakeholders. To this end, the Corporation's Board has adopted four Targeted Housing Needs. The Corporation shall only accept applications in response to this RFP that fulfill at least one of the following Targeted Housing Needs.

a. *At-Risk Preservation and Rehabilitation.* *Preservation and Rehabilitation of Affordable Housing.* The preservation and rehabilitation of existing affordable rental housing developments shall be defined as existing affordable housing in need of significant structural repairs and mechanical systems updates. The housing must currently have a Regulatory Agreement or Land Use Restriction Agreement (the "LURA") placed on it by a public body and recorded along with the deed of trust. The rehabilitation of housing units must involve at least \$15,000 per unit of rehab, but not more than \$5,000 per unit in site work costs may be included in the calculation. Developments shall include temporary tenant relocation expenses, but may not cause the permanent relocation of existing low-income tenants;

~~a. At-Risk Preservation and Rehabilitation ("At Risk") development shall be defined as existing affordable housing at risk of losing its affordability due the end of regulatory agreements or LURAs. Rehab must involve at least \$12,000 per unit of rehab, but not more than \$4,000 per unit in site work costs may included in the calculation. At Risk developments shall include temporary tenant relocation expenses, but may not involve the permanent relocation of existing low-income tenants.~~

b. *Rural Housing.* A rental housing development 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 PMSA or MSA, if the area has a population of 20,000 or less and does not share a boundary with an urban area; ~~or (c) the development has received approval for funding from the Rural Housing Services of the United States Department of Agriculture (USDA).~~

c. *Supportive Housing Development.* Supportive housing is a combination of affordable housing with services that help people live more stable, productive lives. Supportive housing should be designed for people who face serious challenges, such as homelessness, very low incomes, and serious persistent issues that may include substance abuse, mental illness, and HIV/AIDS. The Corporation requires at least 10 percent of the Development's total units are set aside for supportive housing tenants, and those tenants receive intensive supportive housing services. Supportive housing units must come online immediately and be reserved during the entire affordability period; ~~A combination of affordable housing with services that helps people live more stable, productive lives. Supportive Housing should be designed for people who face serious challenges, such as homelessness, very low incomes, and serious persistent issues that may include substance abuse, mental illness, and HIV/AIDS.~~

d. *Assisted Living.* Assisted Living facilities may be financed under the PAB program in accordance with limitations set by the Internal Revenue Service on such developments. The Corporation defines Assisted Living as:

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Texas State Affordable Housing Corporation

Draft 2008-2009 Private Activity Bond Program Request for Proposals

- i. Affordable rental housing combined with minimal medical or supportive services;
 - ii. Housing targeted to persons with disabilities, but with at least 60% of units open to any qualified renter; and
 - ~~iii. With at least 10% of the units affordable to persons earning less than 30% of the area median income.~~
~~*Senior Housing. 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)).*~~
 - e. Hurricane Ike Housing Relief. The Corporation shall consider any eligible multifamily residential rental housing Development, including rehabilitation and new construction, located in any one, or more Counties affected by Hurricanes Ike and Dolly, as identified in Federal Emergency Management Agencies disaster declarations FEMA – 1791 – DR, Texas and FEMA – 1780 – DR, Texas, to be eligible for financing under this RFP. The Corporation shall publish a list and map of the counties covered in the declarations on its website.
3. **Application Submission.** The Corporation shall publish an application package to its website. Developers should download and complete the application pursuant to the guidelines for completion as included in the application instructions. The Corporation shall require an application submission fee of \$1,500. The Corporation shall publish an application package to its website. Developers should download and complete the application pursuant to the guidelines for completion. At a minimum, applications must be completed in the following manner:
- a. All applications must be signed and dated as required in the application package;
 - b. No faxed or emailed copies of the application will be accepted;
 - c. The application submission fee must be submitted with the complete package;
 - d. Five (5) complete copies of the executed application and attachments must be submitted in electronic format, as described in the application package, and included with the printed application materials submitted to the Corporation.;
 - e. The electronic copy of the application must be readable using Adobe PDF Reader software. Each tab or attachment must be properly bookmarked. Scanned documents must be legible and printable on standard 11" by 8.5" paper;
 - f. Oversized documents should be scanned and submitted separately on paper with the application materials. Blue prints, plans and surveys may not be on paper larger than 11" by 17", unless otherwise requested by the Corporation;
 - g. Applications must be typewritten on the printed application provided by the Corporation. Handwritten applications will not be accepted.
4. **Application Review.**

Texas State Affordable Housing Corporation

Draft 2008-2009 Private Activity Bond Program Request for Proposals

- a. Applications to be considered for an Inducement Resolution at the Corporation's January 2009-2008 Board meeting must be submitted by 5:00 pm on December 14, 12, 2007, 2008. All submissions thereafter must be submitted at least 21 days prior to the Corporation's Board meeting at which it will be considered for an Inducement Resolution. Applications must be received by 5pm, regardless of delivery method, on the date listed on the Corporation's website as the 21 day deadline. The Corporation shall bring before the Board only those applications received in a timely manner that have completed the review process.
 - b. The Corporation may delay the presentation of an application to the Board if there are errors, omissions or insufficient documentation that the Corporation deems necessary to complete its review. If an application fails to fulfill the minimum threshold criteria for the private activity bond ("PAB") program, the application will not be accepted by the Corporation for further review.
 - c. All applications that have completed the review process shall be presented and recommendations for awards will be determined based on final scores and availability of funds. If the Corporation utilizes all of its volume cap prior to approving an Application, the Application shall be held for a period of 120 days from its date of submission and may be considered for a future award, if volume cap becomes available.
5. **Threshold Criteria.** All applications submitted to the Corporation shall be required to meet the following minimum Threshold Criteria ("Threshold Criteria") in order to be considered for an award of Bonds by the Corporation. Applications not meeting the criteria listed below shall 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 allocation of PABs shall agree to the following minimum terms and conditions through a Regulatory Agreement. At a minimum, all Developments will be required to meet the following income and rent restrictions:
 - A. A minimum of twenty percent (20%) of the units in a Qualified Residential Rental Development must have Gross Rents that are restricted to households with incomes no greater than fifty percent (50%) of the Area Median Income ("AMI"), adjusted for family size, or at least forty percent (40%) of the units in the Development must be affordable to persons and families with incomes at or below sixty percent (60%) of the AMI, adjusted for family size.
 - B. Rent Restrictions. Gross monthly rent charged on an income restricted unit will not exceed 30% of the applicable AMI.
 - ii. The length of Affordability Requirements shall be maintained for a period of at least 15 years, or as long as the bonds are outstanding.
 - b. *Experience Threshold.* All Developers must be able to demonstrate sufficient experience in the development, ownership and/or management of affordable housing developments in order to be considered for an allocation. Developers shall submit evidence that they have been

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involved in the development or ownership of the greater of 75 units or 50% of the total proposed development units.

- c. *Construction Threshold.* All Development must adhere to all construction, energy efficiency, accessibility and site development standards set by and approved under the 2008-2009 Housing Tax Credit Qualified Allocation Plan (“QAP”) as approved and signed by the Governor of Texas. The Corporation’s Board reserves the right to set standards more stringent than the 2008-2009 QAP, and Developers are encouraged to review both this RFP and the 2008-2009 QAP for any differences.
- d. *Compliance Threshold.* All Developments must adhere to the Corporation’s Compliance Policies, which can be viewed on our website at: www.tsahc.org. Developers and their affiliates shall also be reviewed for compliance history with the Corporation’s and any other state or federal affordable housing program. The Corporation shall require the submission of compliance information and references in order to research a Developer’s compliance history.
- e. *Resident Services Threshold.* The Corporation strives to maintain one of the nation’s best resident services programs in properties that are financed by the Corporation. To obtain this goal and better serve low income tenants, Developers shall be required to maintain a sustained resident services program that provides at least five (5) approved services to tenants on a quarterly basis. Developers must ensure a dedicated budget for services, free transportation to services if off-site, and preferably on-site staff to direct services. The five (5) services must be listed in the Corporation’s Resident Services Program Guidelines, as attached in Appendix A, or as approved by the Corporation.
- f. *Energy Efficiency Threshold.* All Developments must adhere to the standard statewide energy code adopted by the State Energy Conservation Office (“SECO”), unless otherwise exempted by approval of the Corporation’s Board and TDHCA. Developments including either new construction or rehabilitation shall meet these standards. Developers may obtain additional information regarding these standards directly from SECO’s website: <http://www.seco.cpa.state.tx.us/>. This threshold must be certified to by the Development architect, consulting engineer, or other third party energy efficiency consultant, prior to closing and based upon a review of the construction specifications or scope of work provided by the Development’s general contractor. Additional incentives for Green Building methods and energy efficiency are included as scoring items.
- g. *Environmental Review Threshold.* Prior to the sale of the obligations, the Developer will be required to conduct a Phase I Environmental Site Assessment. At bond closing, the Developer will be required to provide an environmental indemnity in the form to be provided by Bond Counsel.
- h. *Relocation Threshold.* All Developments involving the rehabilitation, reconstruction or demolition of existing housing must adhere to the relocation requirements of the 2008-2009 QAP. Developers are encouraged to review these requirements, especially as they may relate to a change in use for commercial or agricultural properties.
- i. *Accessibility Threshold.* All Developments shall be designed, built and rehabilitated in a manner that is consistent with the accessibility requirements of the 2008-2009 QAP. This includes

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Draft 2008-2009 Private Activity Bond Program Request for Proposals

adherence with the Fair Housing Accessibility Standards, Section 504 Accessibility Standards, and §2306.514 of the Texas Government Code. Developers are encouraged to review these guidelines with their architect and/or construction team prior to application submission.

