

# **Texas Department of Housing and Community Affairs**



## **Board Book**

**Thursday, February 6, 2025**

**10:00 AM**

**UT Thompson Conference Center**

**2405 Robert Dedman Drive**

**Room 1.110**

**Austin, TX 78712**

## **Governing Board**

*Leo Vasquez III, Chair*

*Kenny Marchant, Vice-Chair*

*Ajay Thomas, Member*

*Anna Maria Farias, Member*

*Holland Harper, Member*

*Cindy Conroy, Member*

**Texas Department of Housing and Community Affairs**  
**Programmatic Impact Fiscal Year 2025**

**CY 25 9% LIHTC Program**

- Total Pre-Applications Rec'd: 235
- Total Market Rate Units Proposed: 852
- Total Low-Income Units Proposed: 18,390
- Total HTCs Requested: \$379,713,107

*Construction Type:*

- Total Proposed New Construction Projects: 201
- Total Proposed Reconstruction Projects: 7
- Total Proposed Rehab Projects: 27

**CY 25 4% LIHTC Program**

**Active or Approved Applications:**

- Total Applications: 34
- Total Units Proposed: 7,254

**Closed Applications:**

- Total Applications: 0
- Number of Low-Income Units Proposed: 0

*Construction Type*

- Total Proposed New Construction Projects: 0
- Total Proposed Rehab/Reconstruction Projects: 0

**Owner Financing and Down Payment**

- 30-year, fixed interest rate mortgage loans
- Mortgage credit certificates
- Down payment, closing cost assistance
- Homebuyer education

*Programs:*

- Single Family Homeownership

Expended Funds:           \$248,244,341  
Total Households Served:   1,058

**Energy Related Assistance**

- Utility bill payment assistance
- Energy consumption education
- Weatherization for energy efficiency

*Programs:*

- Comprehensive Energy Assistance Program (CEAP)
- Weatherization Assistance Program (WAP)

Expended CEAP Funds:       \$36,246,063  
Total Households Served:   26,124

**Homelessness Services**

- Shelter building rehabilitation, conversion, operations
- Essential services e.g., health services, transportation, job training, employment services

*Programs:*

- Emergency Solutions Grant Program (ESG)
- Homeless Housing and Services Program (HHSP)

Expended Funds:           \$1,478,989  
Total Individuals Served:   6,367

**Rental Assistance**

- Short, long term rent payment help
- Assistance linked with services, Transitional assistance

*Programs:*

- Tenant-Based Rental Assistance (TBRA)
- Section 8 Housing Choice Vouchers
- Section 811

Expended Funds:           \$6,069,975  
Total Households Served:   1,984

**Owner Rehabilitation Assistance**

- Home rehabilitation, reconstruction
- Manufactured housing unit replacement
- Accessibility modifications e.g., ramp, grab bar installation

*Programs:*

- Homeowner Reconstruction Assistance Program (HRA)\*
- Amy Young Barrier Removal Program Expended

Funds:                       \$2,470,576  
Total Households Served:   34

**Supportive Services**

Provides administrative support for essential services for low-income individuals through Community Action Agencies

*Program:*

- Community Services Block Grant Program (CSBG)

Expended Funds:           \$8,532,163  
Total Individuals Served:   42,779

**Single Family Development**

- Single family development, reconstruction, rehabilitation
- NSP, Do-it-yourself, "sweat equity" construction (bootstrap), rehabilitation, Contract for Deed refinance

*Programs:*

- Single Family Development Program (SFD)\*
- Contract for Deed (CFD)

Expended Funds:           \$544,500  
Total Households Served:   11

**Total Expended Funds: \$331,747,146**

**Total Households Served: 81,165**

All FY2025 data as reported in TDHCA's 2025 performance measures.

*Note: Some households may have been served by more than one TDHCA program. For some programs, allocation is used as a proxy for expenditures. Because of timing of funds request, the funds expended for the quarter may be readjusted substantially by year end.*

**Reporting Period: 9/1/2024-11/30/2024** (4% Program figures as of 1/27/2025; 9% LIHTC Program figures as of 1/13/2025)

\* Administered through the federally funded HOME Investment Partnerships Program

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

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

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

**CONSENT AGENDA**

Items on the Consent Agenda may be removed at the request of any Board member and considered at another appropriate time on this agenda. Placement on the Consent Agenda does not limit the possibility of any presentation, discussion or approval at this meeting. Under no circumstances does the Consent Agenda alter any requirements under Chapter 551 of the Tex. Gov't Code, Texas Open Meetings Act. Action may be taken on any item on this agenda, regardless of how designated.

**EXECUTIVE**

1. Presentation, discussion, and possible action on the Board meeting minutes summary for January 16, 2025 Beau Eccles

**COMMUNITY AFFAIRS**

2. Presentation, discussion, and possible action on approval of the draft 2025 U.S. Department of Energy Weatherization Assistance Program state plan for public comment Gavin Reid

**HOME-ARP**

3. Presentation, discussion, and possible action regarding a waiver relating to the applicability of a local Public Housing Authority Utility Allowance for Lapiz Flats HOME American Rescue Plan Application 23712 Naomi Cantu

**LEGAL**

4. Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Elmwood Apartments (HTC 12045 / HOME 1001679 / CMTS 1130), Cottonwood Apartments (HTC 12048 / HOME 1001677 / CMTS 544), and Oakwood Apartments (HTC 11082 / HOME 1001591 / CMTS 1304) Sascha Stremmler

**POLICY & PUBLIC AFFAIRS**

5. TDHCA Annual Performance Measure Report - First quarter, Fiscal Year 2025 Michael Lyttle

**RULES**

- |    |  |                |
|----|--|----------------|
| 6. | Presentation, discussion, and possible action on an order proposing the repeal of sections 10 TAC §7.34 and §7.36, and an order proposing new sections at §7.34 and §7.36, and directing their publication for public comment in the Texas Register. | Rosy Falcon    |
| 7. | Presentation, discussion, and possible action on order adopting the repeal and new 10 TAC Chapter 23, Single Family HOME Program, and directing its publication in the Texas Register  | Abigail Versyp |

**CONSENT AGENDA REPORT ITEMS**

- |     |   |                |
|-----|---|----------------|
| 8.  | Media Analysis and Outreach Report, December 2024   | Michael Lyttle |
| 9.  | Report on the Department's 1st Quarter Investment Report in accordance with the Public Funds Investment Act | Joe Guevara    |
| 10. | Report on the Department's 1st Quarter Investment Report relating to funds held under Bond Trust Indentures | Scott Fletcher |

**ACTION ITEMS**

Executive Session: the Chair may call an Executive Session at this point in the agenda in accordance with the below-cited provisions

**EXECUTIVE**

- |     |   |                            |
|-----|---|----------------------------|
| 11. | Executive Director's Report   | Bobby Wilkinson            |
| 12. | Presentation, discussion, and possible action on the election of Governing Board Officers for the upcoming biennium pursuant to Tex. Gov't Code §2306.030 | Leo Vasquez<br>Chairperson |

**FUNDING ANNOUNCEMENTS AND AWARDS**

- |     |   |               |
|-----|---|---------------|
| 13. | Presentation, discussion, and possible action on State Fiscal Year 2025 Youth and Young Adult Homeless Program Awards, including a request to waive 10 TAC §7.6(a)  | Rosy Falcon   |
| 14. | Presentation, discussion, and possible action on a loan approval and a request for return and reallocation of tax credits under 10 TAC §11.6(5) related to Credit Returns Resulting from Force Majeure Events for Riverview Manor   | Cody Campbell |
| 15. | Presentation, discussion, and possible action on a loan approval and a request for return and reallocation of tax credits under 10 TAC §11.6(5) related to Credit Returns Resulting from Force Majeure Events for Trailside Estates | Cody Campbell |



- |     |   |               |
|-----|---|---------------|
| 16. | Presentation, discussion, and possible action on a loan approval and a request for return and reallocation of tax credits under 10 TAC §11.6(5) related to Credit Returns Resulting from Force Majeure Events for Parkside on Carrier | Cody Campbell |
| 17. | Presentation, discussion, and possible action on a loan approval for Sweetwater Station   | Connor Jones  |
| 18. | Presentation, discussion, and possible action on a loan approval for Estacado Estates   | Connor Jones  |
| 19. | Presentation, discussion, and possible action on a loan approval for FishPond at Walker   | Connor Jones  |

**ASSET MANAGEMENT**

- |     |  |                  |
|-----|--|------------------|
| 20. | Presentation, discussion, and possible action regarding approval of a Multifamily Direct Loan assumption and modification for Seville Row Apartments (TCAP #13090009754) | Rosalio Banuelos |
|-----|--|------------------|

**PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS**

The Board may go into Executive Session Pursuant to Tex. Gov't Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee;

Pursuant to Tex. Gov't Code §551.071(1) to seek the advice of its attorney about pending or contemplated litigation or a settlement offer;

Pursuant to Tex. Gov't Code §551.071(2) for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't Code Chapter 551; including seeking legal advice in connection with a posted agenda item;

Pursuant to Tex. Gov't Code §551.072 to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department's ability to negotiate with a third person; and/or

Pursuant to Tex. Gov't Code §2306.039(c) the Department's internal auditor, fraud prevention coordinator or ethics advisor may meet in an executive session of the Board to discuss issues related to fraud, waste or abuse.

**OPEN SESSION**

If there is an Executive Session, the Board will reconvene in Open Session. Except as specifically authorized by applicable law, the Board may not take any actions in Executive Session.

**ADJOURN**

To access this agenda and details on each agenda item in the board book, please visit our website at [www.tdhca.texas.gov](http://www.tdhca.texas.gov) or contact Michael Lyttle, 512-475-4542, TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information. If you would like to follow actions taken by the Governing Board during this meeting, please follow TDHCA account (@tdhca) on X (Twitter).

Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Nancy Dennis, at 512-475-3959 or Relay Texas at 1-800-735-2989, at least five days before the meeting so that appropriate arrangements can be made. Non-English speaking individuals who require interpreters for this meeting should contact Danielle Leath, 512-475-4606, at least five days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Danielle Leath, al siguiente número 512-475-4606 por lo menos cinco días antes de la junta para hacer los preparativos apropiados.

There is not a remote online or telephone option for public participation in this meeting, so those wishing to make public comment during the meeting must appear in person. This meeting will, however, be streamed online for public viewing.



# Texas Department of Housing and Community Affairs

## Governing Board

### Board Action Request

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**File #: 925**

**Agenda Date: 2/6/2025**

**Agenda #: 1.**

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Presentation, discussion, and possible action on the Board meeting minutes summary for January 16, 2025

### **RECOMMENDED ACTION**

Approve the Board meeting minutes summary for January 16, 2025

**RESOLVED**, that the Board meeting minutes summary for January 16, 2025, is hereby approved as presented.

**Texas Department of Housing and Community Affairs Governing Board**  
**Board Meeting Minutes Summary**  
**January 16, 2025**

On Thursday, the sixteenth day of January 2025, at 10:00 a.m., the regular meeting of the Governing Board (Board) of the Texas Department of Housing and Community Affairs (“TDHCA” or “the Department”) was held in the Dewitt C. Greer State Highway Building, Williamson Board Room, 125 E. 11<sup>th</sup> Street, Austin, Texas 78701.

The following members, constituting a quorum, were present and voting:

- Leo Vasquez, III, Chair
- Kenny Marchant, Vice Chair
- Cindy Conroy
- Anna Maria Farias
- Holland Harper
- Ajay Thomas

Mr. Vasquez served as Chair, and James “Beau” Eccles, TDHCA General Counsel, served as Secretary.

1) The Board unanimously approved the Consent Agenda (items 1, 3-8) and Consent Agenda Report Item (9) as presented, and pulled from consideration Item 2 – Presentation, discussion, and possible action regarding an increase to the Housing Tax Credit amount for Eisenhower II (HTC #19410).

2) Action Item 10 – the Executive Director’s Report – was presented by Bobby Wilkinson, TDHCA Executive Director. The Board heard the report and took no further action.

3) Action Item 11 – Presentation, discussion, and possible approval to authorize the issuance of the 2025 HOME American Rescue Plan Nonprofit Capacity Building and Operating Notice of Funding Availability and publication in the *Texas Register* – was presented by Naomi Cantu, TDHCA Director of the HOME-ARP Program, with additional information from Mr. Wilkinson. The Board unanimously adopted staff recommendation to approve issuance of the HOME-ARP NOFA.

4) Action Item 12 – Presentation, discussion, and possible action regarding the Department’s 2025-1 National Housing Trust Fund Notice of Funding Availability – was presented by Connor Jones, TDHCA Multifamily Direct Loan Program Manager. Additional information was presented by Mr. Wilkinson and Cody Campbell, TDHCA Director of Multifamily Finance. Following public comment (listed below), the Board unanimously adopted staff recommendation to approve issuance of the National Housing Trust Fund NOFA.

- Robbye Meyer, Arx Advantage, provided comments in opposition to staff recommendation

5) Action Item 13 – Presentation, discussion, and possible action on a loan approval for FishPond at Victoria – was presented by Mr. Jones with additional information from Mr. Wilkinson. The Board unanimously adopted staff recommendation to approve the loan.

6) Action Item 14 – Presentation, discussion, and possible action regarding the Issuance of Multifamily Housing Revenue Bonds (The Ridge at Loop 12) Series 2025A-1, Series 2025A-2, and Series 2025B, Resolution No. 25-013, an award of Direct Loan Funds, and a Determination Notice of Housing Tax Credits – was presented by Teresa Morales, TDHCA Director of Multifamily Bonds. The Board unanimously adopted staff recommendation to approve the issuance of bonds, the associated bond resolution, Direct Loan award, and the determination notice.

7) Action Item 15 – Presentation and discussion regarding the issuance of Texas Department of Housing and Community Affairs Residential Mortgage Revenue Bonds, Series 2025A (Non-AMT) – was presented by Scott Fletcher, TDHCA Director of Bond Finance, with additional information from Mr. Wilkinson. The Board heard the report regarding the bond issuance and took no further action.

8) Action Item 16 – Report relating to the 2024 Non-competitive 4% Housing Tax Credit Program and a preliminary 2025 Program forecast – was presented by Jonathan Galvan, TDHCA 4% Housing Tax Credit Program Manager, with additional information from Mr. Wilkinson. The Board heard the report and took no further action.

9) Action Item 17 – Presentation, discussion, and possible action on Resolution No.25-014 approving a financial advisory services agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the purposes of this resolution; and containing other provisions relating to the subject – was presented by Mr. Fletcher. The Board unanimously adopted staff recommendation to approve the resolution referenced in the item.

10) Action Item 18 – Presentation, discussion, and possible action on Resolution No. 25-015 approving a servicer oversight services agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the purposes of this resolution; and containing other provisions relating to the subject – was presented by Mr. Fletcher. The Board unanimously adopted staff recommendation to approve the resolution referenced in the item.

11) Action Item 19 – Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Application for Santa Fe Place (HTC #23178/24266) – was presented by Rosalio Banuelos, TDHCA Director of Asset Management, with additional information from Mr. Wilkinson and Mr. Eccles. Following public comment (listed below), the Board voted 5-1 (Chairman Vasquez voted nay) to table the item for 60 days.

- Michael Lyttle, TDHCA Director of External Affairs, read a letter of support for staff recommendation into the record from the Honorable Charles Perry, State Senator, Texas Senate District 28
- Kent Hance, representing Santa Fe Place, provided comments in support of staff recommendation
- Matt Gillum, Overland Property Group, provided comments on the item
- Sarah Anderson, S. Anderson Consulting and affiliated with the developer for Santa Fe Place, provided comments in support of staff recommendation

12) Action Item 20 – Presentation, discussion, and possible action on recommendation to adopt Final Orders of debarment for SRCJJC Lubbock Management LLC and associated responsible entities and individuals; THF Housing Development Corporation and associated responsible entities and individuals; The City of Lubbock Housing Initiatives and associated responsible entities and individuals, and to consider the timely filed appeals – was presented by Sascha Stremmer, TDHCA Assistant General Counsel, with additional information from Mr. Wilkinson and Mr. Eccles.

Following public comment (listed below), the Board adopted a motion to approve staff recommendation regarding the debarment of SRCJJC Lubbock Management LLC, and associated responsible entities and individuals, for a period of ten years. In the same motion the Board voted to not debar the THF Housing Development Corporation and associated responsible entities and individuals, and the City of Lubbock Housing Initiatives and associated responsible entities and individuals.

- Allison Milliorn, Texas Housing Foundation, provided comments in opposition to staff recommendation
- Mike Chapman, Lubbock Housing Authority, provided comments in opposition to staff recommendation
- Barry Palmer, Coats Rose attorney representing the Lubbock Housing Authority, provided comments in opposition to staff recommendation
- Dominic Audino, Texas Housing Foundation, provided comments on the item

13) Ms. Stremmer also presented Action Item 21 – Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning The Declan I (Bond MF007 / CMTS 2510) and The Declan II (Bond MF008 / CMTS 2509). Following public comment (listed below), the Board unanimously adopted staff recommendation regarding the agreed final order.

- Thomas Haskins, Barnes and Thornburg attorney representing the developer, provided comments on the item

14) Action Item 22 – Presentation, discussion, and possible action regarding a waiver of 10 TAC

§1.15(d) for Village Apartments – was presented by Mr. Campbell with additional information from Mr. Eccles. Following public comment (listed below), the Board unanimously adopted staff recommendation regarding the requested waiver.

- Jennifer Hicks, Tru Casa Consulting and affiliated with the developer, provided comments on the item
- Inez Russell, Friends for Life and affiliated with the developer, provided comments on the item

Except as noted otherwise, all materials presented to and reports made to the Board were approved, adopted, and accepted. These minutes constitute a summary of actions taken. A transcript of the meeting, reflecting who made motions, offered seconds, etc., questions and responses, and details of comments, is obtained by TDHCA (but may contain transcription errors), and a contemporaneous audio and video recording of the meeting was made and is retained as an official record of the meeting.

There being no further business to come before the Board, the meeting adjourned at 1:29 p.m. The next meeting is scheduled for Thursday, February 6, 2025.

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Secretary

Approved:

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Chair



## Texas Department of Housing and Community Affairs

### Governing Board

### Board Action Request

**File #: 922**

**Agenda Date: 2/6/2025**

**Agenda #: 2.**

Presentation, discussion, and possible action on approval of the draft 2025 U.S. Department of Energy Weatherization Assistance Program state plan for public comment

#### **RECOMMENDED ACTION**

**WHEREAS**, the Energy Conservation in Existing Buildings Act of 1976 (42 USC §6851), as amended in Title II, Part 2 of the National Energy Conservation Policy Act allows U.S. Department of Energy (DOE) Weatherization Assistance Program (WAP) funds to be utilized to carry out a program of weatherization assistance for low-income persons;

**WHEREAS**, the Texas Department of Housing and Community Affairs (the Department) develops and submits a State Plan to the DOE each year to administer the WAP;

**WHEREAS**, because a budget has not yet been passed by Congress and signed by the President, DOE is unable to issue the Department its Program Year (PY) 2025 allocation, but has provided the Department with an estimated allocation for PY 2025 DOE WAP funds which is used in the development of this draft Plan; and

**WHEREAS**, upon approval, the attached draft 2025 DOE WAP State Plan will be made available for public comment;

**NOW, therefore, it is hereby**

**RESOLVED**, that the draft 2025 DOE WAP State Plan, in the form presented at this meeting, is hereby approved for public comment; and

**FURTHER RESOLVED**, that the final plan with consideration for public comment, corrections required by DOE, and technical corrections made by staff, along with award recommendations for the Subgrantees as indicated in Section IV.1 of the State Plan will be presented to the Board no later than the meeting of April 10, 2025, and will serve as a public hearing as required by 10 CFR §440.12(a).

#### **BACKGROUND**

DOE WAP funding provides for the installation of weatherization measures to increase energy efficiency of a home including caulking; weather-stripping; adding ceiling, wall, and floor insulation; patching holes in the building envelope; duct work; and repair or replacement of energy inefficient heating and cooling systems. Additionally, the funds allow Subgrantees to complete financial audits, household energy audits, outreach and engagement activities, and program administration. The funding also provides for state administration and



state training and technical assistance activities.

The list of Subgrantees and estimated award amounts are included in the State Plan in Section IV.1, Subgrantees. This list of Subgrantees has not been through the Department's Previous Participation Review and the Board is not approving a list of awardees at this time. For planning purposes, DOE has provided the Department an estimated allocation to use in the development of this draft Plan (i.e., \$8,354,422). When DOE adjusts the allocations based on a budget passed by Congress and signed by the President, the Department will also adjust its PY 2025 DOE WAP budget activities and Subgrantee awards accordingly in the DOE State Plan.

Other than making the usual year-to-year updates to the Plan such as updating dates, updating key staff, and aligning the Plan with updated DOE guidance, there are no significant content changes to the draft 2025 Plan. Prior to the draft Plan being presented at this Board meeting, Department staff requested feedback on the Plan from its 21 weatherization Subgrantees. Knowing they will have another opportunity to do so during the public comment period, the Subgrantees did not provide feedback on the drafting of this Plan.

An announcement of the availability of the draft Plan and details regarding the timeframe to accept comments from the public and the public hearing will be posted on the Department's website no later than February 10, 2025, and published in the *Texas Register* on February 21, 2025. The period to accept comments from the public regarding the Plan will be open from February 21, 2025, through March 17, 2025, at 5:00 p.m. CST. Written comments concerning the Plan may be submitted to the Texas Department of Housing and Community Affairs, Community Affairs Division, P.O. Box 13941, Austin, TX 78711-3941, or by email to [gavin.reid@tdhca.texas.gov](mailto:gavin.reid@tdhca.texas.gov). Comments are due no later than 5:00 p.m. CST on March 17, 2025.

The Department will also conduct a virtual public hearing for the Plan at 10 a.m. CST on March 5, 2025, through GoTo Webinar. Meeting details are:

- March 5, 2025, from 10 a.m. - 11 a.m. CST
  - Via GoTo Webinar or Call-In (Audio Only)
  - To Register, follow this link:  
[<https://attendee.gotowebinar.com/register/5455734260913355606>](https://attendee.gotowebinar.com/register/5455734260913355606)
  - Call-In Number (Audio Only): (631) 992-3221, Audio Access Code: 677-704-330

Upon completion of the public comment period, staff will meet with the WAP Policy Advisory Council and modify the Plan, if appropriate, based on public comment. Staff will also include any changes required by federal guidance.

DOE regulations require a Weatherization Policy Advisory Council be designated in the Plan in order to provide guidance and comment on the Plan. The Policy Advisory Council is composed of four individuals appointed by the Department. The Policy Advisory Council is scheduled to meet on March 18, 2025, after the public comment period.

APPLICATION FOR FEDERAL ASSISTANCE SF-424

Version 02

1. Type of Submission:

- ☐ Preapplication  
☒ Application  
☐ Changed/Corrected Application

2. Type of Application:

- ☒ New  
☐ Continuation  
☐ Revision

If Revision, select appropriate letter(s)

Other (specify):

3. Date Received

07/01/2025

4. Applicant Identifier:

5a. Federal Entity Identifier:

5b. Federal Award Identifier:

DE-SE0001853

State Use Only:

6. Date Received by State: 12/16/2024

7. State Application Identifier: TX-W-200

8. APPLICANT INFORMATION:

a. Legal Name: State of Texas

b. Employer/Taxpayer Identification Number (EIN/TIN):  
742610542

c. UEI:  
MNGDPFC1X5E4

d. Address:

Street 1: P.O. BOX 13941

Street 2:

City: Austin

County: TRAVIS County

State: TX

Province:

Country: U.S.A.

Zip / Postal Code: 787113941

e. Organizational Unit:

Department Name:  
Texas Department of Housing and Community Affairs

Division Name:  
Community Affairs Division

f. Name and contact information of person to be contacted on matters involving this application:

Prefix: Mr First Name: Michael

Middle Name:

Last Name: DeYoung

Suffix:

Title: Community Affairs Division Director

Organizational Affiliation: Texas Dept. of Housing and Community Affairs

Telephone Number: 5124752125

Fax Number: 5124753935

Email: michael.deyoung@tdhca.state.tx.us

**APPLICATION FOR FEDERAL ASSISTANCE SF-424**

Version 02

**9. Type of Applicant:**

A State Government

**10. Name of Federal Agency:**

U. S. Department of Energy

**11. Catalog of Federal Domestic Assistance Number:**

81.042

CFDA Title:

Weatherization Assistance Program

**12. Funding Opportunity Number:**

DE-WAP-0002025

Title:

2025 Weatherization Assistance Program (WAP) Funding

**13. Competition Identification Number:**

Title:

**14. Areas Affected by Project (Cities, Counties, States, etc.):**

Statewide

**15. Descriptive Title of Applicant's Project:**

Provide Statewide Weatherization Assistance for Low Income Persons in the State of TX

## APPLICATION FOR FEDERAL ASSISTANCE SF-424

Version 02

## 16. Congressional District Of:

a. Applicant: Texas Congressional District 25

b. Program/Project: TX-Statewide

Attach an additional list of Program/Project Congressional Districts if needed:

## 17. Proposed Project:

a. Start Date: 07/01/2025

b. End Date: 06/30/2026

## 18. Estimated Funding (\$):

a. Federal	8,354,422.00
b. Applicant	0.00
c. State	0.00
d. Local	0.00
e. Other	0.00
f. Program Income	0.00
g. TOTAL	8,354,422.00

## 19. Is Application subject to Review By State Under Executive Order 12372 Process?:

- ☐ a. This application was made available to the State under the Executive Order 12372 Process for review
- ☐ b. Program is subject to E.O. 12372 but has not been selected by the State for review.
- ☒ c. Program is not covered by E.O. 12372

## 20. Is the applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation)

No

21. By signing this application, I certify (1) to the statements contained in the list of certifications\*\* and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances\*\* and agree to

☒ I AGREE

\*\* The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency

## Authorized Representative:

Prefix: Mr First Name: Bobby

Middle Name:

Last Name: Wilkinson

Suffix:

Title: Executive Director

Telephone Number: 5124753296

Fax Number:

Email: bobby.wilkinson@tdhca.state.tx.us

Signature of Authorized Representative: Signed Electronically

Date Signed:

Authorized for Local Reproduction

Standard Form 424 (Revised 10/2005)  
Prescribed by OMB Circular A-102

**BUDGET INFORMATION - Non-Construction Programs**

1. Program/Project Identification No. SE0001853		2. Program/Project Title Weatherization Assistance Program	
3. Name and Address State of Texas P.O. BOX 13941 Austin, TX 787113941		4. Program/Project Start Date 07/01/2025	
		5. Completion Date 06/30/2026	

**SECTION A - BUDGET SUMMARY**

Grant Program Function or Activity (a)	Federal Catalog No. (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1. DOE WAP Formula Funds	81.042	\$ 0.00		\$ 8,354,422.00		\$ 8,354,422.00
2.						
3.						
4.						
5. TOTAL		\$ 0.00	\$ 0.00	\$ 8,354,422.00	\$ 0.00	\$ 8,354,422.00

**SECTION B - BUDGET CATEGORIES**

6. Object Class Categories	Grant Program, Function or Activity				Total (5)
	(1) GRANTEE ADMINISTRATI ON	(2) SUBGRANTEE ADMINISTRATI ON	(3) GRANTEE T&TA	(4) SUBGRANTEE T&TA	
a. Personnel	\$ 306,679.00	\$ 0.00	\$ 56,061.00	\$ 0.00	\$ 362,740.00
b. Fringe Benefits	\$ 106,724.00	\$ 0.00	\$ 19,509.00	\$ 0.00	\$ 126,233.00
c. Travel	\$ 0.00	\$ 0.00	\$ 31,320.00	\$ 0.00	\$ 31,320.00
d. Equipment	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
e. Supplies	\$ 4,461.00	\$ 0.00	\$ 554.00	\$ 0.00	\$ 5,015.00
f. Contract	\$ 0.00	\$ 686,660.00	\$ 14,225.00	\$ 700,000.00	\$ 7,630,155.00
g. Construction	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
h. Other Direct Costs	\$ 35,996.00	\$ 0.00	\$ 3,720.00	\$ 0.00	\$ 39,716.00
i. Total Direct Charges	\$ 453,860.00	\$ 686,660.00	\$ 125,389.00	\$ 700,000.00	\$ 8,195,179.00
j. Indirect Costs	\$ 134,632.00	\$ 0.00	\$ 24,611.00	\$ 0.00	\$ 159,243.00
k. Totals	\$ 588,492.00	\$ 686,660.00	\$ 150,000.00	\$ 700,000.00	\$ 8,354,422.00
7. Program Income	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**BUDGET INFORMATION - Non-Construction Programs**

1. Program/Project Identification No. SE0001853		2. Program/Project Title Weatherization Assistance Program	
3. Name and Address State of Texas P.O. BOX 13941 Austin, TX 787113941		4. Program/Project Start Date 07/01/2025	
		5. Completion Date 06/30/2026	

SECTION A - BUDGET SUMMARY						
Grant Program Function or Activity (a)	Federal Catalog No. (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1.						
2.						
3.						
4.						
5. TOTAL		\$ 0.00	\$ 0.00	\$ 8,354,422.00	\$ 0.00	\$ 8,354,422.00

SECTION B - BUDGET CATEGORIES					
6. Object Class Categories	Grant Program, Function or Activity				Total (5)
	(1) PROGRAM OPERATIONS	(2) HEALTH AND SAFETY	(3) LIABILITY INSURANCE	(4) FINANCIAL AUDITS	
a. Personnel	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 362,740.00
b. Fringe Benefits	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 126,233.00
c. Travel	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 31,320.00
d. Equipment	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
e. Supplies	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 5,015.00
f. Contract	\$ 4,478,565.00	\$ 796,446.00	\$ 120,459.00	\$ 21,000.00	\$ 7,630,155.00
g. Construction	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
h. Other Direct Costs	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 39,716.00
i. Total Direct Charges	\$ 4,478,565.00	\$ 796,446.00	\$ 120,459.00	\$ 21,000.00	\$ 8,195,179.00
j. Indirect Costs	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 159,243.00
k. Totals	\$ 4,478,565.00	\$ 796,446.00	\$ 120,459.00	\$ 21,000.00	\$ 8,354,422.00
7. Program Income	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**BUDGET INFORMATION - Non-Construction Programs**

1. Program/Project Identification No. SE0001853		2. Program/Project Title Weatherization Assistance Program	
3. Name and Address State of Texas P.O. BOX 13941 Austin, TX 787113941		4. Program/Project Start Date 07/01/2025	
		5. Completion Date 06/30/2026	

**SECTION A - BUDGET SUMMARY**

Grant Program Function or Activity (a)	Federal Catalog No. (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1.						
2.						
3.						
4.						
5. TOTAL		\$ 0.00	\$ 0.00	\$ 8,354,422.00	\$ 0.00	\$ 8,354,422.00

**SECTION B - BUDGET CATEGORIES**

6. Object Class Categories	Grant Program, Function or Activity				Total
	(1) Weatherization Readiness	(2)	(3)	(4)	(5)
a. Personnel	\$ 0.00				\$ 362,740.00
b. Fringe Benefits	\$ 0.00				\$ 126,233.00
c. Travel	\$ 0.00				\$ 31,320.00
d. Equipment	\$ 0.00				\$ 0.00
e. Supplies	\$ 0.00				\$ 5,015.00
f. Contract	\$ 812,800.00				\$ 7,630,155.00
g. Construction	\$ 0.00				\$ 0.00
h. Other Direct Costs	\$ 0.00				\$ 39,716.00
i. Total Direct Charges	\$ 812,800.00				\$ 8,195,179.00
j. Indirect Costs	\$ 0.00				\$ 159,243.00
k. Totals	\$ 812,800.00				\$ 8,354,422.00
7. Program Income	\$ 0.00				\$ 0.00

**U.S. Department of Energy**  
Weatherization Assistance Program (WAP)  
BUDGET INFORMATION REMARKS  
**Grant Number:** SE0001853,   **State:** TX  
**Recipient:** State of Texas

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**Remarks**

DOE WAP is currently operating under a Continuing Resolution for Fiscal Year 2025. DOE is unable to issue TDHCA its allocation until a budget is passed by Congress and signed by the President. For planning purposes, DOE has provided TDHCA with an estimated allocation. Once a budget is passed and signed by the President, DOE will issue the Department its allocation of DOE WAP funds and this budget will be updated to reflect the new allocation.



**U.S. Department of Energy**  
Weatherization Assistance Program (WAP)  
WEATHERIZATION ANNUAL FILE WORKSHEET  
**Grant Number:** SE0001853, **State:** TX, **Program Year:** 2025  
**Recipient:** State of Texas

**IV.1 Subgrantees**

Subgrantee (City)	Planned Funds/Units
Alamo Area Council of Governments (San Antonio)	\$629,307.00 45
BakerRipley (Houston)	\$1,106,155.00 83
Brazos Valley Community Action Program (College Station)	\$239,828.00 15
Combined Community Action, Inc. (Giddings)	\$211,031.00 20
Community Action Committee of Victoria Texas (Victoria)	\$191,154.00 12
Community Action Corporation of South Texas (Alice)	\$935,728.00 69
Community Council of South Central Texas, Inc (Seguin)	\$235,965.00 15
Concho Valley Community Action Agency (San Angelo)	\$126,357.00 7
Dallas County Health & Human Services (Dallas)	\$621,319.00 45
Economic Opportunities Advancement Corporation (Waco)	\$195,888.00 12
El Paso Community Action Program, Project Bravo (El Paso)	\$299,705.00 21
Fort Worth, City of (Fort Worth)	\$404,551.00 27
Greater East Texas Community Action Program (Nacogdoches)	\$626,269.00 45
Hill Country Community Action Association, Inc. (San Saba)	\$217,467.00 14
Nueces County Community Action Agency (Corpus Christi)	\$121,208.00 7
Panhandle Community Services (Amarillo)	\$194,196.00 12
Rolling Plains Management Corporation (Crowell)	\$261,917.00 18
South Plains Community Action Association, Inc. (Levelland)	\$188,289.00 12
Texoma Council of Governments (Sherman)	\$421,681.00 29
Travis County Health and Human Services and Veterans Services (Austin)	\$226,684.00 14
West Texas Opportunities (Lamesa)	\$161,231.00 10
<b>Total:</b>	<b>\$7,615,930.00</b> <b>532</b>

**IV.2 WAP Production Schedule**

Weatherization Plans	Units
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**U.S. Department of Energy**  
Weatherization Assistance Program (WAP)  
WEATHERIZATION ANNUAL FILE WORKSHEET  
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Total Units (excluding reweatherized)	532
Reweatherized Units	0
Average Unit Costs, Units subject to DOE Project Rules	
<b>VEHICLE &amp; EQUIPMENT AVERAGE COST PER DWELLING UNIT (DOE RULES)</b>	
A Total Vehicles & Equipment (\$5,000 or more) Budget	\$0.00
B Total Units Weatherized	532
C Total Units Reweatherized	0
D Total Dwelling Units to be Weatherized and Reweatherized (B + C)	532
E Average Vehicles & Equipment Acquisition Cost per Unit (A divided by D)	\$0.00
<b>AVERAGE COST PER DWELLING UNIT (DOE RULES)</b>	
F Total Funds for Program Operations	\$4,478,565.00
G Total Dwelling Units to be Weatherized and Reweatherized (from line D)	532
H Average Program Operations Costs per Unit (F divided by G)	\$8,418.36
I Average Vehicles & Equipment Acquisition Cost per Unit (from line E)	\$0.00
J Total Average Cost per Dwelling (H plus I)	\$8,418.36

**IV.3 Energy Savings**

Method used to calculate savings: <input checked="" type="checkbox"/> WAP algorithm <input type="checkbox"/> Other (describe below)				
	Units	Savings Calculator (MBtus)	Energy Savings	
This Year Estimate	532	29.3	15588	
Prior Year Estimate	806	29.3	23616	
Prior Year Actual	164	29.3	4805	
<b>Method used to calculate savings description:</b>				

**IV.4 DOE-Funded Leveraging Activities**

N/A
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**IV.5 Policy Advisory Council Members**

☐ Check if an existing state council or commission serves in this category and add name below

Combined Community Action Inc.	Type of organization: Non-profit (not a financial institution) Contact Name: Kelly Franke Phone: (979)540-2985 Email: <a href="mailto:KJFranke@ccaaction.com">KJFranke@ccaaction.com</a>
Greater East Texas Community Action Program	Type of organization: Non-profit (not a financial institution) Contact Name: Karen Swenson, Executive Director Phone: 9365642491 Email: <a href="mailto:kswenson@get-cap.org">kswenson@get-cap.org</a>
Health and Human Services Commission	Type of organization: Unit of State Government Contact Name: Keely Lee Phone: 5126478824 Email: <a href="mailto:keely.lee@hhs.texas.gov">keely.lee@hhs.texas.gov</a>
Ysleta Del Sur Pueblo-tigua Indian Reservation	Type of organization: Indian Tribe Contact Name: Albert Alvidrez Phone: 9158344925 Email: <a href="mailto:albert.alvidrez@tdhca.texas.gov">albert.alvidrez@tdhca.texas.gov</a>

**U.S. Department of Energy**  
Weatherization Assistance Program (WAP)  
WEATHERIZATION ANNUAL FILE WORKSHEET  
**Grant Number:** SE0001853, **State:** TX, **Program Year:** 2025  
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**IV.6 State Plan Hearings (Note: attach notes and transcripts to the SF-424)**

Date Held	Newspapers that publicized the hearings and the dates the notice ran
02/06/2025	TDHCA Board of Directors authorizes release of draft State Plan for public comment.
02/10/2025	Draft State Plan and notice of public hearing posted on the TDHCA website; public listserv announcement sent announcing availability of draft State Plan and public hearing details.
02/21/2025	Announcement of public hearing for draft State Plan published in Texas Register. Public comment period for draft State Plan begins.
03/05/2025	Public Hearing for the DOE State Plan. Conducted virtually.
03/17/2025	Comment period for the DOE State Plan ends at 5:00 pm (CST).
03/18/2025	WAPAC meeting regarding DOE State Plan.
04/10/2025	Final DOE State Plan and list of awardees to be presented at TDHCA Board of Directors meeting for approval. The meeting also serves as a Public Hearing.
04/30/2025	Final DOE State Plan submitted to DOE.

**IV.7 Miscellaneous**

**Recipient Business Officer**

Michael De Young  
[Michael.deyoung@tdhca.texas.gov](mailto:Michael.deyoung@tdhca.texas.gov)  
221 East 11th Street  
Austin, Texas 78701  
(512) 475-2125

**Recipient Principal Investigator**

Gavin Reid  
[gavin.reid@tdhca.texas.gov](mailto:gavin.reid@tdhca.texas.gov)  
221 East 11th Street  
Austin, Texas 78701  
(512) 936-7828

**Policy Advisory Council**

The Weatherization Assistance Program Policy Advisory Council (PAC) currently has four slots and is representative of organizations and agencies and provides balance, background, and sensitivity with respect to solving the problems of low-income persons, including weatherization and energy conservation problems. The PAC meets annually at the end of the public hearing period to discuss the DOE plan and comments received.

Two of the slots, filled by the PAC members from Combined Community Action and the Greater East Texas Community Action Program, represent the low-income, elderly, and disabled population. The third slot, filled by the PAC member from the Texas Health and Human Services Commission, represents the low-income, elderly and persons with disabilities. A fourth slot representing Native Americans is occupied by a member of the Ysleta Del Sur Pueblo-Tigua Indian Reservation.

**Liability Insurance**

The liability insurance separate line item includes pollution occurrence insurance in addition to the general liability insurance. Most regular liability insurance policies do not provide coverage for potential effects of many health and safety measures, such as lead disturbances and other pollution occurrence items. The Department strongly recommends the Subgrantees require their contractors to carry pollution occurrence insurance to avoid liability for any mistakes the contractors may make. Each Subgrantee should get a legal opinion regarding the best course to take for implementing the pollution occurrence insurance coverage.

**U.S. Department of Energy**  
Weatherization Assistance Program (WAP)  
STATE PLAN / MASTER FILE WORKSHEET  
**Grant Number:** SE0001853, **State:** TX, **Program Year:** 2025  
**Recipient:** State of Texas

This worksheet should be completed as specified in Section III of the Weatherization Assistance Program Application Package.

**V.1 Eligibility**

**V.1.1 Approach to Determining Client Eligibility**

Provide a description of the definition of income used to determine eligibility

Eligibility for program assistance is determined under the Federal Poverty Income Guidelines and calculated as described in 10 TAC §6.4. TDHCA conforms to WPN 24-3.

Describe what household eligibility basis will be used in the Program

During the application process, households will be screened for DOE Weatherization benefits and determined eligible if their income is at or below 200% of the Federal Poverty Income Guidelines. Categorical eligibility exists when at least one person in the household receives assistance payments under Title IV or XVI of the Social Security Act at any time during the 12-month period preceding the determination of eligibility. An applicant is also categorically eligible if the applicant at the time of certification meets the Department of Housing and Urban Development (HUD) and the United States Department of Agriculture (USDA) criteria outlined within WPN 22-5, WPN 25-4, and WAP Memorandum 109. Application eligibility expires 12 months from certification of eligibility date if work on dwelling unit has not been initiated per 10 TAC §6.5(c).

Describe the process for ensuring qualified aliens are eligible for weatherization benefits

The Welfare Reform Act, officially referred to as the Personal Responsibility and Work Opportunity Act of 1996, H.R. 3734, placed specific restrictions on the eligibility of aliens for "Federal means-tested public benefits" for a period of five years. As defined in a Federal Register notice dated August 26, 1997 (62 FR 45256) the Department of Health and Human Services (HHS) is interpreting "Federal means-tested public benefits" to include only those benefits provided under Federal means-tested, mandatory spending programs. HHS Information Memorandum LIHEAP-IM-25 dated August 28, 1997, states that all qualified aliens, regardless of when they entered the U.S., continue to be eligible to receive assistance and services under the Low-Income Home Energy Assistance Program (LIHEAP) if they meet other program requirements.

To ensure program continuity between LIHEAP and DOE Weatherization for all Subgrantees operating both programs, the DOE Weatherization Assistance Program will follow the interpretation as adopted by HHS. The Department uses the Systematic Alien Verification for Entitlements (SAVE) to determine whether an alien is qualified or unqualified for this program. The Department has provided training and will continue to provide training to Subgrantees who use the SAVE system to verify legal status.

The DOE and LIHEAP WAP are in compliance with LIHEAP-IM-99-10, issued June 15, 1999, which states that weatherization in a multifamily building is not a covered activity for status verification.

**V.1.2 Approach to Determining Building Eligibility**

Procedures to determine that units weatherized have eligibility documentation

TDHCA and subgrantees conform to WPN 24-3. Dwelling Units that can be weatherized include a house, stationary mobile home, an apartment, a group of rooms, or a single room occupied as separate living quarters. For DOE WAP, a Household is an individual or group of individuals, excluding unborn children, who are living together as one economic unit in a Dwelling Unit. A Household whose total combined annual income is at or below 200% of the Federal Poverty Income guidelines, or a Household who is Categorically Eligible, as described in V.1.1 above, is considered to be eligible. It is the subgrantee's responsibility to establish Dwelling Unit ownership through collected documentation at time of application and determine applicant income eligibility according to [10 TAC §6.4](#) (Income Determination) and [10 TAC §6.406](#) (Subrecipients Requirements for Establishing Priority for Eligible Households and Customer Eligibility).

For multifamily/shelter applications, it is a subgrantee requirement to apply the additional eligibility requirements for multifamily dwelling units and shelters according to [10 TAC §6.414](#) (Eligibility for Multifamily Dwelling Units and Shelter) as well as apply categorical eligibility requirements according to WPN 22-5, WPN 24-5, and WAP Memorandum 109.

Subgrantees maintain a client file for each unit weatherized, including documented proof that the Dwelling Unit is an eligible Dwelling Unit as defined above. The Department verifies that subgrantees have taken the proper steps to ensure that weatherized units are eligible and review the documentation during their annual monitoring reviews.

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Weatherization Assistance Program (WAP)  
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Describe Reweathering compliance

Texas permits reweatherization of a unit if 15 years have passed from the unit's previous weatherization completion date in accordance with the Consolidated Appropriations Act of 2021 below. Otherwise, a unit may only be re-weatherized if such dwelling unit has been damaged by fire, flood, or an act of God and repair of the damage to weatherization materials is not paid for by insurance, per 10 CFR §440.18(f)(2)(ii).

Language from the Consolidated Appropriations Act of 2021:

AMENDING RE-WEATHERIZATION DATE. Paragraph (2) of section 415(c) of the Energy Conservation and Production Act (42 U.S.C. 6865(c)) is amended to read as follows:

(2) Dwelling units weatherized (including dwelling units partially weatherized) under this part, or under other Federal programs (in this paragraph referred to as 'previous weatherization'), may not receive further financial assistance for weatherization under this part until the date that is 15 years after the date such previous weatherization was completed. This paragraph does not preclude dwelling units that have received previous weatherization from receiving assistance and services (including the provision of information and education to assist with energy management and evaluation of the effectiveness of installed weatherization materials) other than weatherization under this part or under other Federal programs, or from receiving non-Federal assistance for weatherization."

Previously Weatherized Home Tracking Procedure

Previously weatherized homes and their completion dates are recorded and tracked in the TDHCA Community Affairs Contract System's Previously Weatherized Database by subgrantees and verified by TDHCA through monitoring.

Describe what structures are eligible for weatherization

10 TAC §6.2 and §6.403 includes the following definitions which describe structures eligible for weatherization:

Dwelling Unit--A house, including a stationary mobile home, an apartment, a group of rooms, or a single room occupied as separate living quarters. (This is the same as the definition for Dwelling Unit in 10 CFR §440.3 Definitions)

Multifamily Dwelling Unit--A structure containing more than one Dwelling Unit.

Rental Unit--A Dwelling Unit occupied by a person who pays rent for the use of the Dwelling Unit.

Shelter--A Dwelling Unit or Units whose principal purpose is to house on a temporary basis individuals who may or may not be related to one another and who are not living in nursing homes, prisons, or similar institutional care facilities.

Single Family Dwelling Unit--A structure containing no more than one Dwelling Unit.

Buildings with more than one Dwelling Unit under one roof must follow 10 TAC §6.414, Eligibility for Multifamily Dwelling Units and Shelters.

TDHCA and subgrantees adhere to the requirements and restrictions of historic preservation and Section 106 of the National Historic Preservation Act through its DOE executed Programmatic Agreement, executed on October 5, 2020, and valid through December 31, 2030.

Subgrantees must ensure that all weatherization activities are allowable.

Describe how Rental Units/Multifamily Buildings will be addressed

In accordance with 10 CFR §440.22(b)(3), the Department requires that Subgrantees keep on file procedures that address protection of renters' rights, to ensure:

- Written permission of the building owner or his agent is obtained before commencing work.
- Cash/in-kind contribution from building owner when feasible.