- j. *Unit Amenities Threshold.* All housing Developments must adhere to the standard unit and Development amenity requirements of the 20082009 QAP.
- k. *Community Support Threshold.* Developers are encouraged to collect community input on their Development proposals. Any letter of support or opposition shall be provided to the Corporation as they are received. Developers shall 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; Superintendent of Schools; or County Judge, from where the development is located;
 - ii. A resolution of support from the City Council, Local School Board or County Commissioner's Court;
 - iii. A letter of support from an affected neighborhood association;
 - 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.
- l. *Underwriting Threshold.* The Corporation generally applies the same underwriting standards as required by the Texas Department of Housing and Community Affairs ("TDHCA"), pursuant to §§1.31 to 1.37 of the Texas Administrative Code, to ensure consistency with the tax credit underwriting process. The Corporation shall 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. The Corporation shall determine the financial feasibility of Developments using the standards set out in §1.32(d) of the Texas Administrative Code. These standards include the following minimum requirements:
 - i. All Developments must maintain a Debt Coverage Ratio ("DCR") that falls between a minimum of 1.15 to a maximum of 1.35. ~~HOPE VI and USDA Rural Development transactions may underwrite to a DCR less than 1.15 based upon documentation provided by HUD or USDA;~~
 - ii. The Corporation generally requires an amortization period of not more than 40 years. The Corporation may consider longer amortization schedules for Supportive Housing and extremely low-income housing developments;
 - iii. The Corporation shall include a reserve of replacement expense of not less than \$300 per unit. The Corporation may require a higher reserve amount based on information provided in the Property Condition Assessment (the "PCA");

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- iv. Compliance fees shall be included in the estimate of operating expenses and shall include, at a minimum, the Corporation's Asset Oversight Agent Fee 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, not including 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.
 - m. *Property Tax Exemption.* Developers shall certify that they will, or will not, apply for a property tax exemption or payment in lieu of taxes ~~("PILOT")~~ agreement ("PILOT") -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 shall require a restriction be added to the bond documents that prohibits any future application for exemption. If a Developer states that they will or may apply for a tax exemption or PILOT agreement, the Corporation shall require a notification to 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.
6. **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. The maximum score is 400-110 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 & Rehabilitation equal to or less than \$60,000 per unit
 - B. New Construction equal to or less than ~~\$78,000~~\$80,000 per unit; or
 - ii. 8 points for;
 - A. Acquisition & Rehabilitation equal to or less than \$70,000 per unit
 - B. New Construction equal to or less than \$90,000 per unit.
 - 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 only include units not supported by contract rents 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 than the area median income; or

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- ii. 15 points – at least 40% of units will be reserved for families who earn 50% or less than the area median income.
- c. *Income Range for Residents.* The Corporation is interested in promoting mixed income housing as a means to improve the lives of residents and build stronger communities. Applications that propose to ensure the following mixed income guidelines shall receive 15 points:
 - i. Not more than 80% of the housing units will be reserved for persons earning 60% or less than the area median income; or
 - ii. At least 10% of the housing units will be reserved for persons earning between 80% and 60% of the area median income.
- d. *Small and Mid-sized Cities.* Applications shall receive 10 points for developments located in communities with populations less than 100,000, but not located adjacent to a PMSA or MSA with a total population of more than 250,000.
- e. *At-Risk Preservation.* Applications shall receive 10 points for the acquisition and rehabilitation of developments at-risk of losing affordable housing rental contracts or land use restrictions. Developments must demonstrate that the current land use restriction agreement (“LURA”) or Regulatory Agreement, if applicable, –is within 2 years of expiration. Applications shall receive 10 points for the acquisition and rehabilitation of developments at-risk of losing affordable housing rental contracts or land use restrictions. Developments must meet the 2008 QAP definition of At Risk Development to qualify for these points.
- f. *Green Building Features.* Applications will receive 10 points for obtaining a certification from a qualified third party that the Development meets the minimum certification requirement of the U.S. Green Building Council’s LEED (“LEED”) program. 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. Certification may be based on the proposed construction plans, and the Development shall obtain an official certification after completion of construction or rehabilitation. Applications will receive 10 points for certifying that all housing will meet at least 4 out of 6 of the following Green Building standards. Rehabilitation Developments are not exempt from meeting these requirements:
 - i. All electrical appliances (refrigerators, stoves, ranges, washers and dryers) shall be Energy Star compliant. This includes appliances in community rooms, laundry facilities and group facilities;
 - ii. All gas ranges, stoves or heaters will have electronic ignition systems to reduce gas costs and lower energy waste;
 - iii. All insulation in wall cavities, crawl spaces and attics shall be made of formaldehyde free materials that do not produce hazardous gases;
 - iv. All units air conditioning systems (not evaporative coolers) shall have a minimum SEER rating of at least 16, and be sized through the proper calculations approved by the State Energy Conservation Office;
 - v. All interior paints shall be low in Volatile Organic Compounds (“VOCs”) to reduce off gassing and improve air quality;

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- ~~vi. All roofing projects shall include the installation of radiant barriers to reduce heat penetration; or~~
- ~~vii. All landscapes shall include the installation or preservation of at least 1 tree per 5 units of housing for developments of less than 100 units, or at least 1.5 trees per 10 units for developments of 100 or more units.~~
- g. *Accessible Housing Features.* Applications will receive 5-10 points for certifying that the Development will meet the following housing accessibility standards. Rehabilitation Developments are not exempt from meeting these requirements, if the scoring item is selected:
 - i. All housing units accessible through a ground floor entrance shall have at least one no-step entry with a 36" entrance door;
 - ii. All housing and community spaces will be accessible via pathways that meet ADA and Fair Housing accessibility standards;
 - iii. All door ways (including closets, bathrooms, storage areas, etc...) shall have doors with at least a 32 inch clear opening;
 - iv. All doors shall have lever handles and windows shall have accessible release and opening mechanisms;
 - v. All ground floor units shall have at least one ground floor bathroom with an accessible bath tub or roll in shower, and at least one ground floor bedroom;
 - vi. All electrical outlets, switches and control panels shall be no higher than 48 inches and no lower than 15 inches; and
 - vii. All ground floor units shall have kitchens that are accessible pursuant to the Fair Housing Accessibility Guidelines.
- h. *Local Public Funding.* Applications shall receive 5 points for providing evidence that a commitment of financial support, equal to at least \$100 per unit, has been committed by a unit of government to the proposed development. The only qualifying units of government shall be Counties, Cities, Municipal Utility Districts, and Councils of Government. The Corporation considers fee waivers, grants and loans as financial support.
- i. *Letters of Local Support.* Applications shall receive 5 points for submitting at least four letters of support from any combination of the following persons: Mayor; City Manager; County Judge; ~~Superintendent of Schools~~; District Superintendent; State Representative; or State Senator, whose district includes the Development site.
- j. *Developer Experience.* Applications shall 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 shall receive 5 points for agreeing to provide at least five (5) approved services to tenants on a monthly basis. This scoring criterion is a higher standard than the Corporation threshold criteria for resident services.

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1. *Tie Breaker.* The Corporation shall break all scoring ties by dividing the estimated per unit cost by the number of very-low and extremely-low income units. The application with the lowest ratio shall be determined the winner of the tie break.
7. **Subsequent Filing Requirements.** Prior to final approval of the Bonds by the Corporation's Board or the Texas Bond Review Board, Developers may be required to file such additional documents or statements in support of their Development, as 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 Financial Advisor, Bond Counsel, or Issuer's General Counsel;
 - b. A draft of any official statement, prospectus, or other offering memoranda through the use of which the proposed obligations are to be offered, sold or placed with a lender, purchaser, or investor, which offering, sale or placement materials shall contain prominent disclosure substantially to the effect that;
 - i. Neither the Corporation nor the State has undertaken to review or has assumed any responsibility for the matters contained therein except solely as to matters relating to the Corporation and to a description of the obligations being offered thereby;
 - ii. All findings and determinations by the Corporation and the State, respectively, are and have been made by each for its own internal uses and purposes in performing its duties under the legislation enabling the Corporation and this RFP;
 - iii. Notwithstanding its approval of the obligations and the Development, neither the State, nor the Corporation endorses or in any manner, directly or indirectly, guarantees or promises to pay such obligations from any source of funds of either 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.
8. **Public Hearings and Meetings.**
 - a. The Corporation's Board, at its own discretion, may call any Developer to a scheduled meeting to review the Developer's experience, qualifications, and/or the characteristics of a Development.
 - b. The Corporation requires Developers to attend a public hearing in each of the communities where a Development is proposed. If the Development includes multiple sites in several cities, the Corporation may require an additional hearing to be conducted at a central location to all development sites. All public hearings shall be held prior to the final approval of the Bond Resolution by the Corporation's Board.
 - c. With respect to public hearings required by the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), the Corporation shall plan and publish notice, at the expense of the

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Developer, of the hearing in the *Texas Register* and the local newspapers of general circulation in the participating jurisdictions at least fifteen (15) days prior to the planned TEFRA hearing. The *Texas Register* is published only on Fridays and such notice must be provided in advance pursuant to the requirements of the *Texas Register* guidelines. The Corporation will schedule an appropriate date, time and location for TEFRA hearings based on the schedule of publication.

- d. The TEFRA Hearing may not be held (and notice of such Hearing may not be published) prior to the date the Corporation approves the Inducement Resolution; provided, however, that such hearings may be scheduled and publication of the hearing notice may be prepared prior to selection as long as (a) the Corporation's staff determines that such action is appropriate, (b) the hearing and publication of notice do not actually occur until after selection by the Corporation and (c) the Borrower provides the deposit to the Corporation set forth herein.
- e. The Corporation also provides notice of TEFRA hearing(s) to certain members of the Texas Legislature, local public libraries, homeowners' associations or other recognized neighborhood organizations or groups, and other interested parties designated by the Corporation. The Corporation will not publish notice of a public hearing until it has received from the Developer:
 - i. The names and addresses of any affected homeowners' associations; and
 - ii. The names of the state legislators, city council members, Mayor, County commissioners, County Judge, School District Superintendent~~Superintendent of Schools~~ and School Board President, in whose district or precinct (as applicable) the Development(s) are located the information required by the corporation to give notice of the TEFRA hearing is available from the Corporation. A hearing information form must be returned to the Corporation at least 7 days prior to the date notice must be provided to the *Texas Register*. Failure to timely provide this information to the corporation may result in a delay in public notice and accordingly, a delay in the closing of the development.