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Weatherization Assistance Program (WAP)  
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- Benefits of the services accrued primarily to the low-income tenants residing in such units.
- For 24 months, the household will not be subjected to rent increases (unless those increases are demonstrably related to other matters other than the weatherization work performed).
  - There are adequate procedures whereby the Grantee can receive tenant complaints and owners can appeal, should rental increases occur.
- No undue or excessive enhancement shall occur to the value of the Dwelling Unit

The Department will abide by 10 CFR §440.22 to ensure that not less than 66% of the eligible building units (50% for duplexes and four-unit buildings, and certain eligible types of large multifamily buildings) are dwelling units occupied by low-income households, or will become occupied by low-income households, within 180 days under a Federal, State or local government program for rehabilitating the building or making similar improvements. "Certain eligible types of large multifamily buildings" are those buildings for which an investment of DOE funds would result in a significant energy-efficiency improvement because of the upgrades to equipment, energy systems, common space, or the building shell. "Significant energy improvement" is based on specific criteria for the building and must be assessed using existing conditions to determine the threshold to achieve significant energy improvements.

WPN 22-5, WPN 25-4 and WAP Memorandum 109 provide guidance on the review and verification required for HUD and USDA. Assessments and client file documentation for rental units and multifamily units are also detailed in the Multifamily Weatherization Best Practice posted on the Department's website at: <https://www.tdhca.texas.gov/weatherization-assistance-program-wap-program-guidance>

In order to weatherize large multifamily buildings containing 25 or more dwelling units or those with shared central heating (e.g., boilers) and/or shared cooling plants (e.g., cooling tower that use water as the coolant) regardless of the number of dwelling units, Subgrantees must obtain prior written approval through the Department (TDHCA). When necessary, the Department will seek DOE approval.

Subgrantees must submit to the Department a request for approval to weatherize large multifamily buildings. Request for permission must include evidence of significant energy savings because of upgrades to equipment, energy systems, common space, or the building shell. A significant energy savings is defined as having an SIR of 1.0 or greater in the energy audit.

**Describe the deferral Process**

Deferral of a Dwelling Unit can occur when a Dwelling Unit has certain occupant issues or dwelling characteristics that are beyond the scope of the weatherization program. Deferred Dwelling Units cannot receive weatherization services. Subgrantees will track their unit deferrals using the "TDHCA Deferrals Classification Guide and Tracker Form" located on the Department website. Alternatively, subgrantees may choose to use an internal tracking system with the same functionality as the department adopted form. A Dwelling Unit shall not be weatherized when there is a potentially harmful situation that may adversely affect the occupants or the Subgrantee's weatherization crew and staff, or when a Dwelling Unit is found to have structural concerns that render the Dwelling Unit unable to benefit from weatherization. The Subgrantee must declare their intent to defer weatherization on an eligible unit on the assessment form. The assessment form must include the client's name and address, dates of the assessment, and the date on which the client was informed of the issue in writing. A written notice is required to be given to the client and must include a clear description of the issue(s) causing deferral, conditions under which weatherization could continue, the responsibility of all parties involved, any rights or options the client has (e.g., appeals process), and the process by which the client may re-apply upon requalification for weatherization. A copy of the notice must be signed by the Subgrantee and placed in the client application file while documenting the date it was sent/provided to the client. Only after the issue has been corrected to the satisfaction of the Subgrantee shall weatherization work begin. Subgrantees shall maintain a deferral tracking list which documents all deferrals and their status within the respective service area.

If structural concerns or health and safety issues identified (which would be exacerbated by any weatherization work performed) on an individual unit cannot be abated within program rules or within the allowable WAP limits, the unit exceeds the scope of this program.

Crewmembers or contractors who work on a unit that could or should be a deferral or walk-away, do so at their own risk.

**Weatherization Readiness Funds (WRF)**

WRFs are to be used by Subgrantees in addressing structural and health and safety issues to reduce the number of deferred homes that require other services which are outside the scope of weatherization, before weatherization measures can be installed. WRFs are distributed to the 21 Subgrantees per the distribution formula in §6.404. Households will be prioritized according to 10 TAC §6.406(c) wherein Subgrantees must establish a written procedure to serve Households that have a Vulnerable Population household member, Households with High Energy Burden, and Households with High Energy Consumption. High Energy Burden shall be the highest rated item in sliding scale priority determinations. The Subgrantee must maintain documentation of the use of the criteria.

The maximum amount of WRFs to be used per home is \$8,000. The \$8,000 maximum shall not be exceed without prior approval from the Department. WRFs will be tracked for each dwelling unit and at a minimum capture measures/repairs and associated costs as well as the information listed below:

**U.S. Department of Energy**  
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-Avoided Deferrals - the # of dwelling units made weatherization ready with WRF, and for each building or unit;

-Year Built;

-Housing Type (site-built single family, manufactured housing, multifamily);

-Nature of repairs needed which prohibited weatherization;

-WRF expenditure per unit and building; and

-Leveraged fund expenditure per unit and building (i.e., LIHEAP, HUD, non-federal, etc. braided with WRF to make a building weatherization ready)

The Department's Subrecipient Monitoring Division will monitor these funds as part of the Grantee's annual monitoring of Subgrantees, ensuring the WRFs are expended according to the policy written by the subgrantee.

Examples of repairs can include: roof repair, wall repair (exterior or interior), ceiling repair, floor repair, foundation or subspace repair, exterior drainage repair, plumbing repairs, electrical repairs, clean-up beyond scope of weatherization.

WRFs are allowed to be utilized on both annual formula funded and BIL funded weatherization projects. All WRF expenditures must be compliant with WPN 24-9 or a later adopted version. WRFs must ultimately be expended by the end of the final year in a grant cycle.

A reasonable amount of time for a particular project to be completed using WRFs is approximately 90 days.

### V.1.3 Definition of Children

Definition of children (below age): **19**

### V.1.4 Approach to Tribal Organizations

☐ Recommend tribal organization(s) be treated as local applicant?

If YES, Recommendation. If NO, Statement that assistance to low-income tribe members and other low-income persons is equal.

The 70th Texas Legislature created the Native American Restitutionary Program (Oil Overcharge Restitutionary Act, Texas Government Code, Chapter 2305) for the purposes of providing oil overcharge restitution to Texas Native Americans. In the Texas WAP, the Native-American Indian population is treated and served in the same manner as other applicants. Low income members of a Tribe will receive benefits equivalent to the assistance provided to other low income persons within Texas.

### V.2 Selection of Areas to Be Served

The Texas WAP is available to eligible low-income households in all 254 counties of the state. Subgrantees are held responsible for all intake, eligibility, and weatherization activities. If the Subgrantee's performance record is satisfactory according to both state and federal regulations, then the Department may offer to renew the contract if the Subgrantee so desires. The Department's award committee may decline to recommend an award or place conditions on an award based upon its previous participation review as outlined in 10 TAC §1.302.

New or additional DOE Subgrantees for counties that become unserved by the DOE WAP will be selected according to DOE regulations found in 10 CFR§440.15 and 10 TAC §1.302. If the Department determines it is necessary to permanently reassign a service area to a new organization, the entity will be chosen in accordance with 10 CFR §440.15 and 10 TAC §1.411. A new or additional Subgrantee is defined as a CAA or other public or nonprofit entity that is not currently operating a Department-funded Weatherization Assistance Program. All counties are served by 21 Subgrantees. To ensure there is not a break in weatherization services provided in any county during the subgrantee selection process, a transition plan is developed by the Department and an existing subgrantee, along with the new subgrantee (once selected), to continuously provide weatherization services in the area. For further details on the reassignment of a service area, see V.8.1 Overview and Organizations.

The Department may deobligate all or part of the funds provided under this contract as outlined in 10 TAC §6.405 and 10 TAC §1.411. A Subgrantee's failure to expend the funds provided under this State plan in a timely manner may also result in the Subgrantee's ineligibility to receive additional funding during



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the program year.

**Formula Distribution**

The Department updates the budget allocation proportion by county and Subgrantee based on poverty income, elderly poverty, median household income (from the most recent decennial U.S. Census data), and climate data (from the National Climatic Data Center, Climate Normals, 2010), as outlined in 10 TAC §6.404.

The Department allocates funds to Subgrantees by applying a formula based upon the DOE allocation for program year; or if the allocation amount is not known, based on an assumption of level funding from the previous program year. Once the allocation amount is known, the formula is re-run. The allocation formulas reflect the most recent decennial U.S. Census data. If any carryover funds are available, they will be distributed by allocation formula and used to increase the number of units to be weatherized. The Department will adjust guidance to reflect the adjusted average expenditure limit per unit for the program year.

The fund allocations for individual service areas are determined by a 5-factor distribution formula as outlined in 10 TAC §6.404:

- (1) Number of non-elderly poverty households per county;
- (2) Number of elderly poverty households per county;
- (3) Median income variance per county;
- (4) Inverse poverty household density ratio per county; and
- (5) County Weather Factor (Heating/Cooling Degree days per county) as a portion of State County Weather.

### V.3 Priorities

The Department will ensure by contract that its Subgrantees give priority to weatherizing dwellings owned or occupied by low-income persons who are particularly vulnerable such as the Elderly, Persons with Disabilities, Families with Young Children, Households with High Energy Burden, and Households with High Energy Consumption. Applicants from these groups must be placed at the top of a Subgrantee's waiting list. The Department ensures that Subgrantees give proper attention to these requirements through monitoring/evaluation of the Subgrantee.

**Definitions:**

**High Energy Burden**—A Household whose energy burden exceeds 11% of their Gross Annual Income, determined by dividing a Household's annual home energy costs by the Household's Gross Annual Income.

**High Energy Consumption**—A Household that is billed more than \$1000 annually for related fuel costs for heating and cooling their Dwelling Unit.

The Department trains the network of Subgrantees on the hierarchy of priorities and requires that any Subgrantees utilizing priorities other than the five listed in 10 CFR 440.16(b) do so in a manner that ensures no additional subgrantee priorities preempt the five listed in regulation. Any other additional categories shall be used as a tiebreaker once priority has been established, respectively.

### V.4 Climatic Conditions

The climatic conditions for the State of Texas are imbedded in the algorithms of the Weatherization Assistant (WA) energy audit software developed by the Oak Ridge National Laboratory for the Department of Energy. As part of the energy audit modeling, the Department requires the Subgrantee network to select the nearest weather station to the dwelling units. The Weather files imbedded in the WA contains data of Heating and Cooling degree days for each weather station.

As described in the report prepared by the Pacific Northwest National Laboratory for the Department of Energy, the state of Texas has several IECC climate zones. [https://www.energy.gov/sites/prod/files/2015/10/f27/ba\\_climate\\_region\\_guide\\_7.3.pdf](https://www.energy.gov/sites/prod/files/2015/10/f27/ba_climate_region_guide_7.3.pdf)

These climate zones are used as an aid in helping Subgrantees to identify the appropriate climate designation for the counties in which they are providing WAP services. In addition to prescribing appropriate mechanical equipment (example of climate specific measures would be evaporative cooling which may be prescribed in the Hot Dry climate of Texas and not in the Mixed Humid part of Texas) the IRC prescriptive thermal envelope of measures are different. The



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climate zones found in Texas are as follows:

1. Hot-Humid

A hot-humid climate is defined as a region that receives more than 20 inches (50 cm) of annual precipitation and where one or both of the following occur:

- A 67°F (19.5°C) or higher wet bulb temperature for 3,000 or more hours during the warmest six consecutive months of the year; or
- A 73°F (23°C) or higher wet bulb temperature for 1,500 or more hours during the warmest six consecutive months of the year.

IRC Prescriptive Thermal Envelope Measures:

Zone 2A		Zone 3A	
Ceiling	R 38		R38
Windows	U 0.40		U 0.35
Walls	R13		R13 + 5
Floors	R13		R19
SHGC	0.25		0.25

2. Hot-Dry

A hot-dry climate is defined as a region that receives less than 20 inches (50 cm) of annual precipitation and where the monthly average outdoor temperature remains above 45°F (7°C) throughout the year.

IRC Prescriptive Thermal Envelope Measures:

Zone 3B	
Ceiling	R38
Windows	U 0.35
Walls	R13 + 5
Floors	R19
SHGC	0.25

3. Mixed-Humid

A mixed-humid climate is defined as a region that receives more than 20 inches (50 cm) of annual precipitation, has approximately 5,400 heating degree days (65°F basis) or fewer, and where the average monthly outdoor temperature drops below 45°F (7°C) during the winter months.

IRC Prescriptive Thermal Envelope Measures:

Zone 3A	
Ceiling	R38
Windows	U 0.35
Walls	R13 + 5
Floors	R19
SHGC	0.25

4. Mixed-Dry

A mixed-dry climate is defined as a region that receives less than 20 inches (50 cm) of annual precipitation, has approximately 5,400 heating degree days (50°F basis) or less, and where the average monthly outdoor temperature drops below 45°F (7°C) during the winter months.

IRC Prescriptive Thermal Envelope Measures:

Zone 4	
Ceiling	R49
Windows	U 0.35

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Walls	R13 + 5
Floors	R19
SHGC	0.40

In addition to the 2015 IRC adopted by the State of Texas, several individual cities have adopted amendments to the code. The adoption and amendments to the 2015 IRC impact the WA energy audits in that cities are required to evaluate user defined measures to meet the codes adopted by each individual city.

## V.5 Type of Weatherization Work to Be Done

### V.5.1 Technical Guides and Materials

#### Technical Guides and Materials

All technical guides (for all single family, mobile home, and multifamily buildings) and materials meet the specifications, objectives and desired outcomes outlined in the Standard Work Specifications (SWS). Provided below is an electronic link to all the current, DOE approved field guides and/or standards for single family, mobile homes, and multifamily buildings as well as all other relevant program guidance materials. These materials are available to all Subgrantees and contractors at any time.

<https://www.tdhca.texas.gov/sites/default/files/community-affairs/wap/docs/21-SWS-TX-FieldGuide.pdf>

The department has multiple WAP Cheat Sheets and Q&A documents that are always available to the network. These have proved highly effective in multiple ways: increased compliance, better understanding on how to assess and proceed, increased consistency across the Network, and reduction in calls for repetitive issues. They often have multiple references and are based upon sound building science principles.

#### Materials and Work Standards

The following will be included in all Subgrantee contracts and subcontracts:

- A. Subgrantee shall weatherize eligible dwelling units using only weatherization materials which meet or exceed the standards prescribed by DOE in Appendix A of 10 CFR Part 440, Standard Work Specifications (SWS), and added approved materials noted in WPN 23-6.
- B. All weatherization measures installed shall meet or exceed the standards prescribed by DOE in WPN 22-4 regarding Standard Work Specifications, as detailed in the Department's Standard Work Specifications. All Subgrantee agreements and vendor contracts contain language which clearly documents the SWS specifications for work quality outlined in WPN 22-4, Section 2. A signed contract shall confirm that the organization understands and agrees to these expectations.
- C. All weatherization work must be performed in accordance to the DOE approved energy audit procedures, 10 CFR Part 440 Appendix A, SWS, State of Texas adopted International Residential Code (or that of jurisdictions authorized by State law to adopt later editions).
- D. Subgrantees are responsible for reviewing online NEPA and Historic Preservation PowerPoint trainings at [www.energy.gov/node/4816816](http://www.energy.gov/node/4816816) prior to initiating projects and contacting NEPA with any questions at [GONEPA@ee.doe.gov](mailto:GONEPA@ee.doe.gov).

The Department is exploring the potential benefits of allocating/diverting WAP funds for a rooftop solar pilot program. This matter is preliminary and, if it occurs, will follow the guidance provided in WPN 23-6.

#### Field guide types approval dates

Single-Family: 6/8/2021
Manufactured Housing: 6/8/2021
Multi-Family:

### V.5.2 Energy Audit Procedures

Audit Procedures and Dates Most Recently Approved by DOE

Audit Procedure: Single-Family
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Audit Name: Other (specify)

NEAT: On October 20, 2020, DOE approved June 2, 2021 to June 2, 2026.

Approval Date: 6/2/2021

Audit Procedure: Manufactured Housing

Audit Name: Other (specify)

MHEA: On October 20, 2020, DOE approved June 2, 2021 to June 2, 2026.

Approval Date: 6/2/2021

Audit Procedure: Multi-Family

Audit Name:

Approval Date:

Comments

Because less than 20% of TDHCA's reported completed units are multifamily dwelling units, TDHCA does not have a DOE approved multifamily energy audit tool/procedure. The approach taken by TDHCA to ensure eligible occupants of multifamily dwellings receive appropriate, cost-effective weatherization services is described in V.1.2 "Describe how Rental Units/Multifamily Unit Buildings will be Addressed", above.

On October 20, 2020, TDHCA received DOE approval for the State of Texas Energy Audit Procedures (i.e., the National Energy Audit Tool (NEAT) and Manufactured Home Energy Audit (MHEA) for Site-Built Single Family, Manufactured, and Small Multifamily Housing for the WAP, effective June 2, 2021 and expiring June 2, 2026. Additionally, TDHCA received approval to utilize Refrigerators and General Heat Waste Measures (i.e., Low Faucet aerators (1.0 gpm or less), Furnace/Air Conditioner Filters, Hot Water Tank and Pipe Insulation) which were not listed in 10 CFR Part 440 Appendix A. TDHCA had already received approval on July 1, 2016 to utilize LEDs which were not listed in 10 CFR Part 440 Appendix A. Social Cost of Carbon (SCC) is also approved for use in a Memorandum from DOE dated December 2, 2024.

To comply with the requirement outlined in WAP Memorandum 113, TDHCA notified Oakridge National Laboratories (ORNL) and the DOE Project Officer and received approval to transition to Weatherization Assistant (WAwab) on July 1, 2024.

On July 22, 2022, TDHCA received DOE approval to use the DOE Priority Lists for the Hot and Moderate Climate Zones. The Priority Lists, along with complete Priority List policies and procedures, are available on the Department website. The Priority List(s), or the Energy Audit, are the two options available to Subgrantees to justify the weatherization measures installed in the dwelling units.

**V.5.3 Final Inspection**

The Department has provided Subgrantees with sufficient T&TA funding to obtain and/or maintain required QCI and MF-QCI certifications by an IREC certified training provider. The Department tracks Subgrantee compliance with unit inspection requirements of WPN 22-4.

The Department has five certified QCI staff who maintain their certifications, three of which conduct monitoring at the Grantee level (copies of QCI certifications are attached to the SF424). The Department annually requires all Subgrantees to report the following for determining the number of units that the Department will inspect for compliance at each agency:

Option 1 (at minimum 5% compliance final inspection required): The Subgrantee will NOT allow the QCI staff member (or third party QCI) who conducts the Final Inspection on any DOE funded/reported unit to perform any other aspect(s) associated with that same unit. E.g., Initial Assessment, NEAT Audit/Priority List, Work Order, etc.

Option 2 (10% compliance final inspection required): The Subgrantee will have a QCI staff member conduct the Final Inspection on every DOE funded/reported unit AND will also perform other aspect(s) associated with that same unit. E.g., Initial Assessment, NEAT Audit/Priority List, Work Order, etc.

NOTE: As scheduling permits, compliance will conduct 10% final inspections on completed units for Option 1 as well.

TDHCA surveys the WAP network annually to determine which option is appropriate for each Subgrantee while developing the monitoring schedule. Prior to conducting an onsite monitoring, the option will be verified to ensure an adequate number of units are inspected.

All units are inspected by a certified QCI. The inspecting QCI must not have performed weatherization work on the home prior to the final inspection. In addition to

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final inspections, a completed QCI Final Inspection Certification Form is required. The form can be found at:

<https://www.tdhca.texas.gov/weatherization-assistance-program-wap-program-guidance>

Subgrantees are required to follow work standards as per the SWS guidelines. This requirement is within Subgrantee contracts, and the SWS guide is posted on the Department's WAP Program Guidance Webpage at

<https://www.tdhca.texas.gov/weatherization-assistance-program-wap-program-guidance>

All units are required to be in compliance with DOE/SWS guidelines and successfully pass a local QCI inspection which includes an assessment of the energy audit or priority list to confirm the accuracy of the field site data collection, energy audit software inputs (when applicable), and ensure that measures called for on the work order were appropriate and in accordance with TDHCA's energy audit/priority list procedures and protocols approved by DOE. If a local QCI fails to adequately inspect a unit to meet the most recent DOE/SWS guidelines, the Subgrantee would be out of compliance and reported to the TDHCA Compliance Department for the appropriate action. Any unit that fails to be brought into compliance with current DOE/SWS requirements and/or successfully pass a QCI inspection will require TDHCA to disallow the unit and associated costs. A report will be generated issuing the Subgrantee a finding(s) for the reason(s) of the disallowed cost. In severe or repetitive cases the local QCI will be reported to the certifying agency for further action. In less severe or isolated cases the local QCI would be provided individualized T&TA or a referral to the appropriate Comprehensive training provider.

#### V.6 Weatherization Analysis of Effectiveness

Pursuant to 10 TAC, Chapter 1, Subchapter C, §1.302, a review of a Subgrantee's compliance history in Department programs must be approved through the Department's Previous Participation Review and Approval Process (PPRAP) and provided to the Department's Board of Directors in order that the Board may consider the compliance history and make and document its award decisions with full knowledge of these matters. Prior to the award of DOE funds to any

Subgrantee, PPRAP reviews:

1. Deficiencies, Findings and Concerns identified during the last three years;
2. Any changes in debarment status;
3. Complaint history of the applicant; and
4. If the Subgrantee is subject to the requirement of an annual single audit: Single Audit status, any findings noted in the Single Audit, and the recommendation of the Single Audit Committee.

The Compliance Division submits the results of the information noted above to the PPRAP. If the PPRAP finds that a Subgrantee has outstanding monitoring or Single Audit issues, their WAP award may be subject to conditions intended to avoid future noncompliance, and limit disallowed costs.

Additionally and in a separate process, T&TA staff are copied on all monitoring reports and/or a staff meeting is held for monitors to debrief T&TA staff after each visit. In those meetings, monitoring staff relay issues found related to the Subgrantee as well as overall trends identified. Following the monitoring report, T&TA staff provide an initial email to the Subgrantee to provide resources for identified issues. T&TA staff applies this debrief information when determining the needs for agency wide specific T&TA and to plan the training curriculum. When circumstances warrant due to a high amount or degree of monitoring findings and concerns related to energy audit procedures, focused and intensive T&TA from a Weatherization Trainer will take place.

Further, Subgrantee performance is reviewed periodically and at the end of the program year. The Department tracks subgrantee performance over time by reviewing their monthly production and expenditure reports. Subgrantees are required to submit a Production Report on the 15th of each month. If staff determines that a benchmark is missed or a Subgrantee is falling behind on expenditure and/or production, a letter is issued from the Department and the subgrantee is required to submit a written Mitigation Action Plan according to 10 TAC §6.405.

Additionally, based upon monthly submitted production and expenditure reports, individualized TA is provided to ensure full expenditure and an adequate rate of production. T&TA staff analyze the reports submitted by subgrantees and provide T&TA when necessary. Such T&TA may include a course on production oriented management, proper reporting, procurement, and/or other relevant topics.

Analysis of reports includes the following:

- Number of homes completed;
- Number of applications pending;

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- Number of homes in progress;
- Contract amount;
- Total funds expended;
- Balance of funds; and
- Special comments

The Department enforces the Deobligation/Reobligation of Awarded Funds rule as laid out in 10 TAC §6.405. While the Department's performance review process has not achieved full expenditure of funds each Program Year (e.g., PY 2017 due to Hurricane Harvey), the Department continuously assesses its processes and researches potential modifications in order to improve. For example, as mentioned previously, the Department oversees the performance and expenditure report and production schedule process and provides technical assistance to individual subgrantees who are on a pathway to nonexpenditure of the full amount of their allocation.

## V.7 Health and Safety

Attached to SF-424

## V.8 Program Management

### V.8.1 Overview and Organization

The Department is the state's lead agency responsible for affordable housing and community assistance programs. The Department annually administers funds derived from mortgage revenue bond financing and refinancing, federal grants, and federal tax credits.

In 1991, the 72nd Texas Legislature created the Department. The Department's enabling legislation combined programs from the Texas Housing Agency, the Community Development Block Grant Program from the Texas Department of Commerce, and the Texas Department of Community Affairs.

On September 1, 1992, two programs were transferred to the Department from the Texas Department of Human Services: the Low Income Home Energy Assistance Program and the Emergency Nutrition and Temporary Emergency Relief Program. Effective September 1, 1995, in accordance with House Bill 785, regulation of manufactured housing was transferred to the Department. In accordance with House Bill 7, effective September 1, 2002, the Community Development Block Grant and Local Government Services Programs were transferred to the newly created Office of Rural Community Affairs. Effective September 1, 2002, in accordance with Senate Bill 322, the Manufactured Housing Division became an independent entity administratively attached to TDHCA. As a state agency, the Department is under the authority of the Governor of the State of Texas.

The Department's services are offered through three program categories: Single Family Programs, Multifamily Finance Production, and Community Affairs, which administers the WAP.

The Department subcontracts with a network of Subgrantees that provide WAP services. The network is comprised of community action agencies (CAAs), regional Councils of Government (COGs), and organizations in the other public or private nonprofit entity category.

All network Subgrantees are provided a draft copy of the yearly weatherization state plan and a notice of the state public hearing. The public and all Subgrantees are invited and encouraged to participate in the public comment process.

Historically, the regular weatherization program year ran from April through March. Starting PY 2015, the weatherization program year has run from July through June.

The Department will continue to administer the program through Subgrantees in accordance with 10 CFR §440.15 provisions and State regulations. If existing Subgrantees are successfully administering the Program, the Department will offer to renew the contract if the Subgrantee so desires and if grant funds are available. When the Department determines that an organization is not administering the program satisfactorily, it may take the following action:

- Correction of the problem(s) with training or technical assistance;
- Reassignment of the service area (or service area portion) to another existing Subgrantee; or,
- Solicitation or selection of a new or additional Subgrantee in accordance with 10 CFR §440.15 provisions.

A new or additional Subgrantee is defined as a CAA or other public or nonprofit entity that is not currently operating a DOE Weatherization Assistance Program.

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Consolidation/downsizing: Any downsizing will occur through normal attrition through a Subgrantee's determination that it can no longer administer the program efficiently/effectively, or through the Department's determination that a Subgrantee can no longer administer the program efficiently/effectively.

Reassignment of service areas for just cause: In the event that a service area can no longer be served by a Subgrantee, the Department reserves the right to reassign service areas. If it appears necessary to permanently reassign the service area, a new Subgrantee may be chosen in an open, competitive solicitation process in accordance with 10 CFR §440.15. The solicitation process begins with authorization by the Department's Governing Board to release a Request for Applications (RFA). The RFA packet includes a narrative portion describing the application and selection procedure, submission instructions, eligibility requirements, evaluation process, required certifications and attachments as well as the scoring items. Scoring items are based on Prior Experience, Prior Performance, Audit Findings, Disallowed Costs, Prior WAP Expenditures, Board Governance, and an applicant's Proposed Service Plan. Once applications are received, Department staff review and score the applications to determine the highest scorer. The applicant with the highest score undergoes a Previous Participation Review and is then approved by the Board for an Award and Contract.

### V.8.2 Administrative Expenditure Limits

The Department may keep up to 7.5% of its grant funds for state administration. An additional 7.5% will be distributed for local WAP field operations under contract. Contract funds are intended for local administration, liability insurance coverage, local fiscal audit, materials, labor, program support and health and safety measures. To help ensure that Subgrantees comply with the full and proper use of all the contract funds, written definitions are provided to Subgrantees on budget categories as deemed necessary. The Department has elected to provide the maximum allowable funds for Subgrantee administration to Subgrantees receiving less than \$350,000, so it has not included procedures for deciding which Subgrantees will receive additional funds. This decision is based on the following factors:

- Subgrantees often have to rely on other programs for WAP outreach and other administrative support;
- Subgrantees have had to adjust budgeting to keep pace with cost-of-living increases -- staff salaries, fringe benefits, rent, postage, travel, etc.;
- The State of Texas is 877 miles from Northern to Southern tips, 834 miles from Eastern to Western tips, and is comprised of a total of 266,807 square miles. The extra geography that Subgrantees have to cover to serve all the area's clients equitably requires additional staff, staff time, postage and phone costs, and vehicle wear and maintenance. (Source of Mileage Data: Texas Department of Transportation);
- Salaries, space, utilities, telephone, and similar costs associated with program support personnel should be charged to program support; and
- The increasing cost of maintaining appropriate qualified staff is challenging.

For Subgrantees receiving over \$350,000, the administrative allowance will be at least 7.5% of each subgrant. For Subgrantees receiving less than \$350,000, the administrative allowance may be increased up to an additional 5% for each subgrant.

### V.8.3 Monitoring Activities

The Department will monitor the Weatherization Assistance Program (WAP), in accordance with WPN 24-4, with the Monitoring staff included in the budget. Subgrantee is defined as an organization with whom the Department contracts and provides WAP funds, including a statewide or regional WAP provider(s). Names and credentials of Department staff dedicated to monitoring DOE activities are:

- Robert Moore – 14+ years of weatherization experience including as a Texas WAP Subgrantee, BPI QCI, BPI Building Analyst Professional, BPI Energy Auditor, Lead certified, OSHA 30 and attended DOE sponsored conferences.
- Ben Rose – 12+ years of weatherization experience including as a Texas WAP Subgrantee, BPI QCI, BPI Building Analyst Professional, BPI Energy Auditor and Lead certified.
- Robert Kunze - 13+ years of weatherization experience including as a Texas WAP Subgrantee, BPI QCI, BPI Building Analyst Professional, BPI Building Analyst Technician, BPI Energy Auditor, Lead certified, OSHA 10, EPA 608, and attended DOE sponsored conferences.

All staff listed above conduct fiscal/administrative and inspection monitoring activities and are paid for out of the T&TA (40%) budget category.

Compliance Subrecipient Monitoring is staffed with 10 additional monitors not dedicated to weatherization. All of these qualified monitors may be tasked with fiscal and programmatic activities through funds provided by this State plan.

The Department will attempt to monitor each of the DOE Subgrantees during the program period. Many of the DOE Subgrantees also receive funds through the Department of Health and Human Services Community Service Block Grant, Low Income Home Energy Assistance Program, Housing and Urban

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Development HOME Program and Housing and Urban Development Emergency Solutions Grant Program. Whenever possible, all programs that are funded by the Department will be monitored during one visit to the Subgrantee; this may result in a monitoring outside of the regular DOE contract period.

(See Tentative Monitoring Schedule attached to SF-424)

The Department understands DOE's expectation and will conduct at least one on-site visit annually to each Subrecipient for technical and fiscal/administrative monitoring.

Financial and Administrative monitoring will include, at minimum, a review of the Subgrantee's General Ledgers and policies and procedures (including procurement) as well as support documentation for reported expenditures. These documents will be reviewed to ensure compliance with DOE, Department and other applicable rules and regulations. The Department will monitor for eligibility through sampled client file reviews. Through sampled unit inspections, Department staff will monitor for installed measures that are allowable and meet or exceed DOE requirements. The Department will review whether charged measures were installed properly and determine compliance with health and safety procedures, client eligibility, energy audit procedures, client education procedures and compliance with the SWS.

The Department will inspect 5-10% of all completed weatherized units. In order to achieve the 5-10% inspection rate and comply with the requirements of WPN 24-4, the Department is requesting that Subgrantees with a QCI on staff do not have that staff member involved with the weatherized unit prior to final inspection. The Department defines prior involvement as performing the audit, creating the work order or performing any weatherization work on the weatherized unit. The Department has created a QCI Final Inspection Form for Subgrantees which will allow TDHCA to determine if a QCI employed by the Subgrantee had prior involvement with that unit. The Department will review each sampled QCI final inspection document to ensure compliance with the requirement to inspect 5% and will increase the required inspections if necessary.

The Department recognizes that there may be a need to perform additional unit inspections towards the end of the contract period to comply with the requirements of WPN 22-4 if there were not enough units available to sample during the full monitoring review.

More frequent monitoring visits (Fiscal/Administrative and/or Technical) may be conducted for Subgrantees with significant identified risk.

Monitors will complete evaluation instruments to determine a Subgrantee's compliance. The instruments cover Financial and Administrative requirements, health and safety procedures, client eligibility, energy audit procedures, client education procedures, and compliance with the SWS. Compliance Monitors also review the hard copy of the NEAT or MHEA audit which is required to be in the client file to assure that the scope of the work was directed by the audit. Monitors scan documents as support if findings are noted. TDHCA monitors inventory with dedicated review procedures and an inventory testing tool.

The following list provides additional monitoring details that may occur during the monitoring review:

- Monitors may request copies of fiscal records/support documentation and perform a desk review to gauge the fiscal condition of the Subgrantee prior to onsite monitoring.
- As needed, monitors may perform a desk review of records requested but not provided during the onsite review and records requested to clarify issues identified during the onsite monitoring visit. The Department recognizes the requirement to issue the monitoring letter within 30 days of the review. The Department does not consider the review complete until receipt of information needed to ascertain compliance. Monitoring letters will be issued within 30 days of receipt of all necessary information.
- Monitors may test that weatherization activities including but not limited to: energy audits, energy conservation measures, incidental repair measures and health and safety measures are only performed by properly trained Retrofit Installer/Technicians, Crew Leaders, and Energy Auditors that have received comprehensive training (not necessarily certification) that is aligned with DOE's Job Task Analysis for the position in which the weatherization worker is employed.
- Subrecipient failure to provide/maintain support documentation sufficient enough to support activities will result in a recordkeeping finding in accordance with 2 CFR Part 200 and Texas Administrative Code §1.409 Record Retention requirements.

The Department will issue monitoring reports within 30 days of completion of the review. Subgrantees are provided a 30 day corrective action period to respond and provide evidence of correction. On a case by case basis, the Department may grant an extension to respond to the report if there is good cause and the request is made during the corrective action period. The Department will review each response and determine if the Subgrantee has resolved the compliance issue. If the Department determines the issue is not resolved, the Subgrantee will be notified and required to submit an additional response(s) until the compliance issue is resolved. In certain circumstances, the Department may "close" a compliance issue when there remains no additional actions that can be taken to resolve the issue. At the conclusion of this process, any unresolved compliance issues will be reported to DOE, as will any noncompliance that appears in two consecutive monitoring reports. Instances of suspected fraud, waste, or program abuse will be reported immediately to DOE and the Texas State Auditors Office.

The Department will review the annual Single Audits of each Subgrantee agency. The Department requires each Subgrantee to complete an Audit Certification

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form within 60 days of the end of the entity's fiscal year. This is used to determine if a Single Audit is required. All single audits must be uploaded to the Federal Clearinghouse within nine months of the Subgrantee's fiscal year end or within 30 days of completion. Upon receipt of the Single Audit, a review is completed to determine if the packet submitted is complete and all opinions are provided. If the audit contains findings for Department issued funds, they are reviewed and discussed by the Director of Internal Audit, the Director of Subrecipient Monitoring, the Director for Community Affairs and staff to determine the appropriate steps to ensure the entity addresses the concerns identified in the audit report or management letter. The Department issues correspondence to the entity, identifying what the entity must address, what support documentation is needed and the corrective action measures that must be performed. The entity is provided a time frame to complete the corrective action and to respond to the correspondence.

The Department's Compliance Monitor(s) keep abreast of the required timeframe for the entity to complete the corrective action and to provide the response. When the response is received, the Department reviews the documentation to determine if the corrective action requirements have been met and whether or not to refer the matter to the Department's Enforcement Committee in accordance with Department rules and standard operating procedures. During the next monitoring visit to the entity, the Department will determine if the selection of expenditures or materials reviewed reflect compliance with the respective requirement.

If it is determined that the Subgrantee is not able to administer the weatherization program, the Department will follow the requirements in 10 TAC §2.202 Contract Closeout.

Compliance Subrecipient Monitoring (CMSM) is tasked with monitoring monies passed-through to subrecipients as documented in the Annual Monitoring Plan, Monitoring Procedures, Single Audit SOP and PPR SOP. Short narratives for fiscal review, single audit and previous participation are as follows:

**Disbursements** - Expenditures are sampled from the subrecipients general ledger and tested against the requirements of Texas Grant Management Standards, Texas Administrative Code and 2 CFR Part 200.

**Procurement** - Procured contracts are sampled and tested against the requirements of Texas Grant Management Standards, Texas Administrative Code and 2 CFR Part 200. The subrecipient general ledger is reviewed for aggregate expenditures that may warrant procurement.

**Reconciliations** - Expenditures recorded in the subrecipient's general ledger are reviewed and reconciled to reported Monthly Expenditure Reports.

**Single Audit** – Subrecipients are required to submit an Audit Certification Form (ACF) within 2 months of the entities' fiscal year end. The ACF is a legal certification indicating if an entity has expended to the federal single audit (SA) threshold of \$1,000,000. If the federal SA threshold is met or exceeded, subrecipients are required to upload a 2 CFR Part 200 compliant single audit to the Federal Audit Clearinghouse (FAC) within 9 months of the entity's fiscal year end and notify the Department once the audit has been accepted by the FAC. The Department's Subrecipient Monitoring Administrator tracks ACF and SA compliance in a Microsoft Access database. Audits are reviewed by the administrator. If findings are identified, the materiality of the findings to Department passed-through funding is assessed by the Director of Subrecipient Monitoring, the Deputy Director of Program Controls and Oversight, the Department's legal counsel, the Director of Internal Audit and any program directors of funds passed-through for that fiscal period. If the findings are material to Department funding, a management decision letter with required follow-up is issued. Failure by the subrecipient to comply with ACF or SA requirements; or failure to adequately address management decision follow-up may impact the entity's ability to receive further funding through the Department's Previous Participation Review and Approval Process.

**Previous Participation** – It is the policy of the Compliance Division (CD) and the Compliance Administration Section (CMAD) to conduct a Previous Participation Review (Review) of Administrators, Sub-recipients, Affiliated Parties, Persons, Entities, and Responsible Parties to minimize the risks associated with providing Texas Department of Housing and Community Affairs' (Department) awards or assistance to non-performing Development Owners, Sub-Recipients, Non-Profits, and For-Profit Organizations. The Department's funds will not be awarded, or assistance provided, without the completion of a Review, as identified in the Texas Administrative Code, Title 10, Chapter 1, Subchapter C. Subrecipient Monitoring checks compliance status for Single Family and Community Affairs applicants as well as single audit compliance. Results are provided during previous participation review in order to inform any Compliance recommendations to the PPRAP.

#### **Virtual Monitoring Overview**

In light of the continued health concerns surrounding Coronavirus (COVID-19) and to promote the safety of our citizens, the Department developed a virtual monitoring inspection plan and received approval from DOE to move forward with virtual inspections according to the virtual monitoring inspection plan. While the Department has returned to onsite monitoring visits, the Department requests to retain approval for the virtual monitoring inspection plan if needed. DOE-approval will be sought prior to the re-implementation of virtual monitoring and that periodic re-evaluations of the necessity and collaboration with DOE will occur during the usage of virtual monitoring.

Virtual (video) monitoring inspections, being similar to on-site inspections, will be performed to minimize contact and exposure. This type of monitoring encompasses current comprehensive desk review procedures of all digitized client file documentation from intake to the final Subgrantee inspection as well as review of fiscal support documentation. During the desk review continued focus will include eligibility, complete whole house assessment leading to audit measures and needed health and safety measures. Any issue(s) identified will be noted on monitoring report for further follow-up and verification during the



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remote virtual (video) inspection.

Identified discrepancies, serious and/or questionable health and safety concerns will trigger intensified corrective action or possible onsite examination and confirmation.

Virtual Unit Inspection Technical Monitoring Procedures

Continue utilizing Texas State Plan Monitoring Process inserting virtual unit inspections in lieu of onsite physical inspections.

1. TDHCA issues Subgrantee Technical Monitoring Review Notification Letter.
2. TDHCA communicates with Subgrantee selecting specific weatherized unit to be reviewed.
3. Subgrantee submits selected specific weatherized units client file documentation, final inspection pictures and video recording through TDHCA secure file transfer system.
4. Comprehensive client file desk review completed.
  - a. Performed with evaluation instruments to determine a Subgrantee's compliance, with all questions or concerns noted.
5. Virtual Unit Inspection Technical Monitoring
  - a. Standard final Subgrantee QCI inspections to be completed and videoed
  - b. Schedule virtual instruction training with each Subgrantee to ensure understanding of required photographic and video records of final inspection.
  - c. Conducted by QCI certified TDHCA Staff for units completed and reported.
  - d. Requires Subgrantee's final inspection video recording, pictures and documentation.
  - e. TDHCA Monitor reviews video for completion and SWS and IRC compliance.
    1. If video contains required inspection support, no additional visit is necessary.
    2. If video doesn't adequately address all applicable QCI requirements, then TDHCA requests/schedules an additional Subgrantee visit as a final inspection, that would be interactive (smart phone face time, zoom, etc.) for measures testing missed in the original video.
  - f. Video begins at the street view and continue around entire unit allowing clear observation of all exterior surfaces.
  - g. Continued tour of the unit's interior allowing survey of general condition.
    1. Close-up (zoomed) view of specific areas of work performed and compared against work scope, SWS, and Texas Administrative Code (TAC) standards.
  - h. Subgrantee videos diagnostic testing set up, staff performing tests and final test results.
  - i. Required items to be provided by Subgrantee:
    - Blower Door
    - CAZ Testing (if applicable)
    - ZPD Documentation
    - Exhaust Flow
    - Pressure Pans (if applicable)
    - Installed Measures
    - Duct Blaster (if applicable)
  - j. Compliance Monitor develops summary notes on testing processes and final test results based on Standard Work Specifications, DOE approved Field Guide, current Weatherization Program Notices, and Texas Administrative Code.

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k. Subgrantee required to address any identified Health and Safety issues immediately with appropriate notice to the affected household and to the Department.

l. Subgrantee afforded the opportunity to address any additional non H&S identified issues prior to required monitoring review report release.

**6. DEPARTMENT ISSUED MONITORING REPORT**

a. The Department will issue monitoring reports within 30 days of completion of the review.

b. Subgrantees are provided a 30 day corrective action period to respond and provide evidence of correction.

c. The Department will review each response and determine if the Subgrantee has resolved the compliance issue.

d. If the Department determines the issue is not resolved, the Subgrantee will be notified and required to submit an additional response(s) within 30 days. Failure to resolve findings may result in disallowed costs.

\*\*TDHCA will seek approval prior to the implementation of virtual monitoring and that periodic re-evaluation of necessity and coloration with DOE will occur during the usage of virtual monitoring. \*\*

**V.8.4 Training and Technical Assistance Approach and Activities**

(Also see TTA Plan attached to SF-424)

TDHCA ensures all provided trainings are in compliance with the Quality Work Specification and provides Subgrantees with sufficient T&TA funding to:

- Obtain and/or maintain required certifications such as: QCI, MFQCI, Energy Auditor, Lead Safe Renovator, Lead Safe Worker, OSHA 10/30, etc.
- Receive Comprehensive training on a regular basis for occupation-specific training to train on curriculum aligned with the topics within the job task analyses (JTAs). All Comprehensive trainings are administered either by or in cooperation with IREC accredited facilities.
- Receive Specific training to address single-issue, short-term training to address technical skills/knowledge gaps, attend conference trainings, or attend trainings not aligned with a Home Energy Professional (HEP) job task analyses (JTAs). Specific trainings are conducted by Department training and technical staff or a Department approved designee with the exception of training conferences.
- When applicable, Subgrantees are given the opportunity to utilize T&TA funds to conduct in-house training by their current staff with their new/applicable staff. TDHCA T&TA staff will review and provide potential approval, on a case-by-case basis, for the training activities based on applicable parameters for the desired in-house training. Examples of potential parameters to be considered: qualification/certification of staff leading/conducting the training, expenditure rates, lack of monitoring findings/concerns, estimated timeline, estimated T&TA expenditures, etc.

Training needs are determined and based upon the following:

- Individual Subgrantee Training Needs Assessments (TNA)
  - TDHCA implemented a requirement that requires each Subgrantee to complete DOE's WAP T&TA Planning & Reporting Template to identify each Subgrantee's specific training needs. The initial report is required to be submitted within sixty (60) days of the contract execution and is reviewed by TDHCA training staff to ensure each Subgrantee is planning to receive training in needed areas. Throughout the contract terms TDHCA staff monitor for training expenditures to ensure Subgrantee is obtaining needed trainings. Upon the completion of the contract a final version is required to be submitted to document and support training assistance received.
- Grant Requirements or as directed by DOE monitor or audit reports.
- Subgrantee Request. The Department has an online request system, with a T&TA menu list, or section for the Subgrantee to make a specific request or ask specific questions. The Department will contact the requestor and customize training to meet the need. <https://tdhca.wufoo.com/forms/request-for-ca-program-assistance/>
  - In addition, submitted questions or requests are reviewed for creating Best Practices/FAQs or to identify topics for regional trainings, workshops, webinars or individualized training.
- Monitoring Reports. The Department's compliance team shares monitoring issues with the training team. The training team will initially provide resources and guides to address any findings, and follow up with T&TA as required.
- Subgrantee expenditure performance
  - TDHCA utilizes an online contract system to collect expenditure and performance data from Subgrantees and compares that data to a production tool at minimum on the third, fifth, and seventh program reporting deadline as identified within 10 TAC §6.405.
- Trends across the network are addressed in regional trainings, workshops, webinars or quarterly webinar calls with the network.
- Management Request. Management may make a specific request and dictate the type of training needed.

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- Grantee identified needs
  - Areas of special focus are as follows:
    - Quality work through initial assessments
    - Accurate Energy Audit Modeling
    - Accurate implementation of DOE-Approved Priority List

The Department has five certified EA/QCI staff who monitor and/or train weatherization Subgrantees on quality weatherization work, proper diagnostics, documentation, and compliance. The Department continues to provide T&TA to assist Subgrantees in preparing for and obtaining required certifications. The Department created an online Web page dedicated to Quality Work Plan requirements that contains guidance and resources.

<https://www.tdhca.texas.gov/weatherization-assistance-program-quality-work-plan>

NOTE: IREC approved training providers sometimes partner with local Subgrantees to provide Comprehensive training courses in Texas including MFQCI and Energy Auditor.

**Comprehensive Training:**

Comprehensive trainings are defined as occupation-specific trainings which is part of an overall curriculum aligned with the topics within the given JTA being trained and will be administered by or in cooperation with accredited IREC training providers credentialed for the JTA being taught. Additionally, all required certification testing will be conducted by BPI certified proctors.

The current focus for Comprehensive training will include the following:

- Ensuring all twenty-one (21) Subgrantees have staff (or subcontractors as applicable) certified and trained in the profession in which the worker is employed.
  - Employment categories include: Energy Auditor (EA), Quality Control Inspector (QCI), Retrofit Installer (RI) and Crew Leader (CL).
  - As a prerequisite to BPI advanced certifications, TDHCA recommends successful training and completion of an appropriate BPI core certification such as Building Analyst Technician and Building Analyst Professional.
- Ensuring all twenty-one (21) Subgrantees continue to receive Comprehensive training on a regular basis for occupation-specific topics within the perspective job task analyses (JTAs) the worker is employed.
- Ensuring all twenty-one (21) Subgrantees receive Priority List related training to address any identified monitoring concerns with the implemented DOE Approved Priority List.
- Ensuring all twenty-one (21) Subgrantees receive Energy Audit Weatherization Assistant (WAwab) Modeling or Assessment related training to address identified monitoring concerns.