9. Awards.

- a. The Corporation's Board may select Developers and alternate Developers for an inducement of volume cap based on the results of threshold and scoring criteria review from a response to the RFP and oral presentations. The Corporation reserves the right not to approve any inducement of volume cap to any Developer(s), even one that is awarded the most points during the scoring review.
- b. The Corporation reserves the right to retract an award if a Developer is unable to receive a reservation of private activity bond cap prior to June, 1 ~~2008~~2009. The Corporation reserves this right in order to allow alternate Developers, or other applications to proceed with an inducement and reservation, and to ensure the maximum utilization of the Corporation's volume cap.
- c. The Corporation reserves the right in its sole discretion to modify, suspend or amend this program at any time, with or without further notice to any interested party. All costs

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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 allocation of private activity bond cap is subject to final allocation approval by the Texas Bond Review Board.

10. Bond Review Board Approval.

- a. Obligations issued by the Corporation are subject to approval by the Texas Bond Review Board (the "TBRB"). ~~BRBTBRB~~ rules provide an optional exemption from the formal approval process for Texas State Affordable Housing Corporation multifamily conduit transactions unless such transactions involve an ad valorem tax reduction or exemption. If no ad valorem tax exemption or reduction is requested with respect to the Development, the formal ~~BRBTBRB~~ approval process may not be required. However, if one or more ~~BRBTBRB~~ members request it, the formal ~~BRBTBRB~~ approval process must be followed. If so, representatives of the Developer are expected to attend the ~~BRBTBRB~~ planning session and the ~~BRBTBRB~~ meeting at which the Development will be considered for approval. Additional information may be requested by ~~BRBTBRB~~ members and the Developer's cooperation in providing this information is required.
- b. If the formal ~~BRBTBRB~~ approval process is required, the Corporation, with the assistance of its Bond Counsel, will prepare and file the notice of intent and the ~~BRBTBRB~~ Application for the Development. The Corporation will file the notice of intent and the ~~BRBTBRB~~ Application with the ~~BRBTBRB~~ only if it has timely received all required information and documentation for the completion of the ~~BRBTBRB~~ Application from the Developer and/or its consultants.

11. Fees. Developers shall be responsible for fees and expenses incurred as a result of bonds issued on their behalf (the "Cost of Issuance"). Up to two percent (2%) of the Cost of Issuance may be financed through bond proceeds and will be considered part of the obligations authorized for issuance by the Corporation, where eligible under the Code. Developers shall commit to pay from other sources any Costs of Issuance not payable from tax-exempt bond proceeds. The following fees are payable at the times and in the amounts as described below. ALL FEES ARE NONREFUNDABLE, EXCEPT AS OTHERWISE PROVIDED HEREIN.

- a. *Application Fee.* Developers shall submit a nonrefundable fee of \$1,500, made payable to the Corporation, upon submission of the Application.
- b. *Inducement Fee.* Developers shall pay a deposit of \$7,500, and an additional \$1,000 for each property for Developments involving more than one (1) site, to cover expenses related to public hearings and the application for PAB allocation to the Texas Bond Review Board, within five (5) business days of the date the Inducement Resolution is approved by the Corporation's Board. Additional reimbursements for expenses related to public hearings and application for private activity bond allocation may be requested by the Corporation.
- c. *Professional Fee Deposit.* Following the issuance of a reservation for volume cap from the Bond Review Board, Developers shall make a deposit with the Corporation which shall be credited against fees and expenses incurred by Bond Counsel, the Financial Advisor and Issuer's Counsel in connection with the proposed financing. Such deposit shall be \$27,500, which

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represents a \$12,500 deposit for Bond Counsel fees, a \$10,000 deposit for Financial Advisor's fees, and a \$5,000 deposit for Issuer's Counsel fees. All fees and expenses incurred by Bond Counsel, the Financial Advisor and Issuer's Counsel in connection with the Developer's transaction shall be deducted from such deposit whether or not the obligations are issued. If the accrued fees and expenses of Bond Counsel, the Financial Advisor and/or Issuer's Counsel exceed the amount of such initial deposit, the Corporation may require the Developer to submit an additional deposit payment.

- d. *Corporation Expenses.* Developers shall reimburse the Corporation for all costs and expenditures incurred by the Corporation, prior to and after the selection of the Development by the Board, to analyze the appropriateness and willingness of the Corporation to provide bond financing for the Developer's transaction, including, but not limited to, the reimbursement of costs and expenditures for (i) on-site visitation of multifamily residential developments to be financed (or the site(s) therefore), (ii) any reports deemed necessary or appropriate by the Corporation and not otherwise provided by the Developer, (iii) all costs and expenses (including travel and related expenses) of conducting public hearings and related meetings (described herein) and (iv) such other activities, inspections and investigations as are deemed necessary or appropriate by the Corporation in connection with its determination of the suitability of the Proposed Development for financing assistance to be offered by the Corporation. The Corporation will invoice the Developer for such costs and expenditures, and the Developer shall pay such invoices within ten (10) days of receipt. Failure to make prompt payment of such invoices may result in a termination of the participation of the Corporation and its consultants in the financing.
- e. *Financial Advisor Fees.* The fee to be paid to the Corporation's Financial Advisor, acting in a standard Financial Advisor role, shall be 1) for the first \$15,000,000 of bond principal, the fee shall be \$10,000 plus \$2.00/\$1,000 of the principal amount of debt issued with a minimum fee of \$20,000 (unless otherwise agreed to by the Corporation's Financial Advisor) and 2) for amounts above \$15,000,000 the fee shall be reduced to \$1.00/1000 for that amount over \$15,000,000. In addition, the Corporation's Financial Adviser shall also serve as the bidding agent for an additional fee 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 Financial 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 Financial Advisor shall be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Reservation Application to the Bond Review Board.
- f. *Bond Counsel Fees.* The fee to be paid to Bond Counsel, acting in a standard Bond Counsel role, shall be \$4/\$1,000 of the principal amount of debt issued for the first \$20,000,000 of the principal amount of debt issued, \$3/\$1,000 of the principal amount of debt issued for the next \$20,000,000 of the principal amount of debt issued, and \$2/\$1,000 of the principal amount of debt issued thereafter, with a minimum fee of \$25,000 (unless otherwise agreed to by Bond Counsel). If the financing structure proposed by the Developer requires non-standard services to be performed by Bond Counsel or involves unique financing features

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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 Bond Counsel shall be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Reservation Application to the Bond Review Board. In addition to the fees paid to Bond Counsel, the Developer will reimburse Bond Counsel for all out-of-pocket expenses incurred by Bond Counsel in connection with the Development. Such expenses include TEFRA notice publication, public hearing notices, Attorney General filing fees, and the preparation and filing of the BRBTBRB Applications and supplements thereto.

- g. *Issuer's Counsel Fees.* The fee to be paid to Issuer's Counsel, acting in a standard Issuer's Counsel role, shall be \$1.00/\$1,000 of the principal amount of debt issued for the first \$10,000,000, \$0.80/\$1,000 of the principal amount of debt issued for the next \$10,000,000, and \$0.70/\$1,000 of the principal amount of debt issued thereafter, with a minimum fee of \$7,500 (unless otherwise agreed to by Issuer's Counsel.) In addition to the fees paid to Issuer's Counsel, the Developer will reimburse Issuer's Counsel for all out-of-pocket expenses incurred by Issuer's Counsel in connection with the Development. If the financing structure proposed by the Developer requires non-standard services to be performed by Issuer's Counsel or involves unique financing features including, but not limited to, multiple sites or complexes in a project, extreme credit quality concerns, hedge agreements, swap agreements, or trust structures the fees to be charged by Issuer's Counsel shall be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Reservation Application to the Bond Review Board.
- h. *Closing Fees.* Concurrently with the closing of the financing, the Developer shall pay or cause to be paid all fees and expenses in connection with the issuance of the obligations including, Bond Counsel Fees, Financial Advisor Fees, Issuer's Counsel Fees, and the actual amount of any closing or acceptance fees of any trustee for the obligations, any fees and premiums for casualty and title insurance, any security filing costs, any fees for placing the obligations, any fees and expenses of any compliance agent appointed in connection with the review of any property, any out-of-pocket expenses incurred by professionals acting on behalf of the Corporation, and any other costs and expenses, including issuance expenses, relating to the obligations, their security, and the Development. Developers shall pay or cause to be paid a closing fee to the Texas Bond Review Board the greater of \$1,000 or 0.025% of the principal amount of the bonds certified as provided by §1372.039(a)(1), Government Code. Additionally, the Corporation shall receive a Closing Fee of \$0.50 per \$1,000 principal amount of obligations issued, with a minimum closing fee of \$5,000.
- i. *Administrative Fee.* Until the final maturity of the obligations, the Developer will pay an Administrative Fee, remitted through the respective bond trustee to the Corporation on such basis as designated by the Corporation, in an amount equal to ten (10) basis points annually 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 shall be paid at closing. The Administrative Fee is exclusive of the trustee's fee, compliance agent fee, rebate analysts' fee, asset-oversight management fee (if required), 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

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- secured under the first mortgage on the property assigned to the bond trustee. The Corporation may require the payment of the Administrative Fee to be guaranteed by the Development owner and/or general partner(s).
- j. *Trustee's Fees.* The Developer shall select a bond trustee from a list of bond trustees approved by the Corporation to administer the funds and accounts pursuant to the trust indenture between the Corporation and the trustee bank. All trustee fees and expenses, including fees of trustee's counsel, shall be approved by the Corporation, and will be paid by the Developer.
- k. *Auditor's Fees.* The Corporation may at any time over the life of the Development appoint an auditor to review the financial transactions under the bond documents, the compliance agent, and a rebate analyst to perform an analysis of rebate requirements with respect to the issue. Such fees and costs shall be paid by the Developer.
- l. *Continuing Costs.* Developers shall pay to the Corporation, in the manner described in the Development documents, the following amounts:
- i. An annual asset oversight fee of \$25 per unit for the Development (as such fee may be adjusted in accordance with the Asset Oversight Agreement). The Corporation may require the owner of the Development and/or related entities or person to guaranty the payment of these fees;
 - ii. An annual compliance fee of \$20 per unit for the Development (as such fee may be adjusted in accordance with the Compliance Agreement). The Corporation may require the owner of the Development and/or related entities or person to guaranty the payment of these fees;
 - iii. Any amounts payable pursuant to any indemnity contract or agreement executed in connection with any financing by the Corporation completed as herein contemplated, and
 - iv. 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 shall be divided and allocated equally among all Developers whose financings have been completed.
- m. *Changes in Fees.* The Corporation reserves the right at any time to change, increase or reduce the fees payable under this RFP. All fees imposed subsequent to closing by the Corporation under this RFP will be imposed in such amounts as will provide funds, as nearly as may be practical, equal to that amount necessary to pay the administrative costs of conducting the business and affairs of the Corporation, plus reasonable reserves therefore.
- n. *Failure to Timely Pay Fees and Costs.* The Corporation will not consider submissions for future transactions proposed by Developers who are delinquent in the payment of any fees described herein.