In compliance with Section 2 of WPN 22-4, the Department will perform a training needs assessment (TNA) to ensure comprehensive training for each category listed above is planned for and that required certification are maintained as applicable. Whereas it is the responsibility of the Department to provide funds for training through or in conjunction with IREC training providers, it is the responsibility of the Subgrantee to ensure training is completed by staff and/or subcontractors. The Department will monitor Subgrantee training plan progress and track credentials. Weatherization staff that do not meet the requirements outlined within WPN 22-4 may not function unsupervised until training and/or certification requirements are met.

**Specific Training:**

Specific trainings are defined as training for single-issue, short-term training to address technical skills or knowledge gaps. Conference trainings and any training not aligned with a Home Energy Professional JTA are included in this category. Specific training will be provided by Department training and technical assistance staff or a designee with the exception of training conferences. With experience as Subgrantee Program Managers, State Program Officers, Trainers, and Compliance Monitors, the staff has experience in Subgrantee monitoring, unit assessments, audits, materials installation, inspections, and the training and technical assistance that support each. The staff consists of:

- Kevin Glienke - 15+ years in WAP as a monitor/trainer, BPI Building Analyst Professional, BPI QCI, BPI EA, and attended DOE and TACAA sponsored conferences.
- Evan Brown - 10+ years of WAP experience including as a Texas WAP Subgrantee, BPI Building Analyst Professional, BPI QCI, BPI EA, BPI IDL, OSHA 30 & 10 certified, Lead certified, and attended DOE and TACAA sponsored conferences.
- Robert Moore – 14+ years of weatherization experience including as a Texas WAP Subgrantee, BPI Building Analyst Professional, BPI QCI, BPI EA, Lead certified, OSHA 30 and attended DOE and TACAA sponsored conferences.
- Ben Rose – 12+ years of weatherization experience including as a Texas WAP Subgrantee, BPI Building Analyst Professional, BPI QCI, BPI EA, Lead certified, and attended DOE and TACAA sponsored conferences.
- Robert Kunze - 13+ years of weatherization experience including as a Texas WAP Subgrantee, BPI QCI, BPI Energy Auditor, BPI Building Analyst Technician, BPI Building Analyst Professional, Lead certified, OSHA 10, EPA 608, and attended DOE sponsored conferences.

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The focus for Specific trainings will include the following:

- New manager training
  - New manager training is required within three months of being hired and may be requested through the online training request system. Training includes a broad overview of the program history, applicable rules, reporting requirements, and available resources.
- Monitoring report based training
  - Another form of specific trainings are trainings that arise out of necessity due to monitoring issues. Subgrantees are monitored as described in V.8.3 Monitoring Activities of this Plan and results of those monitoring visits are shared with T&TA staff. Any issues as a result of a monitoring visit are analyzed by T&TA staff to determine how best to train the Subgrantee to resolve the issue(s).
  - While the majority of monitoring issues are addressed through the Comprehensive training approach, T&TA staff often provide short-term training to address technical skills or knowledge gaps through the Specific approach. Additionally T&TA staff help Subgrantees review their monitoring report to develop a training plan and to identify Comprehensive training(s) needs. After Comprehensive training(s) are performed a follow-up is performed by T&TA staff to ensure of training comprehension. If necessary T&TA staff provide one on one assistance to ensure the issue(s) are fully addressed/resolved.
- One-on-one technical assistance request for WAP Subgrantees.
  - T&TA staff are available daily to answer specific T&TA request, discuss/provide options for encountered scenarios, help locate applicable program guidance, etc.
  - Grantee/subgrantee knowledge and understanding of virtual platforms has increased capacity in this area tremendously.
- Administrative/Fiscal Technical Assistance & Training.
  - To assist subgrantees address monitoring findings or concerns in the area of fiscal and cost allocation, the Department contracts with a fiscal consultant with expertise in financial systems and cost allocation.
  - To provide targeted in-depth technical assistance and training services in a variety of areas to include risk management, financial systems, budgeting, internal controls, process mapping, compliance with federal and state requirements, operations, outreach, systems analysis, strategic planning, procurement and weatherization production, the Department contracts with a Training & Technical Assistance provider to address subgrantee monitoring findings, concerns and areas of needed improvement.
- Quarterly Network Calls
  - Quarterly Network Webinar Call will cover topics based upon need and identified areas of concern. Topics typically include:
    - Program Requirements and Updates
    - Monitoring Concerns
    - Technical Issues
    - Health & Safety Concerns
    - Upcoming Training Dates
    - Resources
- WAP E-Newsletter
  - A WAP newsletter will be emailed to the network on an as needed basis (i.e., as information becomes available) to provide WAP related information to the network (e.g., program and technical requirements, updates, training opportunities).

For formal specific trainings requested by the Subgrantee, a report will be produced indicating Subgrantee staff present, materials and documents presented to the Subgrantee, and expected outcomes.

#### **Ramifications for Noncompliance with Training Requirements**

Ramifications for noncompliance with Comprehensive training and/or Specific training can contain condition(s) which the noncompliant Subgrantee must comply with in order to receive funding. Conditions can be minor (e.g., submittal of a credential to the Department) or severe (e.g., closely supervised final QCIs by Department training staff to determine quality of weatherization measures installed).

#### **Subgrantee Evaluation of Training Activities**

Subgrantees will be given the opportunity to provide feedback through online training evaluations. These evaluations are reviewed to make improvements to future T&TA. Training staff will conduct periodic surveys to solicit input from Subgrantees and will evaluate pass rates for certification testing. In order to evaluate compliance with the Quality Work Specifications and the efficacy of its training activities, the training staff will review a Subgrantee's training activities semiannually and compare those to the Subgrantee's monitoring reports.

#### **Client Education**

The Department requires Subgrantees to provide client education to each client. Subgrantees are required to provide (at a minimum) educational materials in verbal and written format. Client education may include written and verbal education, energy savings materials, and instructions for equipment operation and/or maintenance.

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Percent of overall trainings

Comprehensive Trainings:	60.0
Specific Trainings:	40.0

Breakdown of T&TA training budget

Percent of budget allocated to Auditor/QCI trainings:	50.0
Percent of budget allocated to Crew/Installer trainings:	30.0
Percent of budget allocated to Management/Financial trainings:	20.0

V.9 Energy Crisis and Disaster Plan

At this time, no DOE funding will be utilized for Disaster Recovery activities.

# Weatherization Grantee Health and Safety (H&S) Plan- *Optional Template*

## Texas Department of Housing and Community Affairs

### 1.0 – GENERAL INFORMATION

**Additional information that does not fit neatly in one of the other sections of this document.**

Allowable Department of Energy (DOE) related health and safety (H&S) actions and expenditures are those necessary to maintain the physical well-being of both the occupants and/or weatherization workers where:

- Costs are reasonable as determined by The Department of Energy (DOE) in accordance with this approved Plan;
- The actions must be taken to effectively perform weatherization; or
- The actions are necessary as a result of weatherization work.

This plan will provide guidance to the Texas Weatherization Network. Health and Safety issues will be identified by Program Assessors during the initial assessment. Weatherization Crews (either subcontracted or in house) will perform the task(s) identified in the initial assessment and listed in the work order(s). Weatherization agencies and their representatives, including subcontractors, are required to take all reasonable precautions against performing work on homes that will subject the occupants or themselves to health and/or safety risks.

This health and safety plan is taken from a DOE approved template. Much of the text in this template is DOE prescribed boilerplate language and may not always apply to activities described in TDHCA's DOE plan.

### 2.0 – BUDGETING

*Grantees are encouraged to budget H&S costs as a separate category and, thereby, exclude such costs from the Average Cost Per Unit (ACPU) cost limitation. This separate category also allows these costs to be isolated from energy efficiency costs in program evaluations. H&S costs that are budgeted and reported under the Program Operations category rather than the H&S category, the related H&S costs must be included in the calculation of the ACPU and cost-justified through the Grantee's Department of Energy (DOE)-approved energy audit tool.*

**Select which option used below.**

Separate H&S Budget ☒

Contained in Program Operations ☐

### 3.0 – H&S EXPENDITURE LIMITS

*Pursuant to [10 CFR 440.16\(h\)](#), Grantees must establish H&S expenditure limits for their Program and provide justification for those limits by explaining the basis and related historical H&S expenditures. DOE acknowledges that it may be necessary for Grantees to deviate from historical expenditures when certain circumstances arise (e.g., funding source changes).*

*[10 CFR 440.16\(h\)\(2\)](#) dictates that these limits must be expressed as a percentage of the ACPU. To calculate this percentage, use the following formula:*

$$\text{Total Average H\&S Cost per Unit} = \frac{\text{H\&S budget amount}}{\text{Program Operations budget amount}}$$

For example, if the ACPU is \$5,000 and a Grantee's Program expends an average of \$750 per dwelling on energy-related H&S measures, the Total Average H&S Cost per Unit would equal 15 percent. DOE acknowledges that this percentage may vary significantly between Grantees due to different geographical areas and depending upon the availability of other funding sources, resource availability, etc. Low percentages should include a statement of what other funding supports H&S costs, while larger percentages will require greater justification and relevant historical support.

15 percent is not a maximum limit on H&S expenditures. DOE will conduct a secondary level of review on H&S Plans with a Grantee request of more than 15 percent of Program Operations used for H&S purposes. **DOE strongly encourages using the table below in developing justification for the requested H&S budget amount.** In accordance with [10 CFR 440.18\(d\)\(15\)](#), these funds are to be expended by the Program in direct weatherization activities, "of which is necessary before, or because of, installation of weatherization materials." This same section of the regulation excludes the H&S costs from the ACPU limitation if H&S costs are budgeted separately.

DOE recommends reviewing recent budget requests and compare those to actual H&S expenditures to see if previous budget estimates have been accurate. The resulting Total Average H&S Cost per Unit multiplied by the Grantee's production estimate in the Annual File should correlate to the H&S budget amount listed in the Grantee's annual plan.

#### H&S expenditure limits and justification explaining the basis for setting the limits.

A thorough review of historical H&S expenditure data along with network provided feedback to aid in the completion of the H&S Measures Matrix is analyzed annually to determine the H&S expenditure limit requested.

Cost Controls: The Department has built-in contract and reporting validations that do not allow any Subgrantee to report or request over the allowable H&S %. The validations are built into the budgeting system from a total overall statewide % as well. Furthermore, unless current/historical expenditure data support an increase and the increase is approved by DOE, TDHCA will limit H&S expenditures to the DOE identified 15% of Program Operations as identified within WPN 22-7.

**Utilizing the spreadsheet embedded below, provide a full list of H&S measures using historical data from your program, including average cost, and frequency rate. If installing more than a single instance of one measure in a unit (e.g. multiple CO alarms), Grantees may aggregate costs so that frequency does not exceed 100%, or enter a justification into the measure column, which explains why that measure has a frequency rate of over 100%. The spreadsheet will auto calculate your expected Total Average H&S Cost per Unit.**

**Instructions: Double-click icon directly below to open, view and edit Measure Matrix Spreadsheet. Complete the spreadsheet by entering the required information. To save, close the spreadsheet and it will save to this document.**



Measure Matrix  
Final.xlsx

## 4.0 – INCIDENTAL REPAIR MEASURES



Any measures that could potentially be identified as H&S, but the Grantee chooses to instead identify and treat those measures as incidental repair measures (IRMs), must be implemented consistently throughout the Grantee's weatherization program. The measure must fit the regulatory definition of an IRM and be cost justified along with the associated energy conservation measure and/or package of measures. [10 CFR 440.3](#) defines Incidental Repairs as, "those repairs necessary for the effective performance or preservation of weatherization materials."

**H&S measures identified and treated as IRMs within your Program.**

N/A-TDHCA strives to limit IRMs and H&S measures when feasible in an effort to maintain program focus/intent of energy efficiency.

## 5.0 – OCCUPANT PRE-EXISTING OR POTENTIAL HEALTH CONDITIONS AND HAZARD IDENTIFICATION AND NOTIFICATION FORM(S)

Grantees must develop a written policy that includes, at a minimum, the following documentation relating to H&S Plan implementation and maintain signed copies in each client file. Each notification must include the occupant(s) (and landlord if applicable) name and address, be signed and dated by the occupant (and landlord if applicable) indicating that they understand and have been informed of their rights and options and signed by the Subgrantee personnel collecting the information.

Required topics are:

▪ **Occupant Pre-existing or Potential Health Condition Screening**

- Provides documentation that allows occupant(s) to self-report known or suspected health concerns as part of initial application for weatherization, during the energy audit, or other part of the weatherization process as specified. Must minimally contain the following:
  - Any known risks associated with the measures and materials being installed
  - Subgrantee point of contact information for occupant(s)
  - Date of screening

▪ **Hazard Identification Notification**

- Provides documentation that the occupant and landlord (if applicable), have been informed of any potential hazards identified during the energy audit or intake process. Must minimally contain the following:
  - Date(s) of the energy audit/assessment and when the occupant(s) (and landlord, if applicable) was informed of a potential H&S issue
  - A clear description of the problem, including any testing results
  - A statement indicating if, or when weatherization could continue

**Radon Informed Consent Form**

- Provides documentation that the occupant(s) (and landlord if applicable) have been informed of any potential hazards associated with radon in weatherized dwellings. The form must minimally contain the following:
  - An explanation on the potential small risk of increasing radon levels when building tightness is improved. This is based on the results of the [Buildings Assessment of Radon Reduction Interventions with Energy retrofits Expansion Study \(The BEX Study\)](#)
  - A list of precautionary measures WAP will install based on [EPA Healthy Indoor Environment Protocols](#).
  - Some of the benefits of Weatherization including energy savings, energy cost savings, improved home comfort, and increased safety.

**Procedure for soliciting occupants' health and safety concerns related to components of their homes**

A Signed Health & Safety Requirements Form has been developed by the Department to aid Subgrantees with screening occupants for known or suspected health concerns and to identify H&S concerns related to components of their homes. Obtained information



must be taken into consideration when determining the units work scope to ensure occupant safety. The Signed Health & Safety Requirements Form is located on the Department’s website under “Weatherization Assistance Program (WAP) Program Guidance” at <https://www.tdhca.texas.gov/weatherization-assistance-program-wap-program-guidance> and clicking on “Program Forms” The Signed Health & Safety Requirements Form aligns with DOE’s template form to ensure clients are informed of any potential hazards associated with radon in weatherized dwellings.

**Procedure for determining whether occupants suffer from health conditions which may be negatively impacted by the act of weatherizing their dwelling**

Subgrantee must discuss information obtained from the Signed Health & Safety Requirements Form with clients and identify potential measures being considered for installation to determine if any measures could have an effect on the occupant’s health. Precautions taken to avoid client health and/or safety should be well documented in the client file.

**Procedure for addressing potential health concerns including pre-existing health conditions when they are identified**

Weatherization agencies and their representatives, including subcontractors, are required to take all reasonable precautions against performing work on homes that will subject the occupants or themselves to health and/or safety risks. In cases where an occupant’s health is fragile, or an occupant has been identified to have a health condition, and/or the crew work activities would themselves constitute a health and/or safety hazard, the occupant(s) at risk shall be required to leave during the performance of the work activities. In cases where specific weatherization material(s) present an occupant health concern, crews/contractors may substitute a comparable alternative material that meets DOE specifications. If no safe alternative material meeting DOE standards is available, Subgrantees should receive case by case guidance from Department training staff. Precautions taken to avoid client health and/or safety should be well documented in the client file.

**Location where forms have been uploaded/submitted**

Separate attachment to SF424 ☒

Separate attachment to H&S Plan ☐

## 6.0 – HEALTH AND SAFETY CATEGORIES

*For each of the following H&S categories identified by DOE in the following tables, follow the directions below.*

- Any section that is “Required” below must be explicitly detailed in the H&S Plan regardless of funding source used. If the Grantee checks the box for “Concurrence with DOE Guidance” the contents of the box may be left as it exists or reference the section/location within Grantee Policy and Procedure manual that contains language or insert Grantee specific language. If the “Alternative Guidance” box is checked, the Grantee must provide that alternative guidance in the box.
  - If a Grantee is proposing an alternative action/allowability for a “Required” item, the alternative requires comprehensive explanation of how it meets the intent of the DOE program notice.
  - If a “Required” item/category will not be addressed with any funding source and will always result in deferral, the H&S Plan must state that.
- Any section that is “Allowable” below must be detailed only if DOE WAP funds are used to implement the measures. If the Grantee uses DOE funds for any “Allowable” activities from the Table of Issues then they must be described here in detail, including defining “minor”, “major”, “limited”, “case-by-case”, and “at-risk” if the term is applied. If you only check the box “Allowed with Alternative Funds” then no additional information is required.
- Any section that is “Prohibited” below may not be addressed with DOE WAP H&S funds and does not need to be specifically addressed in the H&S Plan. The Grantee simply needs to check the “Concur with DOE guidance” box and indicate if the condition will result in deferral/referral.
- The Grantee H&S Plan may address additional H&S hazards specific to their program that are not included in the Table of Issues. If a Grantee chooses to include additional measures as DOE WAP funded H&S costs, the H&S Plan must include details pertaining to the measures allowed, testing required, and client education for these specific hazards.

- All required “Testing/Inspection” related items must be documented in the client file to verify completion and results.

## 6.1 – Air-Conditioning, Heating Systems, and Combustion Appliances

### Required Actions

Concur with DOE Guidance ☒

Alternative Guidance ☐

Results in Deferral/Referral ☐

DOE WAP H&S Funds ☒

Alternative Funds ☐

- Replace, repair, or install primary heating systems when existing primary heating systems are unsafe, inoperable, or nonexistent. No home may be left without a safe primary heating system after weatherization where climate conditions require heating (i.e., all climate zones except zone 1 as defined by ASHRAE). If unable to meet this requirement, deferral is required.
- No DOE-funded weatherization work is permitted if the completed dwelling unit will be heated with an unvented combustion space heater as the primary heat source. The primary heat source must be replaced with a vented unit prior to or by weatherization. The replacement unit must be sized to heat the entire dwelling unit.
- Unsafe secondary units, including space heaters, must be repaired, or removed and disposed of, or deferral is required. Secondary unvented space heaters are considered unsafe if they:
  - are not listed and labeled as meeting ANSI Z21.11.2;
  - have an input rating of more than 40,000 BTU/hour;
  - are in a bedroom and have an input rating of more than 10,000 BTU/hour;
  - are in a bathroom and have an input rating of more than 6,000 BTU/hour;
  - are operating in an unsafe manner (e.g., high carbon monoxide (CO) readings, too close to combustible materials, lack sufficient combustion air volume);
  - or are not permitted by the Authority Having Jurisdiction (AHJ).
- DOE WAP Grantees must comply with the [Manufactured Home Construction and Safety Standards](#) which mandates that:
  - All fuel-burning appliances in manufactured homes except ranges, ovens, illuminating appliances, clothes dryers, solid fuel-burning fireplaces and solid fuel-burning stoves, must be installed to provide for the complete separation of the combustion system from the interior atmosphere of the manufactured home (i.e., to draw their combustion air from outside), and be vented to outside the dwelling.
  - All appliances installed by or left in place after weatherization in manufactured homes must meet these standards, including secondary heating sources. If an occupant will not allow the removal of an unsafe combustion appliance from the home, deferral is required.
  - Repair or replace combustion gas venting to ensure proper combustion gas venting to outside the dwelling for all combustion appliances, including but not limited to gas dryers and refrigerators, furnaces, vented space heaters, and water heaters.
- If weatherization installs an appliance that is vented into a masonry chimney, the chimney must be lined in compliance with the International Fuel Gas Code (IFGC) or local AHJ if more stringent.
- Install adequate combustion air for all combustion appliances left after weatherization.
- If permits are required for heating/cooling system work, they must be secured and are a program operation cost if the installation is an ECM or may be included in the H&S cost if installed as a H&S measure.
- If unsafe conditions relating to existing combustion appliances require remediation to safely perform weatherization and cannot be remedied by repair or tuning, replacement is an allowable H&S measure unless prevented by other guidance herein.
- Documentation justifying the replacement with a cost comparison between replacement and repair must be maintained in the client file.

Allowable Actions	
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>
<ul style="list-style-type: none"> <li>Replace, repair, or install primary air conditioning in homes where current occupants meet Grantee’s definition of “at-risk” <ul style="list-style-type: none"> <li>TDHCA’s defines an “at-risk” as a household containing at least one member that would meet the definition of Vulnerable Populations. Vulnerable Populations are elderly persons (60 or older), persons with a disability, and households with a child at or below the age of five.</li> </ul> </li> <li>Repair or removal of primary and secondary solid fuel heating appliances.</li> <li>Replacement of unsafe primary solid fuel heating appliances.</li> </ul>	
Prohibited Actions	
Concur with DOE Guidance <input checked="" type="checkbox"/>	
<ul style="list-style-type: none"> <li>Using DOE WAP H&amp;S funds for replacement or installation of secondary heat sources is prohibited.</li> </ul>	
Required Testing/Inspection	
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>
<ul style="list-style-type: none"> <li>Verify that primary heating systems are present, operable, and performing correctly.</li> <li>Conduct combustion appliance testing and visual inspection of all combustion appliances and their related venting.</li> <li>Depressurization and spillage testing is required for all Category 1 appliances pre- and post-weatherization and before leaving the home on any day when work has been done that could affect draft (e.g., air or duct sealing, adding exhaust ventilation).</li> <li>CO testing is required for all combustion appliances, regardless of venting type.</li> <li>Verify proper clearances for all combustion venting types</li> <li>Visually inspect the entirety of solid fuel-fired appliance installations (e.g., wood stoves, coal stoves, pellet stoves, fireplaces) including the venting system to ensure it adheres to the applicable code or local authority having jurisdiction. Appliances must be inspected pre- and post-weatherization.</li> <li>Conduct pre- and post- weatherization worst case CAZ depressurization testing in spaces having a fireplace or woodstove. Since there is no consensus method for verifying safe operation of fireplaces and woodstoves, Grantees can propose testing policies and limits. If the Grantee does not propose a policy and fireplaces or woodstoves are left operational, the vent must meet national or local codes, or the home cannot be weatherized.</li> <li>Safety inspections related to space heaters, fireplaces, and woodstoves must include, but not be limited to, verification of adequate floor protection, and code-compliant clearances to walls and other combustible materials.</li> </ul>	
Grantee Combustion Testing Action Levels	

TDHCA has adopted **ANSI/BPI-1200-S-2017** combustion testing standards and action levels with the following exception:

- In addition to BPI-1200 range top burners visual inspection requirement, each burner shall be tested to meet the current adopted **International Residential Code (IRC)** Range Top Burner CO threshold. Current threshold is **25ppm as measured (per burner)**.