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12. **Document Preparation.** Bond Counsel shall have the primary responsibility for the preparation of the legal instruments and documents to be utilized in connection with the financing of the Development by the Corporation. No bonds or other obligations will be sold or delivered unless the legality and validity thereof have been approved by Bond Counsel. The Developer and its legal counsel shall cooperate fully with Bond Counsel, the Financial Advisor, the Issuer's Counsel and the Corporation's agents in the preparation of such materials.
13. **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.
14. **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.
15. **Final Approval by the Corporation.** The Corporation's Board shall 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 shall 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.
16. **Closing of the Development.** Following the public hearing(s) and final approval by the Corporation and the ~~BRBTBRB~~, if necessary, the Corporation will proceed to close the financing in accordance with the documents approved by the Corporation and when finally approved by the Texas Attorney General and Bond Counsel in accordance with the terms of the sale or placement.
 - a. *Structure of Bond Sale.* Developers shall be responsible for determining the structures of the sale of bonds, but are encouraged to contact the Corporation's Financial Advisor for information regarding Bond transactions in Texas. Developers are required to execute an agreement in connection with awarding the sale of the Corporation's obligations to an underwriter or to an institutional purchaser through a private placement that obligates the Developer to the payment of the costs of issuing such obligations as more fully described herein.
 - b. *Public Sale Requirements.* Bonds to be sold publicly, whether by competitive bid or negotiated sale, shall have and be required to maintain a debt rating the equivalent of at least an "A"

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rating assigned to long-term obligations by a nationally recognized rating agency acceptable to the Corporation. If the Bond Rating is based upon a credit enhancement agreement provided by an institution other than the Developer or Development Owner, the form and substance of the credit enhancement must be approved by the Corporation and its Financial Advisor, and through the Bond Resolution, approved by the Corporation's Board. Remedies relating to failure to maintain appropriate credit ratings shall be provided in the financing documents relating to the Development.

- c. Obligations with an investment grade rating of "A" or higher may be in minimum denominations of \$5,000, if any. For the Corporation to approve transactions that are rated "~~BBB~~A" (or its equivalent) or higher but less than "A," the obligations must be sold in minimum initial denominations of \$100,000 and in integrated multiples of any amount for amounts in excess of \$100,000.
- d. *Limited Offering Requirements.* If the obligations do not have an investment grade rating of "~~BBB~~" (or its equivalent) or higher, the Corporation will consider such obligations to be non-rated for purposes of this subsection. The Corporation may require that the obligations be rated or permit, at its sole discretion, the issuance of the obligations without a rating. The Corporation requires that non-rated obligations 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) if they are sold to QIBs or Institutional Accredited Investors, the obligations must be issued in minimum denominations of not less than \$250,000 and integral multiples of any amount in excess thereof, (iii) at such time as the bond financing is presented to the Corporation for final approval, the Developer (or placement agent, if applicable) must (a) identify the Purchaser of the obligations and (b) 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) there shall be no offering statement of the Corporation, or 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, 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; ~~and~~ (3) it has received copies of the

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financing documents pursuant to which such obligations are issued, and (4) that it has purchased 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.

- e. Any variation to the requirements set forth above must be requested in writing by the Developer and must be approved by the Corporation, and be acceptable to the Bond Counsel, Financial Advisor, and Issuer's Counsel.
 - f. *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.
 - g. *Offering Statement.* No Developer, or any representative of the Developer or the Corporation, shall ever make any representation, directly or indirectly, express or implied, of any fact contrary to the disclosures required to be made by this RFP.
 - h. *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.
17. **Failure to Comply with this RFP.** The Corporation will not consider submissions from Developers for a potential Development if the Developer is a borrower (or a related party thereto) in connection with obligations previously issued by the Corporation and such borrower (or related party) is not in compliance with the requirements set forth in this RFP or is delinquent in the payment of any fees or costs set forth in this RFP with respect to such prior issued obligations of the Corporation.
18. **OTHER REQUIREMENTS.** THE CORPORATION MAY IMPOSE ADDITIONAL OR DIFFERENT REQUIREMENTS ON A DEVELOPER THAN THOSE PROVIDED IN THIS RFP IN THE EVENT THAT THESE ADDITIONAL OR DIFFERENT REQUIREMENTS BECOME NECESSARY TO PROVIDE THE BEST OPPORTUNITY FOR APPROVAL BY THE CORPORATION'S BOARD OF DIRECTORS AND/OR THE TEXAS BOND REVIEW BOARD.

Texas State Affordable Housing Corporation

Draft 2008-2009 Private Activity Bond Program Request for Proposals

APPENDIX A

TSAHC Resident Services Program Guidelines

It is the Texas State Affordable Housing Corporation's goal to have the nation's leading Resident Services Program. To reach this goal, and better serve your residents, we need your help on site. TSAHC has created basic guidelines and report systems to help with this process.

The following is a list of activities/courses that can be implemented. If you are interested in starting an activity or course that is not on the list, please propose the new activity to the Manager of Asset Oversight and Compliance for approval. Please make sure that it will encourage economic self sufficiency and/or promote homeownership opportunities.

- Career Services
 1. Computer Literacy
 2. GED Classes
 3. Job Skills/Training
 4. Resume/ Job Search Workshop
 5. Job Fair
- Children's Services
 1. After School Care
 2. Swimming Lessons
 3. On-site Daycare
 4. On-site Tutoring Sessions
 5. Performing Arts
 6. Halloween Safety
 7. Site library
- Community Awareness
 1. Crime Watch
 2. Self Defense Course
 3. Child Id/Fingerprinting Program
 4. Fire Safety
 5. Domestic Violence Shelter/ Programs
 6. Host Support Groups Such as AA, Anger Management, etc.
 7. Community Gardens
 8. Community Service Activities (i.e. Habitat for Humanity)
- Domestic Skills
 1. Budgeting
 2. Tax Prep. Courses
 3. Low Cost Healthy Cooking

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4. Organization Classes
5. Cleaning Supply Safety
- Medical and Health Services
 1. Basic First Aid and CPR
 2. Caring for the Disabled
 3. Health and Screening Services
 4. HIV/AIDS Classes
 5. Vaccinations/ Flu Shots
 6. Weight Loss Club
 7. Diabetes/ Heart Disease Courses
 8. Babysitting Safety Courses
- Personal Development
 1. Counseling Services
 2. Credit Counseling
 3. English as a Second Language Courses
 4. Home Ownership Counseling
 5. Parenting Classes
 6. Anger Management Courses
 7. Family Counseling
- Transportation Services
 1. Grocery Store
 2. Library
 3. Medical Visits
 4. Cultural Events

Inappropriate activities include children's movie time, patio decorating contests, gambling trips, resident parties, Easter Egg Hunts or other activities along these lines. Properties are welcome to offer these activities, but they will not count towards fulfilling the Resident Services obligation.



Developer Financing Programs Oct. 10, 2008

Agenda Item:

Presentation, Discussion and Possible Approval of the Publication for Public Comment Policies Governing the Allocation of Qualified Residential Rental Project Bonds under the 501(c)(3) Bond Program.

Background:

Pursuant to §2306.554 of the Texas Government Code, the Corporation is authorized to issue 501(c)(3) bonds to qualified nonprofit organizations in order to rehabilitate and develop affordable multifamily rental housing, and is required to review annually its issuance policies. Staff is presenting the attached policy for the Board's review and to get approval to publish this draft policy and accept public comment prior to the Board's final approval of the policy in November.

Staff is presenting a draft policy that is significantly different from the Corporation's previous policy; therefore the draft is not being presented as a black line document. Staff has updated the policy in order to bring it in line with the Corporation's multifamily private activity bond program guidelines and request for proposals. The following bullets are highlights of the policy.

1. Targeted Housing Needs. Unlike the Corporation's multifamily private activity bond program, the 501(c)(3) bond program is not required by statute to target issuances to specific housing needs. Staff does believe that targeted housing needs are important and has created a list for the 501(c)(3) bond program to be used as goals, not requirements, for the program.
2. Administration of the program (application submission, review and awards) is identical to the Corporation's administration of the Private Activity Bond program.
3. Threshold requirements for the program include guidance on the Corporation's application of Texas Government Code, §2306.563, that require a public benefit standard to be used for developments that receive tax exemptions.
4. Scoring requirements have also been applied to 501(c)(3) bonds, not with the intent to rank applicants, but rather to advance certain development standards and policy initiatives of the Corporation. A minimum score is required of all applicants.