***All combustion testing processes must meet the requirements detailed in ANSI/BPI-1200-S-2017 standards.***

Depressurization and Spillage assessment action levels shall be based on the following criteria:

- Spillage assessed at 2 minutes of main burner operation for warm vent applications and domestic water heaters (*utilize appropriate action outlined in TABLE D.1.A*)
- Spillage assessed at 5 minutes of main burner operation for cold vent except domestic water heaters (*utilize appropriate action outlined in TABLE D.1.A*)

TABLE D.1.A ACTION LEVELS FOR SPILLAGE IN COMBUSTION APPLIANCES The following actions shall be taken when spillage occurs under the specific circumstances detailed below.	
TEST RESULT	ACTION REQUIRED
Greatest CAZ depressurization occurs with the air handler on*	Conduct further analysis of the distribution system to determine if leaky ducts or other HVAC-induced imbalances are the cause of the spillage. If so, recommend distribution system repairs that will reduce or eliminate the CAZ depressurization.
Greatest CAZ depressurization occurs with door to CAZ closed, but is alleviated when door to CAZ is open*	Recommend measures to improve air transfer between the CAZ and the core of the house
The cause of spillage has been traced to excessive exhaust** independent of CAZ door position, air handler, or a problem with the flue†	Verify that sufficient combustion air is available per <i>ANSI Z223.1/NFPA 54</i> for gas-fired appliances and <i>NFPA 31</i> for oil-fired appliances or recommend verification by a qualified professional and/or Recommend further evaluation/service by a qualified professional to address the venting/combustion air issues
*In the case where both spillage and excessive CO are present, in addition to the specific recommendations above, recommend that the appliance be shut down until it can be serviced by a qualified professional. ** Refers to exhaust caused by mechanical ventilation and/or other means of exfiltration. †When a recommendation to replace atmospherically-vented combustion equipment inside the pressure boundary is made, and when cost-effective, recommend replacement with direct-vented, or power-vented equipment (or non-combustion equipment, such as a heat pump), which is ENERGY STAR®-labeled.	

Ambient CO and Lower Explosive Limit (LEL) assessment action levels shall be based on the following criteria:

- Ambient CO and LEL shall be monitored at all times while in the work environment utilizing a designated ambient monitor.
  - If the monitor indicates an ambient CO level of 70 ppm or greater, the auditor shall immediately terminate the inspection and notify the homeowner/occupant of the need for all building occupants to evacuate the building. The auditor shall immediately leave the building and the appropriate emergency services shall be notified from outside the home.
  - If the monitor indicates an ambient CO reading in the range of 36 ppm to 69 ppm, the auditor shall advise the homeowner/occupant that elevated levels of ambient CO have been detected. Windows and doors shall be opened. The auditor shall recommend that all possible sources of CO be turned off immediately. Where it appears that the source of CO is a permanently installed appliance, the auditor shall recommend that the appliance be turned off, and the homeowner/occupant shall be advised to contact a qualified professional.
  - If the monitor indicates an ambient CO reading in the range of 9 ppm to 35 ppm, the auditor shall advise the homeowner/occupant that CO has been detected and recommend that all possible sources of CO be checked, and windows and doors opened. Where it appears that the source of CO is a permanently installed appliance, the homeowner/occupant shall be advised to contact a qualified professional.

- If any measured concentrations of combustible fuel gas exceed 10% of the LEL, the auditor shall inform the homeowner/occupants of the unsafe condition and advise evacuation of the home. The auditor shall leave the home, and the appropriate emergency services and fuel gas providers shall be notified from outside the home.

CO measurement result action levels shall be based on the following criteria:

- CO measured at 5 minutes of main burner operation;
- CO level at or below threshold in **Section 7.9.5, Table 1** for the appliance being tested is ACCEPTABLE (*utilize appropriate action outlined in TABLE D.1.B*);
- CO level exceeding threshold in **Section 7.9.5, Table 1** for the appliance being tested is UNACCEPTABLE (*utilize appropriate action outlined in TABLE D.1.B*); and
- In addition to BPI-1200 range top burners visual inspection requirement, each burner shall be tested to meet the current adopted IRC Range Top Burner CO threshold. (*utilize appropriate action outlined in TABLE D.1.B*),
  - Current IRC Range Top Burner CO threshold is **25ppm as measured (per burner)**.

7.9.5 Table 1: CO Thresholds for Fossil Fuel-Fired Combustion Appliances

Table 1 CO Thresholds for Fossil-Fuel Fired Combustion Appliances	
Appliance	Threshold Limit
Central Furnace (all categories)	400 ppm air free <sup>4</sup>
Boiler	400 ppm air free
Floor Furnace	400 ppm air free
Gravity Furnace	400 ppm air free
Wall Furnace (BIV)	200 ppm air free
Wall Furnace (Direct Vent)	400 ppm air free
Vented Room Heater	200 ppm air free
Unvented Room Heater	200 ppm air free
Water Heater	200 ppm air free
Oven/Broiler	225 ppm as measured
Clothes Dryer	400 ppm air free
Refrigerator	25 ppm as measured
Gas Log (gas fireplace)	25 ppm as measured in vent
Gas Log (installed in wood burning fireplace)	400 ppm air free in firebox

**Note**-Carbon Monoxide (CO) Air Free Air free emission levels are based on a mathematical equation (involving carbon monoxide and oxygen or carbon dioxide readings) to convert an actual diluted flue gas carbon monoxide testing sample to an undiluted air free flue gas carbon monoxide level utilized in the appliance certification standards. For natural gas or LP gas, using as-measured CO ppm and O2 percentage:

$$\text{CO AF ppm} = (20.9/20.9 - \text{O}_2) \times \text{CO ppm}$$

Where:

- COAF ppm = Carbon monoxide, air-free ppm
- CO ppm = As-measured combustion gas carbon monoxide ppm
- O2 = Percentage of oxygen in combustion gas, as a percentage

**TABLE D.1 B. ACTION LEVELS FOR CO IN COMBUSTION APPLIANCES**

TEST RESULT	ACTION REQUIRED
Unacceptable CO level	Advise the homeowner/occupant that the appliance should be serviced immediately by a qualified professional  Note: If ambient CO levels do not exceed 70 ppm, testing of other appliances and other audit procedures may continue at the discretion of the auditor
Acceptable CO level	No action required

**Grantee Woodstove & Fireplace inspection/testing policy including actions/limits**

Concur with DOE Guidance ☒

Alternative Guidance ☐

- Fireplace or woodstove venting that is left operational after weatherization must meet current local or national standards or the home must be deferred.

**Required Occupant Education**

Concur with DOE Guidance ☒

Alternative Guidance ☐

- Appropriate use and maintenance of units.
- Provide all paperwork and manuals for any equipment installed by weatherization.
- Discuss and provide information on proper disposal of bulk fuel tanks when not removed as part of the weatherization work.
- Where combustion equipment is present, provide combustion safety and hazards information including how to recognize depressurization, dangers of CO poisoning, and fire risks associated with combustion appliance use.

**6.2 – Asbestos (Confirmed and/or Presumed Asbestos Containing Material)**

**Required Actions**

Concur with DOE Guidance ☒

Alternative Guidance ☐

Results in Deferral/Referral ☐

DOE WAP H&S Funds ☒

Alternative Funds ☐

- When suspected friable Asbestos Containing Materials (ACM) are present, including vermiculite, assume they contain asbestos and take precautionary measures to prevent disturbing it during the audit and work unless testing determines otherwise.
- Grantees must have written policy included in their H&S plan for:
  - Identifying and managing suspected ACM that provides for reasonable and necessary precautions to prevent asbestos contamination in the home.
  - Addressing blower door testing where suspected friable ACM is present (as defined by EPA), including vermiculite.

**Grantee ACM policy**



If asbestos containing material (ACM) is suspected within the components of the structure, the Subgrantee must determine if the material is friable, if there would be a disturbance of that material during the weatherization process, and determine the size of the area affected.

- Where suspected ACM will not be disturbed during the weatherization process, is not creating a hazard due to being friable, or vermiculite is not present, weatherization work may proceed at the Subgrantee’s discretion. If the Subgrantee proceeds with providing weatherization services, they must ensure of the following during the weatherization process:
  - All reasonable and necessary precautions are taken to prevent asbestos contamination in the home
  - Suspected ACM will not be cut, drilled, sanded, scraped, or otherwise disturbed
  - Measures taken to prevent suspected ACM disturbance and precautions taken to ensure of occupant/worker safety are documented/retained
- Where suspected ACM is present on small surfaces (pipes, ductwork, furnaces, other small covered surfaces, etc.) and must be addressed to safely weatherize the dwelling, limited encapsulation or removal of suspected ACM materials can be allowed by an appropriately trained asbestos control professional at the Subgrantee’s discretion.
  - Documentation that the hazard has been eliminated through remediation or encapsulation from the certified asbestos professional must be maintained in the client file.
  - Limited encapsulation or removal cost of suspected ACM material does not exceed \$1,000.
- Where suspected ACM will be disturbed during the weatherization process, prevent a major measure installation, the suspected ACM is creating a hazard due to being friable, or vermiculite is present, weatherization services must be deferred. Before the weatherization process can proceed, the client must provide documentation that a certified asbestos professional has certified the suspected ACM is free of asbestos, encapsulated, or the asbestos hazard has been remediated. A copy of the documentation must be kept in the client file.
  - An exception to this guidance is removal of suspected ACM siding in good condition for wall insulation installation where insulation cannot be installed from the interior of the structure. This exception is at the Subgrantee’s discretion and would require the following precautions:
    - All reasonable and necessary precautions are taken to prevent asbestos contamination in the home;
    - Siding will only be removed where necessary to install wall insulation;
    - Siding will not be cut, drilled, sanded, scraped, etc; and
    - Precautions are taken to not damage the siding during the removal and reinstallation process.

#### Grantee Blower Door Testing Policy When Suspected ACM Exists

Suspected ACM’s overall condition and potential for disturbing the suspected material through blower door testing will be evaluated.

- Blower door testing **allowed** where suspected ACM will not be disturbed during blower door testing process, is intact and not creating a hazard due to being friable, and/or vermiculite is not present.
- Blower door testing **not allowed** where suspected ACM may be disturbed during the blower door testing process, the suspected ACM is not intact and creating a hazard due to being friable, and/or vermiculite is present. Unit must be deferred until a certified asbestos professional has certified the suspected ACM is free of asbestos, encapsulated, asbestos hazard has been remediated, and blower door testing can proceed.

#### Allowable Actions

Allowed with DOE WAP H&S Funds ☒

Allowed with Alternative Funds ☐

- Temporary removal and reinstallation of ACM siding to perform an ECM (e.g., wall insulation).
- Limited encapsulation or removal of suspected ACM on small surfaces (pipes, ductwork, furnaces, other small, covered surfaces, etc.) by an appropriately trained asbestos control professional if necessary to safely weatherize the dwelling as defined by the Grantee’s H&S Plan.
  - TDHCA defines “Limited” as an encapsulation or removal of suspected ACM material that does not exceed \$1,000.



Prohibited Actions		
Concur with DOE Guidance <input checked="" type="checkbox"/>		
<ul style="list-style-type: none"> <li>Using DOE WAP H&amp;S funds for general abatement/removal/or replacement of asbestos siding, thermal system insulation (TSI) or Transite, or vermiculite is prohibited.</li> </ul>		
Required Testing/Inspection		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input type="checkbox"/>		Alternative Funds <input type="checkbox"/>
<ul style="list-style-type: none"> <li>Visually inspect all surfaces (i.e., walls, floors, ceilings, roofs) for suspected ACM prior to drilling or cutting.</li> <li>Assume asbestos is present in suspect materials unless testing reveals otherwise.</li> </ul>		
Allowable Testing/Inspection		
Allowed with DOE WAP H&S Funds <input type="checkbox"/>		Allowed with Alternative Funds <input type="checkbox"/>
<ul style="list-style-type: none"> <li>Other than the required testing/inspection of suspected ACM, additional testing will not be allowed with H&amp;S funding.</li> </ul>		
Required Occupant Education		
Concur with DOE Guidance <input checked="" type="checkbox"/>		Alternative Guidance <input type="checkbox"/>
<ul style="list-style-type: none"> <li>Formally notify the occupant, and landlord if applicable, in writing: <ul style="list-style-type: none"> <li>of suspected ACMs that are present and what precautions will be taken to ensure the occupants' and workers' safety during weatherization;</li> <li>of results if testing was performed;</li> <li>not to disturb suspected ACM;</li> <li>When deferral is necessary due to asbestos, occupant, or landlord if applicable, must provide documentation that a certified professional performed the remediation before work continues.</li> </ul> </li> </ul>		

6.3 – Biologicals and Unsanitary Conditions		
Required Actions		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input type="checkbox"/>		Alternative Funds <input type="checkbox"/>
<ul style="list-style-type: none"> <li>Deferral where conditions (odors, bacteria, raw sewage, rotting wood, etc.) in the home pose a health risk to occupants and/or weatherization workers or may be worsened by weatherization activities (e.g., air sealing) and will not be resolved by weatherization.</li> </ul>		
Allowed Actions		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>		Allowed with Alternative Funds <input type="checkbox"/>
<ul style="list-style-type: none"> <li>Limited remediation of conditions that may lead to or promote biological concerns and unsanitary conditions (e.g., repairing leaking sewage pipes, minor plumbing repairs, areas of water intrusion, etc.) as defined in the Grantee's H&amp;S Plan <ul style="list-style-type: none"> <li>TDHCA defines "Limited" as a remediation that does not exceed \$2,000.</li> </ul> </li> <li>Limited cleaning of the workspace to protect the health and safety of workers and occupants as defined in the Grantee's H&amp;S Plan <ul style="list-style-type: none"> <li>TDHCA defines "Limited" as cleaning that does not exceed \$2,000.</li> <li>If removal of biological and unsanitary conditions exceeds the cost limits, the home will be deferred.</li> </ul> </li> </ul>		
Required Testing/Inspection		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input type="checkbox"/>		Alternative Funds <input type="checkbox"/>
<ul style="list-style-type: none"> <li>Sensory inspection of interior, exterior, attics, and subspaces of the dwelling.</li> </ul>		
Prohibited Testing/Inspection		
Concur with DOE Guidance <input checked="" type="checkbox"/>		

<ul style="list-style-type: none"> <li>DOE WAP H&amp;S funds may not be used for testing of materials for biological contaminants.</li> </ul>	
<b>Required Occupant Education</b>	
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>
<ul style="list-style-type: none"> <li>Inform occupant in writing of observed biological and unsanitary conditions.</li> </ul>	

6.4 – Building Structure and Roofing (e.g., roofing, wall, foundation)		
Allowable Actions		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"><li>Minor repairs to building structure or roofs as defined by the Grantee’s H&amp;S plan.<ul style="list-style-type: none"><li>Minor repairs are defined as repairs that are necessary for weatherization work to proceed and determined allowable by guidance outlined within WPN 19-5. All repairs invoiced to the H&amp;S category must meet the following criteria:<ul style="list-style-type: none"><li>Meet the definition of Health and Safety (H&amp;S) measure as defined within WPN 19-5</li><li>Directed to be installed as a H&amp;S measure by the guidance outlined within <i>Attachment 1 - WPN 19-5 Definition Flow Chart</i></li></ul></li></ul></li></ul> <p>Roof, Door, or Window repairs are only allowed to be invoiced as an H&amp;S measure if the repair resolves a bulk water intrusion issue that is the cause of visible biological and cost shall not exceed \$2,000.</p>		
Prohibited Actions		
Concur with DOE Guidance <input checked="" type="checkbox"/>		
Using DOE WAP H&S funds for major repairs as defined by Grantee’s H&S Plan.		
<ul style="list-style-type: none"><li>Using DOE WAP H&amp;S funds for building rehabilitation.</li></ul>		
Define “major” repairs		
<ul style="list-style-type: none"><li>Major repairs are defined as home repairs that would generally be classified as building rehabilitation, does not meet the definition of incidental repair measure (IRM) as defined within WPN 19-5, and/or would normally be considered beyond the scope of weatherization. Examples of major repairs include roof replacement, foundation repair, extensive siding repair, major structural repair, etc.</li></ul>		
Required Testing/Inspection		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"><li>Visual inspection of building structure and roofing for damages that compromise building durability and to verify that portions of the home where weatherization will occur are safe for entry and performance of assessments, work, and inspections.</li></ul>		
Allowable Testing/Inspection		
Allowed with DOE WAP H&S Funds <input type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"><li>Other than required testing/inspection of building structure and roofing, additional testing will not be allowed with H&amp;S funding</li></ul>		
Prohibited Testing/Inspection		
Concur with DOE Guidance <input checked="" type="checkbox"/>		
<ul style="list-style-type: none"><li>Using DOE WAP H&amp;S funds for any testing/evaluation of structural materials by a third-party is prohibited.</li></ul>		
Required Occupant Education		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	
<ul style="list-style-type: none"><li>Notify occupant in writing of structurally compromised areas.</li></ul>		

## 6.5 – Code Compliance

### Allowable Actions

Allowed with DOE WAP H&S Funds ☒

Allowed with Alternative Funds ☐

- Correction of preexisting code compliance issues triggered by weatherization measures being installed in a specific room or area of the home. If the installation of a weatherization measure triggers the correction of a preexisting code compliance issue, and is paid for with WAP funds, the specific code requirements with reference to the weatherization measure(s) that triggered the code compliance issue must be documented in the occupant file.

### Prohibited Actions

Concur with DOE Guidance ☒

- Using DOE WAP H&S funds for correction of preexisting code compliance issues not directly related to the installation of specific weatherization measures in the home is prohibited.
- Using DOE WAP funds for work on condemned properties and properties where H&S conditions exist that cannot be corrected under this guidance is prohibited

### Required Testing/Inspection

Concur with DOE Guidance ☒

Alternative Guidance ☐

Results in Deferral/Referral ☐

DOE WAP H&S Funds ☒

Alternative Funds ☐

- Visual inspection.

### Allowable Testing/Inspection

Allowed with DOE WAP H&S Funds ☒

Allowed with Alternative Funds ☐

- Testing/Inspection cost associated with code compliance is only an allowable H&S cost when required by a code official within the authority having jurisdiction (AHJ) and must be triggered by the installation of a weatherization measure.

### Required Occupant Education

Concur with DOE Guidance ☒

Alternative Guidance ☐

- Inform occupant in writing of observed code compliance issues when it results in a deferral.

## 6.6 – Electrical

### Required Actions

Concur with DOE Guidance ☒

Alternative Guidance ☐

Results in Deferral/Referral ☐

DOE WAP H&S Funds ☒

Alternative Funds ☐

- Provide sufficient over-current protection and damming prior to insulating building components containing knob and tube wiring, as required by the AHJ.

### Allowable Actions

Allowed with DOE WAP H&S Funds ☒

Allowed with Alternative Funds ☐

- Minor electrical repairs (e.g., junction box covers, improper splices, exposed electrical connections, damaged/non-working switches/receptacles, etc.) to protect the occupant or workers from electrical hazards within the living area or in the immediate area where weatherization activities will occur, as defined by the Grantee's H&S plan.
  - TDHCA defines minor electrical repairs as repairs to electrical hazards that do not exceed \$2,000. In unforeseen limited instances, TDHCA reserves the right to provide case-by-case exceptions that will require prior written approval from TDHCA training staff. Training staff will factor in the reason for exception, reason of the additional cost, energy benefit provided by WAP services vs. non-energy benefit such as H&S/repair expenditures, and current reported Subgrantee H&S expenditure level in the approval/denial determination process. In cases the where excessive cost are determined to exceed the unit's energy benefit, are determined to be unreasonable, or the cost is prohibitive by available H&S funding within the Subgrantee H&S budget the unit will be deferred.

Prohibited Actions		
Concur with DOE Guidance <input checked="" type="checkbox"/>		
<ul style="list-style-type: none"> <li>Using DOE WAP H&amp;S funds for <b>major</b> electrical repairs as defined by the Grantee's H&amp;S plan is prohibited</li> </ul>		
Define "major" repairs		
<ul style="list-style-type: none"> <li>Major electric repairs are defined as extensive repairs that affect a large area, generally be classified as rehabilitation, and/or normally be considered beyond the scope of weatherization due to being cost prohibitive. Examples of major electrical repairs include extensive wiring replacement due to age and condition, replacement of service panels, replacement of greater than three (3) electrical circuits, etc.</li> </ul>		
Required Testing/Inspection		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input checked="" type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Visual inspection for presence and condition of knob-and-tube wiring.</li> <li>Evaluate knob-and-tube wiring for safety prior to work.</li> <li>Check for alterations that may create an electrical hazard.</li> </ul>		
Allowable Testing/Inspection		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Voltage drop and voltage detection testing.</li> </ul>		
Required Occupant Education		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Provide occupant with written documentation of any electrical hazards identified that will not be addressed by weatherization</li> <li>Provide information to occupant on over-current protection, overloading circuits, and basic electrical safety/risks if conditions warrant.</li> </ul>		

6.7 – Fuel Leaks		
Required Actions		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input checked="" type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>When a gas leak is found on the utility side of service, the utility service must be contacted, work must be temporarily halted, and the leak must be repaired before work may proceed.</li> <li>Fuel leaks that are the responsibility of the occupant (vs. the utility) must be repaired before installing weatherization measures in the home.</li> </ul>		
Allowable Actions		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Replacement or repair of leaking bulk fuel tanks and/or lines if connected systems will remain after weatherization.</li> <li>Replacement of flexible appliance gas connectors that are not compliant with current fuel gas codes.</li> <li>Exposed gas lines will be inspected using an electronic combustion gas detector where gas lines are visible throughout the home. When a gas leak is found on the utility side of service, the client must contact the utility service before work may proceed &amp; follow up with agency with a written report of resolved actions. Minor repairs to fix fuel leaks, that are the responsibility of the occupant, are an allowable expense. <ul style="list-style-type: none"> <li>TDHCA defines minor repairs to repair fuel leaks to not exceed \$2,000. Examples may include tightening loose connections, replacing gaskets or seals, cleaning fuel lines, applying sealant, realigning pipes, or limit to gas line supplying the appliance, etc.</li> </ul> </li> </ul>		
Prohibited Actions		

Concur with DOE Guidance <input checked="" type="checkbox"/>		
<ul style="list-style-type: none"> <li>Using DOE WAP H&amp;S funds to repair leaks that are the responsibility of the utility to correct is prohibited.</li> <li>Using DOE WAP H&amp;S funds for environmental cleanup resulting from bulk fuel leaks is prohibited.</li> </ul>		
<b>Required Testing/Inspection</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input checked="" type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Test all exposed gas lines, fittings, valves, and connections for fuel leaks from utility connection to the appliance throughout the home.</li> <li>Test all gas appliances for fuel leaks at all connections, valves, fittings, and burners.</li> <li>Conduct sensory inspection of all bulk fuels lines and storage tanks to determine if leaks exist.</li> </ul>		
<b>Allowable Testing/Inspection</b>		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Pressurized leak testing of complete gas distribution system to determine if a leak is present should LEL levels exceed 10% or sensory inspection lead Subgrantee staff to believe a concealed gas leak is present.</li> </ul>		
<b>Prohibited Testing/Inspection</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>		
<ul style="list-style-type: none"> <li>Using DOE WAP H&amp;S funds for environmental testing of soil or water is prohibited.</li> </ul>		
<b>Required Occupant Education</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Inform occupants in writing of fuel leak testing results, including specific location if fuel leaks are detected.</li> </ul>		

6.8 – Gas Ovens/Stovetops/Ranges		
<b>Allowable Actions</b>		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Limited cleaning or repair of ovens/ranges/stovetops as defined by the Grantee's H&amp;S plan. <ul style="list-style-type: none"> <li>TDHCA defines "Limited" as cleaning or repair that does not exceed \$400.</li> </ul> </li> <li>Limited replacement of unsafe gas ovens/ranges/stovetops as defined by the Grantee's H&amp;S Plan. <ul style="list-style-type: none"> <li>TDHCA defines "Limited" as necessary replacements if Subgrantee staff's professional judgement determines cleaning or repair would not resolve the gas oven(s)/range(s)/stovetop(s) identified hazard. Documentation should be maintained in client file for future reference.</li> </ul> </li> </ul> <p>If DOE WAP H&amp;S Funds are used for any "allowable" actions, detail them here.</p>		
<b>Prohibited Actions</b>		
Concur with DOE Guidance <input type="checkbox"/>		
<ul style="list-style-type: none"> <li>Use of H&amp;S funds to electrify ovens/stovetops/ranges is prohibited.</li> </ul>		
<b>Required Testing/Inspection</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input checked="" type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Test gas ovens for CO.</li> <li>Grantee H&amp;S plan must define action levels and resulting actions.</li> <li>Visually inspect cooking burners and ovens for operability and flame quality.</li> </ul>		
<b>Define action levels for oven CO testing and resulting actions</b>		

TDHCA has adopted **ANSI/BPI-1200-S-2017** combustion testing standards and action levels with the following exception:

- In addition to BPI-1200 range top burners visual inspection requirement, each burner shall be tested to meet the current adopted **International Residential Code (IRC)** Range Top Burner CO threshold. Current threshold is **25 ppm as measured (per burner)**.
- Oven CO Thresholds 225 ppm as measured.
- Action Levels identified in Table D.1.B. ACTION LEVELS FOR CO IN COMBUSTION APPLIANCES below:

TABLE D.1 B. ACTION LEVELS FOR CO IN COMBUSTION APPLIANCES	
TEST RESULT	ACTION REQUIRED
Unacceptable CO level	Advise the homeowner/occupant that the appliance should be serviced immediately by a qualified professional  Note: If ambient CO levels do not exceed 70 ppm, testing of other appliances and other audit procedures may continue at the discretion of the auditor
Acceptable CO level	No action required

#### Allowable Testing/Inspection

Allowed with DOE WAP H&S Funds ☐

Allowed with Alternative Funds ☐

- Other than the required testing/inspection of ovens/ranges/stovetops, any additional testing will not be allowed with H&S funding.