The attached policies will be published to the Corporation's website, if approved, and public comment will be collected until the Corporation's next Board meeting. Staff will summarize all comments and highlight any revisions to the draft policy at that time.

Staff Recommendation

Staff recommends that the Board approve the publication for public comment policies governing the allocation of qualified residential rental project bonds under the 501(c)(3) bond program.

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Draft - 2009 Multifamily 501(c)(3) Bond Policies

1. Introduction.

- a. The Texas State Affordable Housing Corporation (the “Corporation”) is a state sponsored nonprofit corporation that serves the housing needs of low, very low and extremely low-income Texans and other underserved populations who do not have comparable housing options through conventional financial channels. The Corporation has produced these policies in order to codify its administration of the Multifamily 501(c)(3) Bond Program, pursuant to §§2306.554 and 2306.564 of the Texas Government Code.
- b. The Corporation shall accept applications from qualified nonprofit 501(c)(3) organizations (the “Developer”) to acquire and rehabilitate, or construct a new affordable multifamily rental development (“Development”). Properties currently owned by a Developer may apply to utilize 501(c)(3) bonds for the purpose of refinancing existing debt for affordable housing units already covered by a land use restriction agreement (a “LURA”), or a Regulatory Agreement, as applicable, if, in the sole determination of the Corporation, the proposed refinancing will either (1) significantly extend the affordability of a Development, or (2) will assist in preserving the affordability of a Development that may be infeasible as currently financed.
- c. This Policy has been adopted by the Corporation’s Board of Directors based on a review of the State’s housing needs and shall be reviewed annually pursuant to §2306.564 of the Texas Government Code. This Policy defines the methodology that staff shall use to review applications and creates the criteria for scoring and ranking applications, if applicable.
- d. Contact Information. All questions about the Policy and Application Process can be directed in writing to:

Manager of Multifamily Finance
Texas State Affordable Housing Corporation
Tel. 512-477-3555
Fax 512-477-3557
Email: ddanenfelzer@tsahc.org

2. Targeted Housing Needs.

The Corporation may consider any eligible Development for funding under the 501(c)(3) bond program, however the Corporation targets the use of this financing to the following specific types of Development (“Targeted Housing Needs”) within the State of Texas.

- a. *Preservation and Rehabilitation of Affordable Housing.* The preservation and rehabilitation of existing affordable rental housing developments shall be defined as existing affordable housing in need of significant structural repairs and mechanical systems updates. The housing must currently have a LURA, or Regulatory Agreement placed on it by a public body and recorded in the appropriate real estate records along with the deed of trust. The rehabilitation of housing units must involve at least \$15,000 per unit of rehabilitation, but not more than \$5,000 per unit in site work costs may be included in the calculation. Developments shall include temporary tenant relocation expenses, but may not cause the permanent relocation of existing low-income tenants.

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- b. *Rural Housing.* A rental housing development 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 PMSA or MSA, if the area has a population of 20,000 or less and does not share a boundary with an urban area.
 - c. *Supportive Housing Development.* Supportive housing is a combination of affordable housing with services that help people live more stable, productive lives. Supportive housing should be designed for people who face serious challenges, such as homelessness, very low incomes, and serious persistent issues that may include substance abuse, mental illness, and HIV/AIDS. The Corporation requires at least 10 percent of the Development's total units are set aside for supportive housing tenants, and those tenants receive intensive supportive housing services. Supportive housing units must come online immediately and be reserved during the entire affordability period.
 - d. *Assisted Living.* Assisted Living facilities may be financed under the 501(c)(3) bond program in accordance with limitations set by the Internal Revenue Service on such developments. The Corporation defines Assisted Living as:
 - i. Affordable rental housing combined with minimal medical or supportive services;
 - ii. Housing targeted to persons with disabilities, but with at least 60% of units open to any qualified renter; and
 - iii. With at least 10% of the units affordable to persons earning less than 30% of the area median income.
3. **Application Submission.** The Corporation shall publish an application package to its website. Developers should download and complete the application pursuant to the guidelines for completion as included in the application instructions. The Corporation requires an application submission fee of \$2,500.
4. **Application Review.**
- a. The Corporation shall accept applications on an ongoing basis. Applications must be submitted at least 35 days prior to the Corporation's Board meeting at which it may be considered for an Inducement Resolution. The Corporation shall bring before the Board only those applications received in a timely manner that have completed the review process.
 - b. The Corporation may delay the presentation of an application to the Board if there are errors, omissions or insufficient documentation that the Corporation deems necessary to complete its review. If an application fails to fulfill the minimum threshold criteria for the 501(c)(3) Bond Program the application may be terminated by the Corporation.
5. **Threshold Criteria.** All applications submitted to the Corporation shall be required to meet the following minimum Threshold Criteria ("Threshold Criteria") in order to be considered for an award of bonds by the Corporation. Applications not meeting the criteria listed below shall 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

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receiving an allocation of 501(c)3 bonds shall agree to the following minimum terms and conditions through a Regulatory Agreement. At a minimum, all Developments will be required to meet the following income and rent restrictions:

- A. A minimum of twenty percent (20%) of the units 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 must be affordable to households with incomes at or below sixty percent (60%) of the AMI, adjusted for family size; and
 - B. At least seventy-five (75%) of the units must be rents to households earning 80% of below the AMI, adjusted for family size, and in accordance with Section 145 of the Internal Revenue Service Code.
 - C. Rent Restrictions. Gross monthly rent charged on an income restricted unit will not exceed 30% of the applicable AMI.
- ii. The length of Affordability Requirements shall be maintained for a period of at least 15 years, or for the term of the bonds, which ever is longer.
- b. *Experience Threshold.* All Developers must be able to demonstrate sufficient experience in the development, ownership and/or management of affordable housing developments in order to be considered for an allocation. Developers shall 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.
 - c. *Construction Threshold.* Developments must adhere to all construction, energy efficiency, accessibility and site development standards set by and approved under the most current Housing Tax Credit Qualified Allocation Plan (“QAP”) as approved and signed by the Governor of Texas. The Corporation’s Board reserves the right to set standards more stringent than the QAP, and Developers are encouraged to review both this Policy and the QAP for any differences.
 - d. *Compliance Threshold.* All Developments must adhere to the Corporation’s Compliance Policies, which can be viewed on our website at: www.tsahc.org. Developers and their affiliates shall also be reviewed for compliance history with the Corporation’s and any other state or federal affordable housing programs. The Corporation shall require the submission of compliance information and references in order to research a Developer’s compliance history. Developers may be disqualified if there is any evidence of continuing noncompliance at the Developer’s other Developments.
 - e. *Public Benefit Threshold.* 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

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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 that the value of any property tax exemption 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, or may be included on the operating ledger as an account payable with QPB expenditures credited against the balance. On or before January 1st of each calendar year starting after the closing of the bonds, the Developer shall provide to the Corporation an estimate of the value of property tax exemption for that calendar year based on the appraised value provided to the Development by the county tax appraiser where the Development is located. The balance of funds to be escrowed, or credited in the QPB Account may be reduced each month in an amount equal to the value of QPB expended by the Development each month. In the event that 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 shall 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 shall be calculated in the following manner:
 - A. The value of rent reductions shall 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. 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 shall 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 shall not include regular maintenance, general repairs, or make ready costs associated with the daily operations of the Development, or any rehabilitation completed by the Developer with the use of bond proceeds, deferred developer fees, grants, or other “equity-type” sources provided to the Development. The Development may include the cost of approved capital improvements paid for with proceeds from 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

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shall 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 QBP requirement.

- C. The value of social, educational, or economic development services shall be determined based on the actual dollar amount expended by the Development towards such services at the time such services are provide to residents. The Development may only include the cost of services approved by the Corporation and shall not include the value or cost of services provided to residents free of cost by third party entities.
- iii. The Corporation shall 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.
- f. *Resident Services Threshold.* The Corporation strives to maintain one of the nation's best resident services programs in properties that are financed by the Corporation. To obtain this goal and better serve low-income tenants, Developers shall be required to maintain a sustained resident services program that provides at least five (5) approved services to tenants on a quarterly basis. Developers must ensure a dedicated budget for services, free transportation to services if off-site, and preferably on-site staff to direct services. The five (5) services must be listed in the Corporation's Resident Services Program Guidelines, as approved by the Corporation.
- g. *Energy Efficiency Threshold.* All Developments must adhere to the standard statewide energy code adopted by the State Energy Conservation Office ("SECO"), unless otherwise exempted by approval of the Corporation's Board. Developments including either new construction or rehabilitation shall meet these standards. Developers may obtain additional information regarding these standards directly from SECO's website: <http://www.seco.cpa.state.tx.us/>. This threshold must be certified to by the Development architect, consulting engineer, or other third party energy efficiency consultant, prior to closing and based upon a review of the construction specifications or scope of work provided by the Development's general contractor. Additional incentives for Green Building methods and energy efficiency are included as scoring items.
- h. *Environmental Review Threshold.* Prior to the sale of the obligations, the Developer will be required to conduct a Phase I Environmental Site Assessment. At bond closing, the Developer will be required to provide an environmental indemnity in the form to be provided by counsel to the Corporation.
- i. *Relocation Threshold.* All Developments involving the rehabilitation, reconstruction or demolition of existing housing must adhere to the relocation requirements of the 2009 QAP. Developers are encouraged to review these requirements, especially as they may relate to a change in use for commercial or agricultural properties.
- j. *Accessibility Threshold.* All Developments shall be designed, built and rehabilitated in a manner that is consistent with the accessibility requirements of the Federal Fair Housing Accessibility Standards, and §2306.514 of the Texas Government Code. Developers are encouraged to review these guidelines with their architect and/or construction team prior to

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application submission. Developments involving rehabilitation or reconstruction must include the specifications and cost of updating accessibility features in their development cost summary.