#### Required Occupant Education

Concur with DOE Guidance ☒

Alternative Guidance ☐

- Inform occupants of the importance of using exhaust ventilation when cooking and the importance of keeping burners and broilers clean to limit the production of CO.

## 6.9 – Hazardous Materials

#### Required Actions

Concur with DOE Guidance ☒

Alternative Guidance ☐

Results in Deferral/Referral ☐

DOE WAP H&S Funds ☒

Alternative Funds ☐

- Hazardous Waste Materials generated by weatherization work (e.g., refrigerant, asbestos, lead, mercury, CFL lighting bulb/ballasts, etc.) must be disposed of according to all local and federal laws, regulations, and guidelines, as applicable. Costs specifically related to disposal may be charged as a H&S expense.
- Subgrantees must document disposal requirements in contract language with the responsible party.
- **Limited** removal of pollutants that pose a risk to workers is required (e.g., flammable liquids, hazardous chemicals, and other air pollutants) as defined the Grantee's H&S Plan.
- If removal cannot be performed or is not allowed by the occupant, the unit must be deferred.

#### Define "limited" removal of pollutants

- Limited removal of pollutants is defined and limited to the hazardous waste materials generated by the weatherization activities (e.g., refrigerant, asbestos, lead, mercury, CFL lighting bulb/ballast, etc.) as listed in the required actions above. Limited removal of additional pollutants is not allowed by Subgrantee staff. Removal of pollutants must be done by the client or a contracted professional prior to weatherization work being performed. If pollutants pose a risk to workers and removal cannot be performed by a professional or the client refuses to remove the pollutants, the unit must be deferred.

#### Allowable Actions

Allowed with DOE WAP H&S Funds ☒

Allowed with Alternative Funds ☐

<ul style="list-style-type: none"> <li>Limited removal of pollutants that pose a risk to the occupant as defined in the Grantee H&amp;S Plan             <ul style="list-style-type: none"> <li>See Define “limited” removal of pollutants guidance above.</li> </ul> </li> </ul>		
<b>Prohibited Actions</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>		
<ul style="list-style-type: none"> <li>Using DOE WAP H&amp;S funds for Lead, Asbestos, and Radon abatement is prohibited.</li> </ul>		
<b>Required Testing/Inspection</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Sensory inspection.</li> </ul>		
<b>Allowable Testing/Inspection</b>		
Allowed with DOE WAP H&S Funds <input type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Other than the required sensory inspection of hazardous materials, additional testing will not be allowed with H&amp;S funding.</li> </ul>		
<b>Prohibited Testing/Inspection</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>		
<ul style="list-style-type: none"> <li>Using DOE WAP H&amp;S funds for any testing for hazardous materials other than that specifically permitted in the asbestos, lead, and radon sections of this document is prohibited.</li> </ul>		
<b>Required Occupant Education</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Inform occupant in writing of hazards associated with hazardous waste materials being generated/handled in the home.</li> <li>Inform occupant in writing of observed hazardous condition and associated risks.</li> <li>Provide occupant written materials on safety issues and proper disposal of household pollutants.</li> </ul>		

6.10 - Injury Prevention of Occupants		
<b>Allowable Actions</b>		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Minor repairs and installations (e.g., repairing stairs, replacing handrails, etc.) as defined by the Grantee’s H&amp;S plan.             <ul style="list-style-type: none"> <li>TDHCA defines minor repairs as injury prevention of occupant repairs that do not exceed \$2,000.</li> <li>Identified repairs must be necessary to allow for safe access to areas necessary to complete the weatherization work.</li> </ul> </li> </ul>		
<b>Prohibited Actions</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>		
<ul style="list-style-type: none"> <li>Using DOE WAP H&amp;S funds for <b>major</b> repairs, as defined by the Grantee’s H&amp;S Plan is prohibited</li> </ul>		
<b>Define “major” repairs</b>		
<ul style="list-style-type: none"> <li>Major injury prevention of occupant repairs is defined as repairs that would exceed \$2,000. Example injury prevention of occupant repairs would include complete porch replacements, extensive repairs to walkways/porches/stair that exceed \$2,000, etc.</li> </ul>		
<b>Required Testing/Inspection</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Visually inspect for dangers that would prevent weatherization.</li> </ul>		
<b>Allowable Testing/Inspection</b>		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>Other than the required visual inspection of dangers that would prevent weatherization, additional testing will not be allowed with H&amp;S funding.</li> </ul>		



Required Occupant Education	
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>
<ul style="list-style-type: none"> <li>If identified hazardous conditions will not be corrected during weatherization, inform occupant in writing of observed hazards and associated risks utilizing the "Hazard Identification Notification Form" required by WPN 22-7.</li> </ul>	

## 6.11 – Lead-Based Surface Coverings (Paint, Varnishes, Roofing, etc.)

Required Actions		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input checked="" type="checkbox"/>		Alternative Funds <input type="checkbox"/>
<ul style="list-style-type: none"><li>Subgrantees must comply with EPA's Lead; Renovation, Repair and Painting Program (RRP) rules when working in pre-1978 housing unless testing confirms the work area to be lead free. This includes, but is not limited to:<ul style="list-style-type: none"><li>Client file documentation including the Certified Renovator's certification; any training provided on-site; description of specific actions taken; lead testing and assessment documentation; and photos of site and containment set up. Include the location of photos referenced if not in file.</li><li>Certification and training requirements of the RRP rule.</li><li>Job site set up and cleaning verification by a Certified Renovator.</li></ul></li><li>Only those costs directly associated with lead safe work practices for surfaces directly disturbed during weatherization activities are allowable WAP H&amp;S expenses.</li></ul>		
Allowable Actions		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"><li>Only those costs directly associated with the testing and lead safe practices for surfaces directly disturbed during weatherization activities are allowable.</li></ul>		
Prohibited Actions		
Concur with DOE Guidance <input checked="" type="checkbox"/>		
<ul style="list-style-type: none"><li>Using DOE WAP H&amp;S funds for lead abatement is prohibited.</li><li>Using DOE WAP H&amp;S funds for purchase, resourcing, or maintenance of X-ray Fluorescence (XRF) devices is prohibited.</li></ul>		
Allowable Testing/Inspection		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"><li>Testing to determine the presence of lead on surfaces that will be disturbed by WAP measure installation is allowed with EPA-approved testing methods.</li><li>Alternatively, if EPA-approved testing is not conducted, the Subgrantee may assume lead is present and work in compliance with EPA RRP rule.</li></ul>		
Required Occupant Education		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	



- Follow pre-renovation education requirements per EPA RRP rules.

## 6.12 – Mold and Moisture

### Allowable Actions

Allowed with DOE WAP H&S Funds ☒

Allowed with Alternative Funds ☐

- Limited water damage repairs that can be addressed by weatherization workers are allowed when necessary to weatherize the home and to ensure the long-term stability and durability of the measures as defined in the Grantee's H&S plan.
  - TDHCA defines limited water damage repairs as repairs that do not exceed \$2,000.
- Source control (i.e., correction of moisture and mold creating conditions) when necessary, to weatherize the home and to ensure the long-term stability and durability of the measures. Source control is independent of latent damage and related repairs. Source control includes, but is not limited to site drainage, gutters, down spouts, extensions, flashing, sump pumps, dehumidifiers, landscape, leaking roofs, vapor retarders, moisture barriers, etc.
- Window and door repairs are allowed with H&S funds to resolve a bulk water intrusion issue that is the cause of visible biological growth and in compliance with the most current program notice (WPN 19-5 at the time of this writing).

### Prohibited Actions

Concur with DOE Guidance ☒

- Using DOE WAP H&S funds for mold cleanup is prohibited.
- Using DOE WAP H&S funds for window and door replacements is prohibited

### Required Testing/Inspection

Concur with DOE Guidance ☒

Alternative Guidance ☐

Results in Deferral/Referral ☐

DOE WAP H&S Funds ☐

Alternative Funds ☐

- Visual assessment for moisture or mold damage including exterior drainage.

### Allowable Testing/Inspection

Allowed with DOE WAP H&S Funds ☒

Allowed with Alternative Funds ☐

- Diagnostics such as material moisture content, or relative humidity measurements at the audit and/or final inspection.

### Prohibited Testing/Inspection

Concur with DOE Guidance ☒

- Using DOE WAP H&S funds for mold testing of any type is prohibited.

### Required Occupant Education

Concur with DOE Guidance ☒

Alternative Guidance ☐

- Provide occupant written notification of identified mold/moisture hazards and information regarding the associated hazard.

## 6.13 - Occupant Pre-existing or Potential Health Conditions

### Required Actions

Concur with DOE Guidance ☒

Alternative Guidance ☐

Results in Deferral/Referral ☐

DOE WAP H&S Funds ☒

Alternative Funds ☐

- When a person's health may be at risk and/or WAP work activities could constitute an H&S hazard, the occupant is required to take appropriate action based on severity of risk.
- Deferral, if occupant risk cannot be mitigated.

### Allowable Actions

Allowed with DOE WAP H&S Funds ☒

Allowed with Alternative Funds ☐

- Occupant temporary relocation costs on a case-by-case basis.
- Grantee must define the allowable costs, relocations options, procedure for this case-by case determination, and what documentation is required from the client if DOE WAP funds are used for this purpose.
  - Allowable cost is defined as cost associated with relocation of occupant's whose health is fragile, or an occupant has been identified to have a health condition, and/or the crew work activities would themselves constitute a health and/or safety hazard to allow for weatherization services to proceed when no other reasonable solution(s) exist.
  - Relocation options shall be limited to providing at risk occupant temporary lodging to not exceed the current approved GSA lodging rate (cost must be paid to directly to the temporary lodging vendor).
  - Procedure for cases-by-case approval are as follows:
    - Subgrantee are required to contact TDHCA training staff for prior approval before proceeding with temporary location of occupants. Training staff will factor in the reason for client relocation, weatherization measure(s)/practice(s) requiring the relocation, available client documentation, energy benefit provided by WAP services vs. non-energy benefit such as H&S/repair expenditures, and current reported Subgrantee H&S expenditure level in the approval/denial determination process. In cases the where relocation cost are determined to exceed the unit's energy benefit, are determined to be unreasonable, or the Subgrantee does not have funding available to relocate the client within its existing H&S budget the unit will be deferred.
  - Required client documentation must be kept in client file and shall consist of the following:
    - Reason the client has to be relocated to include identification of the weatherization measure(s)/work practice(s) requiring the client to be relocated.
    - Documentation that a safe alternative material/work practice meeting DOE standards is not reasonably possible.
    - Any client volunteered support documents not violating HIPPA requirements from a certified medical professional.

#### Required Testing/Inspection

Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input checked="" type="checkbox"/>	Alternative Funds <input type="checkbox"/>	

- Screen occupants for known or suspected health concerns either as part of initial application for weatherization, during the audit, or both.
- This is done utilizing the "Occupant Pre-existing or Potential Health Condition Screening Form" required by WPN 22-7.

#### Allowable Testing/Inspection

Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>
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- Other than the required screening for known or suspected health concerns, additional screening/testing will not be allowed with H&S funding.

#### Required Occupant Education

Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>
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- Inform occupant in writing of any known risks and provide pre-weatherization screening form.
- Provide occupant with Subgrantee point of contact information in writing.

### 6.14 – Pests

#### Required Actions

Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input checked="" type="checkbox"/>	Alternative Funds <input type="checkbox"/>	

- Deferral of homes where infestation of pests cannot be reasonably removed or poses H&S concern for workers.

#### Allowable Actions

Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>
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<ul style="list-style-type: none"> <li>Limited pest removal is allowed only where infestation would prevent weatherization as defined by Grantee's H&amp;S Plan. <ul style="list-style-type: none"> <li>TDHCA defines limited pest removal as removal that does not exceed \$400.</li> </ul> </li> <li>Screening of windows and points of access and incorporating pest exclusion into air sealing practices to prevent intrusion.</li> </ul>	
<b>Allowable Testing/Inspection</b>	
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>
<ul style="list-style-type: none"> <li>Visual assessment of presence and degree of infestation and risk to worker.</li> </ul>	
<b>Required Occupant Education</b>	
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>
<ul style="list-style-type: none"> <li>Inform occupant in writing of observed conditions and associated risks.</li> </ul>	

6.15 – Radon		
Required Actions		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input checked="" type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"><li>Cover exposed dirt floors within the pressure/thermal boundary with a sealed soil gas retarder</li><li>Cover sump well/pits with airtight covers</li><li>Implement ventilation as required by ASHRAE 62.2-2016</li></ul>		
Allowable Actions		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"><li>In homes where radon may be present, work scope may include additional precautionary measures based on <a href="#">EPA Healthy Indoor Environment Protocols for Home Energy Upgrades</a>.</li><li>Other precautions may include, but are not limited to, sealing any observed floor and/or foundation penetrations, isolating the basement from the conditioned space, and ensuring crawl space venting is installed and operable.</li></ul>		
Prohibited Actions		
Concur with DOE Guidance <input checked="" type="checkbox"/>		
<ul style="list-style-type: none"><li>Using DOE WAP H&amp;S funds for radon mitigation is prohibited.</li></ul>		
Allowable Testing/Inspection		
Allowed with DOE WAP H&S Funds <input type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"><li>Testing is not authorized in Texas WAP. Texas has no areas of “Highest Potentials,” according to the United States Environmental Protection Agency standards.</li></ul>		
Required Occupant Education		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	
<ul style="list-style-type: none"><li>Provide all occupants EPA’s A Citizen’s Guide to Radon and inform them of radon related risks.</li><li>Occupants must sign an informed consent form prior to receiving weatherization services.</li></ul>		

6.16 – Safety Devices: Smoke and Carbon Monoxide Alarms, Fire Extinguishers		
Required Actions		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input checked="" type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"><li>Install CO alarms in every home where alarms are not present or are inoperable in compliance with ASHRAE 62.2-2016 which references NFPA 720 (note: NFPA 720 has been incorporated into NFPA 72).</li></ul>		
Allowable Actions		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	

<ul style="list-style-type: none"> <li>• Install smoke alarms where the AHJ requires them if alarms are not present or are inoperable.</li> <li>• Replace functional smoke alarms and carbon monoxide alarms if they are beyond the manufacturer's stated lifetime (usually 10 years).</li> <li>• Replace functional smoke or CO alarms batteries if designed to be replaceable.</li> <li>• Provide fire extinguishers where solid fuel burning equipment is present.</li> </ul>		
<b>Prohibited Actions</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>		
<ul style="list-style-type: none"> <li>• Using DOE WAP H&amp;S funds for replacement of functional smoke or CO alarms that are not beyond the manufacturer's stated lifetime is prohibited.</li> </ul>		
<b>Required Testing/Inspection</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>• Verify operation and age of installed alarms.</li> </ul>		
<b>Allowable Testing/Inspection</b>		
Allowed with DOE WAP H&S Funds <input type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>• Other than the required testing/inspection, additional testing/inspection will not be allowed with H&amp;S funding.</li> </ul>		
<b>Required Occupant Education</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>• Provide occupant with verbal and written information on use of newly installed devices and the potential risks of not properly maintaining these devices.</li> </ul>		

6.17 – Ventilation and Indoor Air Quality		
<b>Required Actions</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input checked="" type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>• Install ventilation as required by ASHRAE 62.2 - 2016. If occupant refuses ventilation as required by ASHRAE 62.2, the home must be deferred.</li> </ul>		
<b>Allowable Actions</b>		
Allowed with DOE WAP H&S Funds <input type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>• N/A-Texas does not wish to request a variance to ASHRAE Implementation to the currently adopted ASHRAE 62.2-2016 version.</li> </ul>		
<b>Required Testing/Inspection</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input checked="" type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>• ASHRAE 62.2 evaluation to determine required post-weatherization ventilation.</li> <li>• Measure fan flow of existing fans and of installed equipment to verify performance.</li> </ul>		
<b>Allowable Testing/Inspection</b>		
Allowed with DOE WAP H&S Funds <input type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
<ul style="list-style-type: none"> <li>• Other than the required testing/inspection, additional testing/inspection will not be allowed with H&amp;S funding</li> </ul>		
<b>Required Occupant Education</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	

- Provide occupant with information on function, use, and maintenance (including location of service switch and cleaning instructions) of ventilation system and components.
- Provide occupant with equipment manuals for installed equipment.
- Include disclaimer that ASHRAE 62.2 does not account for high polluting sources or guarantee indoor air quality.

## 6.18 – Water Heaters

*(see Combustion Appliances for combustion related requirements)*

### Allowable Actions

Allowed with DOE WAP H&S Funds ☒

Allowed with Alternative Funds ☐

- Limited case-by-case replacement of water heaters if the water heater poses a life-safety risk to occupants (e.g., leaking primary tank, high CO measurements). Grantee must define “limited case-by-case” replacements if they utilize DOE H&S funds for this measure.
  - TDHCA defines limited case-by-case replacements of water heater as water heater replacements when the current appliance is creating moisture, combustion, and/or electrical related hazards that could impact occupant(s) Health and Safety. The Subgrantee must initially attempt to qualify existing Water Heater as an ECM. If the Water Heater does not rank, the Subgrantee may repair or replace the existing unit as a Health and Safety Measure with the caveat that there is a documented threat to the health and/or safety of the occupant(s).
- Minor safety repairs of water heaters (e.g., T&P valve piping, backflow prevention devices, expansion tanks) as defined by the Grantee’s H&S plan.
  - TDHCA defines minor safety repairs as minor repairs needed to address an immediate threat to the occupants.
- Replace, repair, or install primary water heater heaters when existing primary water heater is unsafe, inoperable, or nonexistent.

### Required Testing/Inspection

Concur with DOE Guidance ☒

Alternative Guidance ☒

Results in Deferral/Referral ☐

DOE WAP H&S Funds ☒

Alternative Funds ☐

- Visual inspection of all water heaters and related piping for safety and leaks
- See Combustion Appliances section for related combustion safety testing requirements.

### Allowable Testing/Inspection

Allowed with DOE WAP H&S Funds ☐

Allowed with Alternative Funds ☐

- Other than the required testing/inspection, additional testing/inspection will not be allowed with H&S funding.

### Required Occupant Education

Concur with DOE Guidance ☒

Alternative Guidance ☐

- Appropriate use and maintenance of units.
- Provide all paperwork and manuals for any installed equipment.
- Where combustion equipment is present, provide combustion safety and hazards information including how to recognize depressurization, dangers of CO poisoning, and fire risks associated with combustion appliance use.

## 6.19 – Worker Safety

### Required Actions

Concur with DOE Guidance ☒

Alternative Guidance ☐

Results in Deferral/Referral ☐

DOE WAP H&S Funds ☒

Alternative Funds ☐

- Adherence to all federal, state, and local worker safety regulations (e.g., OSHA, EPA).

### Allowable Actions

Allowed with DOE WAP H&S Funds ☒

Allowed with Alternative Funds ☐

<ul style="list-style-type: none"> <li>Minor repairs and installations (e.g., repairing stairs, replacing handrails, etc.) as defined by the Grantee’s H&amp;S Plan, are allowable when necessary to safely weatherize the dwelling.             <ul style="list-style-type: none"> <li>TDHCA defines minor repairs as worker safety repairs that do not exceed \$2,000.</li> </ul> </li> <li>Equipment purchases to protect the health and safety of the worker (e.g., Personal Protective Equipment (PPE), jobsite cleaning supplies).</li> </ul>	
<b>Prohibited Actions</b>	
Concur with DOE Guidance <input checked="" type="checkbox"/>	
<ul style="list-style-type: none"> <li>Using DOE WAP H&amp;S funds for <b>major</b> repairs as defined by the Grantee’s H&amp;S Plan is prohibited.</li> </ul>	
<b>Define “major” repairs</b>	
<ul style="list-style-type: none"> <li>Major worker safety repairs are defined as repairs that would exceed \$2,000. Example worker safety repairs are repairs to address/prevent falls, being stuck by objects, prevent dangers to electrical hazards, caught in-between hazards, extensive repairs to walkways/porches/stair that exceed \$2,000.</li> </ul>	
<b>Allowable Testing</b>	
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>
<ul style="list-style-type: none"> <li>Environmental and surveillance testing required by OSHA regulation.</li> </ul>	

6.X – (Insert Additional H&S Items for Use of DOE WAP H&S funds)		
<b>Required Actions</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
Insert required item text		
<b>Allowable Actions</b>		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
If DOE WAP H&S Funds are used for any “allowable” actions, detail them here.		
<b>Prohibited Actions</b>		
Concur with DOE Guidance <input type="checkbox"/>		
What is prohibited		
<b>Required Testing/Inspection</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	Results in Deferral/Referral <input type="checkbox"/>
DOE WAP H&S Funds <input type="checkbox"/>	Alternative Funds <input type="checkbox"/>	
Insert required item text		
<b>Allowable Testing/Inspection</b>		
Allowed with DOE WAP H&S Funds <input checked="" type="checkbox"/>	Allowed with Alternative Funds <input type="checkbox"/>	
If DOE WAP H&S Funds are used for any “allowable” testing, detail them here.		
<b>Prohibited Testing/Inspection</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>		
What is prohibited		
<b>Required Occupant Education</b>		
Concur with DOE Guidance <input checked="" type="checkbox"/>	Alternative Guidance <input type="checkbox"/>	
Insert required item text		

## H&S Measure Matrix

**Double Click To Open For Editing**

## Cells This Shade Auto-Calculate

Measure	Average Cost	Frequency Installed/Completed	Auto-Calculated Average Cost
ASHRAE Compliance	\$685.00	95.0%	\$650.75
Smoke Alarms	\$85.00	50.0%	\$42.50
CO Alarms	\$75.00	60.0%	\$45.00
Replace UVSH Serving as Primary Heat Source	\$2,150.00	12.0%	\$258.00
Furnace Repair/Replacement	\$3,000.00	2.0%	\$60.00
Vulnerable HH Cooling Repair/Replacement	\$3,600.00	2.0%	\$72.00
Clean/Tune Cookstove	\$125.00	4.0%	\$5.00
CAZ Isolation/Combustion Makeup Air	\$215.00	37.0%	\$79.55
Revent Improperly Vented Gas Appliances	\$325.00	3.0%	\$9.75
LSW	\$250.00	10.0%	\$25.00
	\$0.00	0.0%	\$0.00
	\$0.00	0.0%	\$0.00
	\$0.00	0.0%	\$0.00
	\$0.00	0.0%	\$0.00
	\$0.00	0.0%	\$0.00
	\$0.00	0.0%	\$0.00
	\$0.00	0.0%	\$0.00
	\$0.00	0.0%	\$0.00
	\$0.00	0.0%	\$0.00
	\$0.00	0.0%	\$0.00
Total Average H&S Cost Per Unit			\$1,247.55
Enter Estimated Production (Annual File: IV.2 WAP Production Schedule)			532
Enter Estimated Program Operations Budget (Annual File - Budget)			\$4,478,565.00
H&S Budget (Total Average H&S Cost Per Units * Estimated Production)			\$663,696.60
Suggested H&S Budget Request			14.819%

PY2025 Tentative Monitoring Schedule*				
June - August 2025	September – November 2025	December 2025 - February 2026	March 2026 - May 2026	
Brazos Valley Community Action Programs	Baker Ripley	Community Action Corporation of South Texas	Alamo Area Council of Governments	
Concho Valley Community Action Agency	Dallas County Dept of Health & Human Services	Greater East Texas Community Action Program	Travis County Health and Human Services Department	
Nueces County Community Action Agency	Rolling Plains Management Corporation	Community Council of South Central Texas	City of Fort Worth Department of Housing	
West Texas Opportunities, Inc.	South Plains Community Action Association, Inc.	Economic Opportunities Advancement Corporation of PR XI	Hill Country Community Action Association, Inc.	
Community Action Committee of Victoria, Texas	Panhandle Community Services, Inc.	El Paso Community Action Program, Project BRAVO	Combined Community Action Corporation	
	Texoma Council of Governments			

\* Schedule is subject to change based on production, contract extensions, and/or other unforeseen circumstances.