- k. *Unit Amenities Threshold.* All housing Developments must adhere to the standard unit and Development amenity requirements of the 2009 QAP.
- l. *Community Support Threshold.* Developers are encouraged to collect community input on their Development proposals. Any letter of support or opposition shall be provided to the Corporation as they are received. Developers shall submit with their application two (2) of the following documents in order to demonstrate community support for each proposed Development:
 - i. A letter of Support from one or more of the following: Mayor; City Manager; City Administrator; Superintendent of Schools; or County Judge, from where the development is located;
 - ii. A resolution of support from the City Council, Local School Board or County Commissioner's Court;
 - iii. A letter of support from an affected neighborhood association;
 - 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.
- m. *Underwriting Threshold.* The Corporation shall require third party reports, including, but not limited to, Property Condition Assessments, Environmental Reports, Market Analysis and Appraisals, as necessary to complete its underwriting review. The Corporation shall determine the financial feasibility of Developments using financial ratios and analysis techniques acceptable to the Corporation including the following minimum requirements:
 - i. All Developments must maintain a minimum Debt Coverage Ratio ("DCR") of 1.20. HOPE VI and USDA Rural Development transactions may underwrite to a DCR less than 1.15 based upon documentation provided by HUD or USDA;
 - ii. The Corporation generally requires an amortization period of not more than 40 years. The Corporation may consider longer amortization schedules for Supportive Housing and extremely low-income housing Developments;
 - iii. The Corporation shall include a reserve of replacement expense of not less than \$300 per unit. The Corporation may require a higher reserve amount based on information provided in the Property Condition Assessment (the "PCA");
 - iv. Compliance fees shall be included in the estimate of operating expenses and shall include, at a minimum, the Corporation's Asset Oversight Agent Fee and Compliance Fee, as well as any fees required by other financial sources; and

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- v. The Development's financial structure must include equity investments, grants, or other forms of financial equity that are equivalent to at least 15% of the total Development costs or value, as calculated by the Corporation.
 - n. *Property Tax Exemption.* Developers shall certify that they will, or will not, apply for a property tax exemption or payment in lieu of taxes agreement ("PILOT") 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 shall require a restriction be added to the bond documents that prohibits any future application for exemption. If a Developer states that they will or may apply for a tax exemption or PILOT agreement, the Corporation shall 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. In addition, all of the QPB requirements must be met.
6. **Scoring.** The Corporation's Board has adopted the following criteria to score applications to the 501(c)(3) bond program. The Corporation's scoring system is not intended to rank applicants for competitive purposes, rather it is intended to advance certain Development standards and policy initiatives. Developers may choose any combination of scoring items in order to achieve a score of at least 45 points. Forty-Five (45) points is the minimum score required in order to be considered for an inducement.
- a. *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 will be required to reserve units for the selected income groups regardless of the availability of rental assistance.
 - i. 15 points – at least 10% of units will be reserved for families who earn 30% or less than the area median income; or
 - ii. 10 points – at least 40% of units will be reserved for families who earn 50% or less than the area median income.
 - b. *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 shall receive 15 points:
 - i. Not more than 80% of the housing units will be reserved for persons earning 60% or less than the area median income; and
 - ii. At least 10% of the housing units will be reserved for persons earning more than 80% of the area median income.
 - c. *High Income Areas.* Applications shall receive 10 points for proposing Developments located in a census tract that has a median income at least 110% of the County's median income.
 - d. *Small and Mid-sized Cities.* Applications shall receive 10 points for developments located in communities with populations less than 100,000, but not located adjacent to a PMSA or MSA with a total population of more than 250,000.
 - e. *At-Risk Preservation.* Applications shall receive 10 points for the acquisition and rehabilitation of Developments at-risk of losing affordable housing rental contracts or land use

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- restrictions. Developments must demonstrate that the current LURA or Regulatory Agreement is within 2 years of expiration.
- f. *Supportive Housing.* Applications shall receive 10 points for reserving at least 15% of their units for Supportive Housing, as defined by this Policy.
 - g. *Green Building Features.* Applications will receive 10 points for obtaining a certification from a qualified third party that the Development meets the minimum certification requirement of the U.S. Green Building Council's LEED ("LEED") program. 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. Certification may be based on the proposed construction plans, and the Development shall obtain an official certification after completion of construction or rehabilitation.
 - h. *Accessible Housing Features.* Applications will receive 10 points for certifying that the Development will meet the following housing accessibility standards. Rehabilitation Developments are not exempt from meeting these requirements, if the scoring item is selected:
 - i. All housing units accessible through a ground floor entrance shall have at least one no-step entry with a 36" entrance door;
 - ii. All housing and community spaces will be accessible via pathways (sidewalks, ramps, etc...) that meet ADA and Fair Housing accessibility standards;
 - iii. All door ways (including closets, bathrooms, storage areas, etc...) shall have doors with at least a 32 inch clear opening;
 - iv. All doors shall have lever handles, and windows shall have accessible release and opening mechanisms;
 - v. All ground floor units shall have at least one ground floor bathroom with an accessible bath tub or roll in shower, and at least one ground floor bedroom;
 - vi. All electrical outlets, switches and control panels shall be no higher than 48 inches and no lower than 15 inches; and
 - vii. All ground floor units shall have kitchens that are accessible pursuant to the Fair Housing Accessibility Guidelines.
 - i. *Local Public Funding.* Applications shall receive 10 points for providing evidence that a commitment of financial support, equal to at least \$100 per unit, has been committed by a unit of government to the proposed Development. The only qualifying units of government shall be counties, cities, municipal utility districts, and councils of government. The Corporation considers fee waivers, grants and loans as financial support.
 - j. *Resident Services.* Applications shall receive 10 points for agreeing to provide at least five (5) approved resident services to tenants on a monthly basis. This scoring criterion is a higher standard than the Corporation's threshold criteria for resident services.

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- k. *Developer Experience.* Applications shall 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.
- 7. **Subsequent Filing Requirements.** Prior to final approval of the Bonds by the Corporation's Board or the Texas Bond Review Board, Developers may be required to file such additional documents or statements in support of their Development, as 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 Financial Advisor, Bond Counsel, or Issuer's Counsel;
 - b. A draft of any official statement, prospectus, or other offering memoranda through the use of which the proposed obligations are to be offered, sold or placed with a lender, purchaser, or investor, which offering, sale or placement materials shall contain prominent disclosure substantially to the effect that;
 - i. Neither the Corporation nor the State has undertaken to review or has assumed any responsibility for the matters contained therein except solely as to matters relating to the Corporation and to a description of the obligations being offered thereby;
 - ii. All findings and determinations by the Corporation and the State, respectively, are and have been made by each for its own internal uses and purposes in performing its duties under the legislation enabling the Corporation and this Policy;
 - 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 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.
- 8. **Public Hearings and Meetings.**
 - a. The Corporation's Board, at its own discretion, may call any Developer to a scheduled meeting to review the Developer's experience, qualifications, and/or the characteristics of a Development.
 - b. The Corporation requires Developers to attend a public hearing in each of the communities where a Development is proposed. If the Development includes multiple sites in several cities, the Corporation may require an additional hearing to be conducted at a central location to all development sites. All public hearings shall be held prior to the final approval of the Bond Resolution by the Corporation's Board.
 - c. With respect to public hearings required by the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), the Corporation shall plan and publish notice, at the expense of the Developer, of the hearing in the *Texas Register* and the local newspapers of general circulation

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in the participating jurisdictions at least fifteen (15) days prior to the planned TEFRA hearing. The *Texas Register* is published only on Fridays and such notice must be provided in advance pursuant to the requirements of the *Texas Register* guidelines. The Corporation will schedule an appropriate date, time and location for TEFRA hearings based on the schedule of publication.

- d. The TEFRA Hearing may not be held (and notice of such Hearing may not be published) prior to the date the Corporation approves the Inducement Resolution; provided, however, that such hearings may be scheduled and publication of the hearing notice may be prepared prior to selection as long as (a) the Corporation's staff determines that such action is appropriate, (b) the hearing and publication of notice do not actually occur until after selection by the Corporation and (c) the Borrower provides the deposit to the Corporation set forth herein.
- e. The Corporation also provides notice of TEFRA hearing(s) to certain members of the Texas Legislature, local public libraries, homeowners' associations or other recognized neighborhood organizations or groups, and other interested parties designated by the Corporation. The Corporation will publish on its website a hearing information form (the "Hearing Information Form"), which must be completed at least seven (7) days prior to the date notice must be provided to the *Texas Register*. The Corporation will not publish notice of a public hearing until it has received the Hearing Information Form, which shall include the following information from the Developer:
 - i. The names and addresses of any affected homeowners' associations; and
 - ii. The names of the state legislators, city council members, Mayor, County commissioners, County Judge, School District Superintendent and School Board President, in whose district or precinct (as applicable) the Development(s) are located. Failure to timely provide this information to the Corporation may result in a delay in public notice and accordingly, a delay in the closing of the financing for the Development.

9. Awards.

- a. The Corporation's Board may select Developers for an inducement of 501(c)(3) bonds based on the results of threshold and scoring criteria review from an application and oral presentations. The Corporation reserves the right not to approve any inducement of 501(c)(3) bonds to any Developer(s), even one that fulfills the Corporation's threshold and scoring criteria.
- b. 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 allocation of 501(c)(3) bonds is subject to final allocation approval by the Texas Bond Review Board.

10. Bond Review Board Approval.

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- a. Obligations issued by the Corporation are subject to approval by the Texas Bond Review Board (the "TBRB"). TBRB rules provide an optional exemption from the formal approval process for Texas State Affordable Housing Corporation multifamily conduit transactions unless such transactions involve an ad valorem tax reduction or exemption. If no ad valorem tax exemption or reduction is requested with respect to the Development, the formal TBRB approval process may not be required. However, if one or more TBRB members request it, the formal TBRB approval process must be followed. If so, representatives of the Developer are expected to attend any TBRB planning session and any TBRB meeting at which the Development will be considered for approval. Additional information may be requested by TBRB members and the Developer's cooperation in providing this information is required.
 - b. If the formal TBRB approval process is required, the Corporation, with the assistance of its Bond Counsel, will prepare and file the notice of intent and the TBRB Application for the Development. The Corporation will file the notice of intent and the TBRB Application with the TBRB only if it has timely received all required information and documentation for the completion of the TBRB Application from the Developer.
11. **Fees.** Developers shall be responsible for fees and expenses incurred as a result of bonds issued on their behalf (the "Cost of Issuance"). Up to two percent (2%) of the Cost of Issuance may be financed through bond proceeds and will be considered part of the obligations authorized for issuance by the Corporation, where eligible under the Code. Developers shall commit to pay from other sources any Costs of Issuance not payable from tax-exempt bond proceeds. The following fees are payable at the times and in the amounts as described below. ALL FEES ARE NONREFUNDABLE, EXCEPT AS OTHERWISE PROVIDED HEREIN.
- a. *Application Fee.* Developers shall submit a nonrefundable fee of \$2,500, made payable to the Corporation, upon submission of the Application.
 - b. *Inducement Fee.* Developers shall pay a deposit of \$7,500, and an additional \$1,000 for each property for Developments involving more than one (1) site, to cover expenses related to public hearings and application to the Texas Bond Review Board, within ten (10) 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 may be requested by the Corporation.
 - c. *Professional Fee Deposit.* After inducement and prior to the submission of the application for 501(c)(3) bonds to the Texas Bond Review Board, Developers shall make a deposit with the Corporation which shall be credited against fees and expenses incurred by Bond Counsel, the Financial Advisor and Issuer's Counsel in connection with the proposed financing. Such deposit shall be \$27,500, which represents a \$12,500 deposit for Bond Counsel fees, a \$10,000 deposit for Financial Advisor's fees, and a \$5,000 deposit for Issuer's Counsel fees. All fees and expenses incurred by Bond Counsel, the Financial Advisor and Issuer's Counsel in connection with the Developer's transaction shall be deducted from such deposit whether or not the obligations are issued. If the accrued fees and expenses of Bond Counsel, the Financial Advisor and/or Issuer's Counsel exceed the amount of such initial deposit, the Corporation may require the Developer to submit an additional deposit payment.

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- d. *Corporation Expenses.* Developers shall reimburse the Corporation for all costs and expenditures incurred by the Corporation, prior to and after the selection of the Development by the Board, to analyze the appropriateness and willingness of the Corporation to provide bond financing for the Developer's transaction, including, but not limited to, the reimbursement of costs and expenditures for (i) on-site visitation of multifamily residential developments to be financed (or the site[s] therefor), (ii) any reports deemed necessary or appropriate by the Corporation and not otherwise provided by the Developer, (iii) all costs and expenses (including travel and related expenses) of conducting public hearings and related meetings (described herein) and (iv) such other activities, inspections and investigations as are deemed necessary or appropriate by the Corporation in connection with its determination of the suitability of the Proposed Development for financing assistance to be offered by the Corporation. The Corporation will invoice the Developer for such costs and expenditures, and the Developer shall pay such invoices within ten (10) days of receipt. Failure to make prompt payment of such invoices may result in a termination of the participation of the Corporation and its consultants in the financing.
- e. *Financial Advisor Fees.* The fee to be paid to the Corporation's Financial Advisor, acting in a standard Financial Advisor role, shall be 1) for the first \$15,000,000 of bond principal, the fee shall be \$10,000 plus \$2.00/\$1,000 of the principal amount of debt issued with a minimum fee of \$20,000 (unless otherwise agreed to by the Corporation's Financial Advisor) and 2) for amounts above \$15,000,000 the fee shall be reduced to \$1.00/1000 for that amount over \$15,000,000. In addition, the Corporation's Financial Adviser shall also serve as the bidding agent for an additional fee 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 Financial 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 Financial Advisor shall be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Bond Application to the Bond Review Board.
- f. *Bond Counsel Fees.* The fee to be paid to Bond Counsel, acting in a standard Bond Counsel role, shall be \$4/\$1,000 of the principal amount of debt issued for the first \$20,000,000 of the principal amount of debt issued, \$3/\$1,000 of the principal amount of debt issued for the next \$20,000,000 of the principal amount of debt issued, and \$2/\$1,000 of the principal amount of debt issued thereafter, with a minimum fee of \$30,000 (unless otherwise agreed to by Bond Counsel). If the financing structure proposed by the Developer requires non-standard services to be performed by Bond Counsel or involves unique financing features including, but not limited to, multiple sites or complexes in a project, extreme credit quality concerns, hedge agreements, swap agreements, or trust structures the fees to be charged by Bond Counsel shall be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Bond Application to the Bond Review Board. In addition to the fees paid to Bond Counsel, the Developer will reimburse Bond Counsel for all out-of-pocket expenses incurred by Bond Counsel in connection with the Development. Such expenses include TEFRA notice publication, public hearing notices,

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Attorney General filing fees, and the preparation and filing of the TBRB Applications and supplements thereto.

- g. *Issuer's Counsel Fees.* The fee to be paid to Issuer's Counsel, acting in a standard Issuer's Counsel role, shall be \$1.00/\$1,000 of the principal amount of debt issued for the first \$10,000,000, \$0.80/\$1,000 of the principal amount of debt issued for the next \$10,000,000, and \$0.70/\$1,000 of the principal amount of debt issued thereafter, with a minimum fee of \$7,500 (unless otherwise agreed to by Issuer's Counsel.) In addition to the fees paid to Issuer's Counsel, the Developer will reimburse Issuer's Counsel for all out-of-pocket expenses incurred by Issuer's Counsel in connection with the Development. If the financing structure proposed by the Developer requires non-standard services to be performed by Issuer's Counsel or involves unique financing features including, but not limited to, multiple sites or complexes in a project, extreme credit quality concerns, hedge agreements, swap agreements, or trust structures the fees to be charged by Issuer's Counsel shall be subject to adjustment. Any such adjustment must be agreed to in writing by the Developer before the submission of the Bond Application to the Bond Review Board.
- h. *Closing Fees.* Concurrently with the closing of the financing, the Developer shall pay or cause to be paid all fees and expenses in connection with the issuance of the obligations including, Bond Counsel Fees, Financial Advisor Fees, Issuer's Counsel Fees, and the actual amount of any closing or acceptance fees of any trustee for the obligations, any fees and premiums for casualty and title insurance, any security filing costs, any fees for placing the obligations, any fees and expenses of any compliance agent appointed in connection with the review of any property, any out-of-pocket expenses incurred by professionals acting on behalf of the Corporation, and any other costs and expenses, including issuance expenses, relating to the obligations, their security, and the Development. Developers shall pay or cause to be paid a closing fee to the Texas Bond Review Board the greater of \$1,000 or 0.025% of the principal amount of the bonds certified as provided by §1372.039(a)(1), Government Code. Additionally, the Corporation shall receive a Closing Fee of \$0.50 per \$1,000 principal amount of obligations issued, with a minimum closing fee of \$5,000.
- i. *Administrative Fee.* Until the final maturity of the obligations, the Developer will pay an Administrative Fee, remitted through the respective bond trustee to the Corporation on such basis as designated by the Corporation, in an amount equal to ten (10) basis points annually 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 shall be paid at closing. The Administrative Fee is exclusive of the trustee's fee, compliance agent fee, rebate analysts' fee, asset-oversight management fee, audit fee, independent analyst fee, and any other costs or extraordinary costs as permitted under the respective bond documents. Payment of the Administrative Fee is to be covered by the bond credit enhancement and/or secured under the first mortgage on the property assigned to the bond trustee. The Corporation may require the payment of the Administrative Fee to be guaranteed by the Development owner and/or general partner(s).
- j. *Trustee's Fees.* The Developer shall select a bond trustee from a list of bond trustees approved by the Corporation to administer the funds and accounts pursuant to the trust indenture between the Corporation and the trustee bank. All trustee fees and expenses, including fees

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- of trustee's counsel, shall be approved by the Corporation, and will be paid by the Developer.
- k. *Auditor's Fees.* The Corporation may at any time over the life of the Development appoint an auditor to review the financial transactions under the bond documents, the compliance agent, and a rebate analyst to perform an analysis of rebate requirements with respect to the issue. Such fees and costs shall be paid by the Developer.
- l. *Continuing Costs.* Developers shall pay to the Corporation, in the manner described in the Development documents, the following amounts:
- i. An annual asset oversight and compliance fee of \$45 per unit for the Development (as such fee may be adjusted in accordance with the Asset Oversight Agreement). The Corporation may require the owner of the Development and/or related entities or person to guaranty the payment of these fees;
 - ii. Any amounts payable pursuant to any indemnity contract or agreement executed in connection with any financing by the Corporation completed as herein contemplated, and
 - iii. The amount allocable to each Developer (whose financing has been completed) of costs and expenses incurred by the Corporation in the administration of the indemnity contract or agreement, any program established in connection with the financing of a Development, and any obligations of the Corporation, including an annual accounting and/or audit of the financial records and affairs of the Corporation. The amount of costs or expenses paid or incurred by the Corporation under this clause shall be divided and allocated equally among all Developers whose financings have been completed.
- m. *Changes in Fees.* The Corporation reserves the right at any time to change, increase or reduce the fees payable under this Policy. All fees imposed subsequent to closing by the Corporation under this Policy will be imposed in such amounts as will provide funds, as nearly as may be practical, equal to that amount necessary to pay the administrative costs of conducting the business and affairs of the Corporation, plus reasonable reserves therefore.
- n. *Failure to Timely Pay Fees and Costs.* The Corporation will not consider submissions for future transactions proposed by Developers who are delinquent in the payment of any fees described herein.
12. **Document Preparation.** Bond Counsel shall have the primary responsibility for the preparation of the legal instruments and documents to be utilized in connection with the financing of the Development by the Corporation. No bonds or other obligations will be sold or delivered unless the legality and validity thereof have been approved by Bond Counsel. The Developer, Bond Purchaser and their respective legal counsels shall cooperate fully with Bond Counsel, the Financial Advisor, the Issuer's Counsel and the Corporation's agents in the preparation of such materials.
13. **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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14. **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.
15. **Final Approval by the Corporation.** The Corporation's Board shall 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 shall 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 Policy 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 Policy 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.
16. **Closing of the Transaction.** Following the public hearing(s) and final approval by the Corporation and the TBRB, if necessary, the Corporation will proceed to close the financing in accordance with the documents approved by the Corporation and when finally approved by the Texas Attorney General and Bond Counsel in accordance with the terms of the sale or placement.
- a. *Structure of Bond Sale.* Developers shall be responsible for determining the structures of the sale of bonds, but are encouraged to contact the Corporation's Financial Advisor for information regarding Bond transactions in Texas. Developers are required to execute an agreement in connection with awarding the sale of the Corporation's obligations to an underwriter or to an institutional purchaser through a private placement that obligates the Developer to the payment of the costs of issuing such obligations as more fully described herein.
 - b. *Public Sale Requirements.* Bonds to be sold publicly, whether by competitive bid or negotiated sale, shall have and be required to maintain a debt rating the equivalent of at least an "AA" rating assigned to long-term obligations by a nationally recognized rating agency acceptable to the Corporation. If the Bond Rating is based upon a credit enhancement agreement provided by an institution other than the Developer or Development Owner, the form and substance of the credit enhancement must be approved by the Corporation and its Financial Advisor, and through the Bond Resolution, approved by the Corporation's Board. Remedies relating to failure to maintain appropriate credit ratings shall be provided in the financing documents relating to the Development.
 - c. Obligations with an investment grade rating of "AA" or higher may be in minimum denominations of \$5,000, if any. For the Corporation to approve transactions that are rated "A-" (or its equivalent) or higher but less than "AA," the obligations must be sold in minimum initial denominations of \$100,000 and in integrated multiples of any amount for amounts in excess of \$100,000.

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- d. *Limited Offering Requirements.* If the obligations do not have an investment grade rating of “A-” (or its equivalent) or higher, the Corporation will consider such obligations to be non-rated for purposes of this subsection. The Corporation may require that the obligations be rated or permit, at its sole discretion, the issuance of the obligations without a rating. The Corporation requires that non-rated obligations 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) if they are sold to QIBs or Institutional Accredited Investors, the obligations must be issued in minimum denominations of not less than \$250,000 and integral multiples of any amount in excess thereof, (iii) at such time as the bond financing is presented to the Corporation for final approval, the Developer (or placement agent, if applicable) must (a) identify the Purchaser of the obligations and (b) 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) there shall be no offering statement of the Corporation, or 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, 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 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.
- e. Any variation to the requirements set forth above must be requested in writing by the Developer and must be approved by the Corporation, and be acceptable to the Bond Counsel, Financial Advisor, and Issuer’s Counsel.
- f. *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 detail until the Board has given final approvals for the issuance thereof under this Policy, and then subject to the governmental approvals required by this Policy and the approval of the Attorney

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General of the State of Texas, the approval of Bond Counsel and subject to any requirements imposed by the Corporation's Articles of Incorporation.

- g. *Offering Statement.* No Developer, or any representative of the Developer or the Corporation, shall ever make any representation, directly or indirectly, express or implied, of any fact contrary to the disclosures required to be made by this Policy.
 - h. *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.
17. **Failure to Comply with this Policy.** 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 Corporation's requirements or is delinquent in the payment of any fees or costs with respect to such previously issued obligations of the Corporation.
18. **OTHER REQUIREMENTS.** THE CORPORATION MAY IMPOSE ADDITIONAL OR DIFFERENT REQUIREMENTS ON A DEVELOPER THAN THOSE PROVIDED IN THIS POLICY IN THE EVENT THAT THESE ADDITIONAL OR DIFFERENT REQUIREMENTS BECOME NECESSARY TO PROVIDE THE BEST OPPORTUNITY FOR APPROVAL BY THE CORPORATION'S BOARD OF DIRECTORS AND/OR THE TEXAS BOND REVIEW BOARD.



Developer Financing Programs Oct. 10, 2008

Agenda Item:

Presentation, Discussion and Possible Approval of the Publication for Public Comment Policies Governing Refunding and Restructuring of Multifamily Mortgage Revenue Bonds.

Background:

In response to the growing number of requests to the Corporation to refund and restructure previous issuance of multifamily revenue bonds has prompted staff to develop the attached policy to assist us in managing the process of review and approval of future agreements. The attached policy also provides guidance on developing an application process, collection of fees to cover the Corporation's expenses and clarity to the threshold standards required of all applications.

Staff Recommendation:

Staff recommends that the Board approve the publication for public comment the attached policies governing refunding and restructuring of multifamily mortgage revenue bonds.

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Draft - Bond Refunding and Restructuring Policy

1. **Introduction.** The Texas State Affordable Housing Corporation (the “Corporation”) is a state sponsored nonprofit corporation that serves the housing needs of low, very low and extremely low-income Texans and other underserved populations who do not have comparable housing options through conventional financial channels. In fulfilling this mission the Corporation has used its powers to issue tax exempt bonds for the purpose of creating or preserving affordable multifamily rental housing (“Development”). From time to time, the Corporation has found it necessary to assist bondholders and Development owners in the process of Refunding or Restructuring, as defined herein, these Developments to ensure the long-term feasibility and preservation of affordable housing assets. To that end, the Corporation is publishing this policy (“Policy”) for the purpose of clarifying the Corporation’s management and role in Refunding and Restructuring Developments.
2. **Definitions.**
 - a. *Refunding.* The issuance of bond proceeds in order to pay the principal, interest, or redemption price on a prior series of bonds issued by the Corporation, as well as the issuance cost, accrued interest, capitalized interest on the prior issue, a reserve or replacement fund, or similar cost, if any, properly allocable to that prior issue.
 - b. *Restructuring.* The process of negotiating changes to any agreements related to a prior series of bonds issued by the Corporation, with the intent to reduce debt service, defer interest payments, or any other change that would limit the risk of default or foreclosure upon the prior issue by the bond holder, limited partners or any other associated party. The Corporation shall also consider renegotiations of compliance and asset oversight agreements, payments in lieu of taxes agreements, or any other agreement associated with a prior issue as a Restructuring.
3. **Processing of Requests.** Developers that request that the Corporation issue new bonds shall be required to fulfill all of the application procedures required by the appropriate bond policy or request for proposals (“RFP”) in effect at the time of the request. Developers that do not request that the Corporation issue new bonds shall submit the Corporation’s application package for Refunding and Restructuring. The Corporation shall make available an application package available to Developers upon request. Developers shall be responsible for submitting a complete application pursuant to the guidelines included in the application. All applications must be submitted at least 28 days prior to the Corporation’s meeting of the Board at which the application may be considered for approval. The Corporation shall bring before the Board only those applications received in a timely manner. 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 make its recommendation to the Board.
4. **Threshold and Scoring Requirements.** Applications that require the Corporation to issue new bonds shall be required to fulfill all of the Threshold Requirements of the appropriate bond policy or RFP with the exception of the following items:

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Draft - Bond Refunding and Restructuring Policy

- a. For applications involving 501(c)(3) bonds the following sections are excluded: §5(b) Experience Threshold; §5(g) Energy Efficiency Threshold; §5(k) Unit Amenities Threshold; §5(l) Community Support Threshold; and §6 Scoring.
 - b. For applications involving Private Activity Bonds the following sections are excluded: §2 Targeted Housing Needs; §5(f) Energy Efficiency Threshold; §5(j) Unit Amenities Threshold; §5(k) Community Support Threshold; and §6 Scoring.
5. **Fees.** Applications that require the Corporation to issue new bonds shall be required submit all fees, deposits and other expenses in accordance with the appropriate bond policy or RFP. Applications that do not require the Corporation to issue new bonds shall submit the following fees, deposits and reimbursements:
 - a. The Developer shall submit an application fee of \$5,000 with their completed application.
 - b. The Developer shall submit a deposit against professional fees in the amount of \$7,500 with their completed application.
 - c. The Developer shall notified prior to the Corporation's approval of a Refunding or Restructuring application of the total amount of Professional Fees to be charges and the method of their calculation.
 - d. The Developer shall make payment of a Closing Fee to the Corporation at execution of any final agreement in an amount determined reasonable by the Corporation.
 - e. The Developer and Developer's principals shall guarantee the payment of all expenses and fees for the Corporation, and its Bond Counsel, Financial Advisor and Issuer's Counsel.
6. **Changes in Fees.** The Corporation reserves the right at any time to change, increase or reduce the fees payable under this Policy. All fees imposed subsequent to closing by the Corporation under this Policy 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.
7. **Final Approval by the Corporation.** The Corporation's Board shall consider final action on the Bonds after the completion any public hearings and upon recommendation by the Corporation's staff. If approved, the Board shall adopt a resolution, in such form as is recommended by Bond Counsel, authorizing the Refunding or Restructuring 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 Policy 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 Policy have either been satisfied or waived and are in form and substance satisfactory to the Board; and

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Draft - Bond Refunding and Restructuring Policy

- 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.
8. **OTHER REQUIREMENTS.** THE CORPORATION MAY IMPOSE ADDITIONAL OR DIFFERENT REQUIREMENTS ON A DEVELOPER THAN THOSE PROVIDED IN THIS POLICY IN THE EVENT THAT THESE ADDITIONAL OR DIFFERENT REQUIREMENTS BECOME NECESSARY TO PROVIDE THE BEST OPPORTUNITY FOR APPROVAL BY THE CORPORATION'S BOARD OF DIRECTORS AND/OR THE TEXAS BOND REVIEW BOARD.

Tab 8

Presentation, Discussion and Possible Approval of Application for Participation in the Texas Short Term Asset Reserve Program (TexSTAR).

Resolution to be provided at the meeting.