#### **Fiscal/Administrative (F/A)**

These reviews will typically start as a desk review. The F/A reviews will happen in the same month as the technical visit and will be issued as one WAP monitoring report. F/A reviews will be done by any available qualified compliance staff.

#### **Technical/Inspections**

These reviews will always be conducted onsite. Inspections will be conducted by state staff that are QCI certified. Full QCI inspections will be conducted on each unit reported as "inspected" by the state. Inspection percentages at each Subrecipient will be based off QCI staff and separation of assignments in accordance with WPN 15-4 (5 or 10%). TDHCA staff will also conduct LIHEAP inspections on the same trip to minimize visits to the Subrecipient, which is why trips begin so early in the DOE program year (LIHEAP program year ends December 31).



# 2025 TRAINING AND TECHNICAL ASSISTANCE (T&TA) PLAN

## 1.0 – GENERAL INFORMATION

COMMENTS THAT DO NOT GENERALLY FIT INTO THE AVAILABLE TABLES BELOW

TDHCA ensures Subgrantees have sufficient T&TA funding and direct TDHCA T&TA assistance available to maintain/improve Subgrantee performance and work quality. To address network training needs, TDHCA budgets T&TA funds both internally and directly to our Subgrantees.

T&TA needs are determined and based upon factors such as the following:

- Individual Subgrantee Training Needs Assessments (TNA)
  - TDHCA implemented a new requirement that requires each Subgrantee to complete DOE's WAP T&TA Planning & Reporting Template to identify each Subgrantee's specific training needs.
    - The initial report is reviewed by TDHCA training staff to ensure each Subgrantee is planning to receive training in needed areas and for compliance with WPN 22-4 requirements.
    - Throughout the contract terms TDHCA staff monitor for training expenditures to ensure Subgrantee is obtaining needed trainings.
    - Upon the completion of the contract, a final version is required to be submitted to document and support the training assistance received.
- Grant Requirements or as directed by DOE monitor or audit reports.
- Subgrantee Request
  - The Department has an online request system, with a T&TA menu list, or section for the Subgrantee to make a specific request or ask specific questions.
    - <https://tdhca.wufoo.com/forms/request-for-ca-program-assistance/>
    - The Department will contact the requestor to answer the submitted question **OR**
    - Customize a training to meet the need or help to find a list of T&TA providers for the requested topic.
    - In addition, submitted questions or T&TA requests are reviewed for creating Best Practices/FAQs or to identify topics for regional trainings, workshops, webinars, or individualized training.
- Grantee Monitoring Reports.
  - The Department's compliance team shares monitoring issues with the training team. The training team will initially provide resources and guides to address any findings and follow up with T&TA as required.
- Subgrantee expenditure performance.
  - TDHCA utilizes an online contract system to collect expenditure and performance data from Subgrantees and compares that data to their production tool at minimum on the third, fifth, and seventh program reporting deadlines as identified within 10 TAC §6.405.
- Network Trends.
- Management Request.
  - Management may make a specific request and dictate the type of training needed.
- Grantee identified needs.
  - Key areas of a special focus are as follows:
    - Ensuring Subgrantee staff (or subcontractors as applicable) are certified and trained in the profession in which the worker is employed;
    - Ensuring all Subgrantees receive Priority List related training to address any identified monitoring concerns with the implemented DOE Approved Priority List; and
    - Ensuring Subgrantees receive Energy Audit Weatherization Assistant (WAweb) Modeling or Assessment related training to address identified monitoring concerns.

Internal T&TA funds are often limited unless determined otherwise by need and utilized to address individual, network-wide, or regional T&TA needs. Internal budgeted T&TA funds are utilized for T&TA activities such as the following:

- Internal Grantee staff training;
- TDHCA direct T&TA assistance;
- Develop and provide T&TA resources;
- Department provided specific trainings;
- Network-wide and Regional comprehensive trainings when determined feasible; and
- Etc.

Subgrantees receive the majority of T&TA funds which are utilized to address Subgrantee specific T&TA needs. TDHCA's reason for this approach is network-wide or regional T&TA activities often present unique challenges such as geographical challenges, multiple climate zones, network size, limited one-on-one engagement, differences of capacity levels noted within our network, etc. Specifics of the challenges include:

- Travel time, cost, and/or loss of production can often be prohibitive for centralized or even regional trainings.
- Mixed climate zones often require specific training to the location of the Subgrantee.
- Texas has twenty-one (21) Subgrantees that makeup our network and as a result often network-wide/regional trainings consist of large attendance numbers, which are often prohibitive of providing one-on-one engagement to gauge training comprehension.
- Different capacity levels noted within network often present challenges to facilitate a network-wide course that would be beneficial and appeal to a network-wide or regional audience.

TDHCA T&TA staff provide oversight on the use of Subgrantee budgeted T&TA funds by reviewing the Subgrantee TNA to ensure training is obtained for needed areas, projected T&TA activities are in compliance with WPN 22-4 requirements, and T&TA funding is expended in a timely manner. Additionally, TDHCA staff monitor training expenditures throughout the contract terms and contracts require Subgrantees to receive prior approval for all T&TA expenses to ensure T&TA activities remain focused on the Subgrantee's T&TA needs. Subgrantee T&TA funds are utilized for T&TA activities.

- Obtain and/or maintain required certifications such as QCI, MFQCI, Energy Auditor, Building Analyst Technician, Building Analyst Professional, Lead Safe Renovator, Lead Safe Worker, OSHA 10/30, etc.
- Receive Comprehensive training on a regular basis for occupation-specific training to train on curriculum aligned with the topics within the job task analyses (JTAs).
  - All Comprehensive trainings are administered either by or in cooperation with IREC accredited facilities.
- Receive Specific training to address single-issue, short-term training to address technical skills/knowledge gaps, attend conference trainings, or attend trainings beneficial to the program but not necessarily aligned with a Home Energy Professional (HEP) job task analyses (JTAs).
- When applicable, Subgrantees are given the opportunity to utilize T&TA funds to conduct in-house training by their current staff with their new/applicable staff. TDHCA T&TA staff will review and provide potential approval, on a case-by-case basis, for the training activities based on applicable parameters for the desired in-house training. Examples of potential parameters to be considered: qualification/certification of staff leading/conducting the training, expenditure rates, lack of monitoring findings/concerns, estimated timeline, estimated T&TA expenditures, etc.

## 2.0 – OVERALL T&TA PLAN

**YOUR OVERALL T&TA PLAN MUST INCORPORATE SUGGESTIONS AND FEEDBACK THE FOLLOWING ELEMENTS.**

### **FEEDBACK FROM INTERNAL AND EXTERNAL REVIEWS, EXAMPLES INCLUDE:**

- FEEDBACK FROM DEPARTMENT OF ENERGY (DOE) PROJECT OFFICER (PO) MONITORING VISITS
- INTERNAL STATE AUDITS
- GRANTEE MONITORING OF THE SUBGRANTEES
- OFFICE OF INSPECTOR GENERAL (OIG) REPORTS
- AMERICAN CUSTOMER SATISFACTION INDEX FEEDBACK, AND
- OTHER. EXAMPLES INCLUDE:

<ul style="list-style-type: none"> <li>○ TRAINING FEEDBACK</li> <li>○ TRAINING RETENTION ACTIVITIES</li> </ul>
<p>TDHCA incorporates the following suggestions and feedback when developing the statewide T&amp;TA Plan:</p> <ul style="list-style-type: none"> <li>• Subgrantees Training Needs Assessments (TNA);</li> <li>• Grant requirements;</li> <li>• Feedback from Department of Energy (DOE) Project Officers (PO) and monitoring reports;</li> <li>• Grantee Monitoring Reports of the Subgrantees;</li> <li>• Subgrantee submitted questions and training requests through the TDHCA WUFOO portal;</li> <li>• Subgrantee feedback collected and provided through the Texas Association of Community Action Agencies (TACAA);</li> <li>• Network trends;</li> <li>• American Customer Satisfaction Index survey feedback;</li> <li>• Internal State Audits;</li> <li>• Office of Inspector General (OIG) Reports;</li> <li>• Public Comment received during the Public Comment period for the DOE State Plan;</li> <li>• WAP PAC feedback; and</li> <li>• Grantee identified key topics of special focus to improve overall network performance.</li> </ul>
<b>EXISTING OR PLANNED ACCREDITED TRAINING CENTER PARTNERSHIP OR WORKING RELATIONSHIP.</b>
<p>TDHCA and Subgrantees have historically partnered with Santa Fe Community College's EnergySmart Academy (SFCCEA) to provide IREC accredited comprehensive trainings. Additionally, SFCCEA has helped TDHCA with the development of current SWS field guides. TDHCA is not limited to only partnering with SFCCEA and can recommend additional IREC accredited providers to ensure the needs of the network are being met.</p>

<b>PREPARATIONS FOR FUTURE/UPCOMING PROGRAM REQUIREMENTS, EXAMPLES INCLUDE:</b>
<ul style="list-style-type: none"> <li>• <b>UPDATED STANDARD WORK SPECIFICATIONS (SWS)</b></li> <li>• <b>INCLUSION OF SPECIFIC LANGUAGE FROM WEATHERIZATION PROGRAM NOTICES (WPN)</b></li> </ul>
<p>TDHCA is preparing for the following upcoming program requirements:</p> <ul style="list-style-type: none"> <li>• Infrastructure Investment and Jobs Act increased funding levels;</li> <li>• Inclusion of specific updated language from Weatherization Program Notices (WPN), on an as needed basis.</li> </ul>
<b>WHAT PROTOCOLS ARE IN PLACE WHICH ENSURE UNTRAINED STAFF ARE NOT LEFT WITHOUT SUPERVISIONS DURING FIELD OPERATIONS?</b>
<p>Per Title 10 Texas Administrative Code (TAC) Section 6.6 (e), Subgrantees are required, upon hiring of a new program coordinator, to contact the Department with written notification within 30 calendar days of hiring to receive new manager/coordinator T&amp;TA. Non-coordinator staff are required to be supervised during their introductory period and initial training is conducted by Subgrantee staff utilizing training resources available on TDHCA's website until the staff has received the necessary comprehensive/specific training to function independently. On an as-needed basis, TDHCA training staff is available to assist with T&amp;TA upon request and provide program oversight if associated risks warrant such an approach.</p>
Partnerships with the statewide home performance industry on training issues; if applicable.
TDHCA does not currently partner with any statewide home performance industries.
<b>HOW DOES ANALYSIS CONDUCTED, AS DETAILED IN SECTION V.6 OF THE ANNUAL APPLICATION, INFLUENCE THE DEVELOPMENT OF T&amp;TA ACTIVITIES AND PRIORITIES?</b>
<p>A subgrantee's compliance history is reviewed through the Previous Participation Review and Approval Process (PPRAP) and monitored as described in V.6 of the Annual Application. Results of the PPRAP review and monitoring visit(s) are shared with T&amp;TA staff. Identified issue(s) as a result of the PPRAP review and/or monitoring visits are analyzed by T&amp;TA staff to determine how to best resolve the issue(s) and address the Subgrantee's training needs. T&amp;TA staff</p>

requires Subgrantees to update its TNA to reflect the required actions to resolve the identified issue(s) and provides follow-up activities to ensure the identified issue(s) are corrected in a timely fashion.

### 3.0 – WORKFORCE CREDENTIALS

DESCRIBE THE FOLLOWING ASPECTS OF YOUR T&TA PLAN RELATED TO WORKFORCE CREDENTIALS.

#### FEDERALLY REQUIRED CREDENTIALS. EXAMPLES INCLUDE:

- ENVIRONMENTAL PROTECTION AGENCY LEAD RENOVATION, REPAIR, AND PAINTING PROGRAM
- HOME ENERGY PROFESSIONALS QUALITY CONTROL INSPECTOR CERTIFICATION

Federally Required Credentials:

- Environmental Protection Agency (EPA) Lead Renovator Certification;
- Environmental Protection Agency (EPA) Certified Firm Certification;
- Home Energy Professionals Quality Control Inspector (QCI) certification;
- Home Energy Professionals Energy Auditor (EA) certification; and
- AHERA or state certification to test, encapsulate, abate, etc., asbestos containing material (ACM) as outlined within WPN 22-7 and allowed within Texas's H&S plan.

#### GRANTEE/STATE REQUIRED CREDENTIALS. EXAMPLES INCLUDE:

- BUILDING PERFORMANCE INSTITUTE BUILDING ANALYST
- GRANTEE-DEVELOPED CERTIFICATIONS

TDHCA does not currently require any credentials outside of the Federal or Subgrantee/Local identified credentials for the Weatherization Assistance Program; however, TDHCA does strongly encourage the following as prerequisites to advanced Home Energy Professional Certifications:

- BPI Building Science Principles Certificate;
- BPI Building Analyst Technician; and
- BPI Building Analyst Professional.

#### SUBGRANTEE/LOCAL REQUIRED CREDENTIALS. EXAMPLES INCLUDE:

- CONTRACTOR LICENSING

Subgrantee/Local required credentials:

- State Contractor Licensing for required services, i.e. HVAC, plumbing, electrical, etc.;
- OSHA 30 Construction Safety Course (for supervisors); and
- OSHA 10 Construction Safety Course (for crew members).

#### INDUSTRY REQUIRED CREDENTIALS. EXAMPLES INCLUDE:

- EQUIPMENT/MATERIAL MANUFACTURE CERTIFICATION
- VENDOR CERTIFICATION  
(E.G. EQUIPMENT/MATERIAL MANUFACTURE CERTIFICATION, VENDOR CERTIFICATION)

Industry required credentials are as follows:

- Equipment/Material Manufacture Certification; and
- Vendor Certification (e.g. Equipment/Material Manufacture Certification, Vendor Certification).

#### PROCESS FOR MAINTAINING WORKFORCE CREDENTIALS

TDHCA has created an Internal Certification Tracking form to keep records of all workforce credentials. Subgrantees are required to complete, update, and upload this form whenever a new certification as it relates to the bullet points below, is obtained throughout the program year. This applies to both their WAP field staff and subcontractors and is used for grantee tracking purposes. TDHCA's compliance monitoring staff will review the form to ensure adherence to compliance standards

#### HOW CREDENTIALS ARE TRACKED

Subgrantees each have their own internal tracking process in place to ensure all workforce credentials are obtained and/or retained, which is tested by TDHCA compliance monitoring staff to ensure compliance. Additionally, Subgrantees are required annually to update their agency contact information to TDHCA, which includes the reporting of the following certifications for Grantee tracking purposes:

- QCI;
- Multi-Family QCI;
- Energy Auditor;
- Retrofit Installer;
- Crew Leader;
- Lead Safe Renovator;
- OSHA 10; and
- OSHA 30.
- Building Analyst Technician;
- Building Analyst Professional;
- Trade specific licensing

## 4.0 – TRAINING

GRANTEES HAVE TWO OPTIONS TO DESCRIBE THEIR TRAINING.

- USE THE EMBEDDED SPREADSHEET\* TO IDENTIFY AND DESCRIBE THE TRAINING SCHEDULE FOR GRANTEE AND SUBGRANTEE STAFF. INCLUDE TECHNICAL AND NON-TECHNICAL TRAINING.
- OR USE THE FIELDS BELOW TO IDENTIFY AND DESCRIBE THE TRAINING SCHEDULE FOR GRANTEE AND SUBGRANTEE STAFF. INCLUDE TECHNICAL AND NON-TECHNICAL TRAINING.

GRANTEE'S ARE TO INCLUDE THE FOLLOWING IN THEIR DESCRIPTIONS REGARDLESS OF WHAT OPTION IS BEING USED TO DESCRIBE THEIR TRAINING PLAN:

- SPECIFY WHETHER ATTENDANCE IS MANDATORY, AND THE RAMIFICATIONS FOR NON-COMPLIANCE.
- SPECIFY IF THE T&TA PLAN SPANS MULTIPLE PROGRAM YEARS (PY), INDICATE WHICH TRAININGS ARE INTENDED IN THE CURRENT PY AND WHICH ARE PLANNED FOR FUTURE PYs.

\* THE EMBEDDED SPREADSHEET, IF COMPLETED AT THE END OF THE YEAR TO RECORD DELIVERED TRAINING, CAN BE USED AS DOCUMENTATION FOR THE REQUIRED ANNUAL T&TA REPORT. DOUBLE CLICK TO OPEN SPREADSHEET. ENTER INFORMATION AND CLOSE. IT WILL AUTOMATICALLY SAVE YOUR INFORMATION



### TTA Planning and Reporting Template F

#### PROGRAMMATIC/ADMINISTRATION TRAINING

- FINANCIAL (I.E. 2 CFR 200)
- MANAGEMENT (I.E. 10 CFR 440)

Programmatic/Administration training is available to each Subgrantee through the following:

- Financial (i.e. 2 CFR Part 200)
  - Onsite and/or virtual fiscal trainings are available through TDHCA training staff upon request or as deemed necessary by Grantee staff to address day to day needs such as procurement, rule clarifications/references, contractual requirements, reporting, expenditure allowability, etc.
  - Intensive Subgrantee fiscal training is available upon request and provided by contracted consultants for complex needs such as cost allocation, budgeting, grant fund accounting, etc.

- Peer-to-Peer training is available from recognized experienced WX network Subgrantees
- Training conferences
- Management (i.e. 10 CFR Part 440)
  - New program coordinator trainings are available and required for all newly hired staff that cover WX timeline, program rules, available resources, reporting requirements, etc.
  - Onsite and/or virtual management trainings are available through TDHCA training staff upon request or as deemed necessary by Grantee staff to address management training needs.
  - Peer-to-Peer training from recognized experienced WX network Subgrantees.
  - Training conferences.

Additional Programmatic/Administration training is handled on an ongoing and as-needed basis as identified by network request, new/updated requirements, new staff hires, results of monitoring reports, or as deemed necessary by Grantee staff.

**COMPREHENSIVE TECHNICAL TRAINING ALIGNED TO THE JOB TASK ANALYSIS (IDENTIFY AT WHAT INTERVALS WORKERS WILL RECEIVE REGULAR, COMPREHENSIVE TRAINING AS REQUIRED BY WEATHERIZATION PROGRAM NOTICE (WPN) 22-4)**

- QUALITY CONTROL INSPECTOR
- ENERGY AUDITOR
- CREW LEAD
- RETROFIT INSTALLER/TECHNICIAN

TDHCA requires each of the professional certifications listed below to receive a refresher course and recertify every three years through an accredited IREC training provider:

- Quality Control Inspector
- Energy Auditor
- Multi-Family QCI, if applicable

In accordance with WPN 22-4, Subgrantees must plan and ensure all WAP field workers receive regular comprehensive training for the position in which the worker is employed. Additionally, the Subgrantee must identify all identified/planned/required comprehensive trainings within their TNA as outlined within WPN 22-4 and ensure the trainings are provided by an accredited IREC training facility certified in the occupation-specific Job Task Analysis (JTA) being taught. Training will be provided by the IREC training facility in a manner best suited for the situation and can be a hybrid of distance learning and/or in person training. Comprehensive trainings identified with the TNA will be prioritized based on compliance mandates, monitoring results, occupation specific JTA staff weaknesses, T&TA staff input, staff request, and fund availability. In the event a Subgrantee experiences unforeseen issues, and their training needs will exceed their normal allotted T&TA budget, TDHCA has set aside additional funding to be available on an as-needed basis. Examples of unforeseen issues include but are not limited to key staff turnover affecting program compliance/production, compliance/monitoring mandates, etc.

**SPECIFIC TECHNICAL TRAINING**

- TOPICS IDENTIFIED DURING MONITORING VISIT(S)
- ENERGY MODELING
- HEALTH & SAFETY. ALL H&S TOPICS IN WPN 22-7 REQUIRE SOME LEVEL OF TRAINING FOR ALL AFFECTED WORKERS, THE FREQUENCY OF THIS TRAINING IS A GRANTEE DECISION. EXAMPLES INCLUDE:
  - AIR CONDITIONING, HEATING SYSTEMS, AND COMBUSTION APPLIANCES
  - ASBESTOS
  - BIOLOGICALS AND UNSANITARY CONDITIONS
  - BUILDING STRUCTURE AND ROOFING
  - CODE COMPLIANCE
  - ELECTRICAL
  - FUEL LEAKS
  - GAS OVENS/STOVETOPS/RANGES
  - HAZARDOUS MATERIALS
  - INJURY PREVENTION OF OCCUPANTS

- LEAD BASED SURFACE COVERINGS (PAINT, VARNISHES, ROOFING, ETC.)
  - EPA'S LEAD RENOVATION, REPAIR & PAINTING PROGRAM (RRP) MOLD/MOISTURE
- MOLD AND MOISTURE
- OCCUPANT PRE-EXISTING OR POTENTIAL HEALTH CONCERNS
- PESTS
- RADON
- SAFETY DEVICES
- VENTILATION AND INDOOR AIR QUALITY
  - AMERICAN SOCIETY OF HEATING REFRIGERATION AND AIR-CONDITIONING ENGINEERS (ASHRAE)
- WATER HEATERS
- WORKER SAFETY
  - OSHA
- CLIENT EDUCATION (TRAINING WORKERS TO CONDUCT CLIENT EDUCATION). EXAMPLES INCLUDE:
  - ENERGY SAVINGS STRATEGIES
  - PROGRAM-SPECIFIC INFORMATION. EXAMPLES INCLUDE:
    - WHAT TO EXPECT
    - ADDITIONAL RESOURCES
  - HEALTH & SAFETY ISSUES

Specific Training offerings are available to all Subgrantees.

- Topics (s) identified during monitoring visit(s)
  - Feedback from Department of Energy (DOE) Project Officers (PO) and monitoring reports.
    - Feedback from Project Officers and DOE identified monitoring issues/network trends are addressed in network-wide training(s).
    - Subgrantee specific trainings are performed for all Subgrantees selected as part of the monitoring sample and training is performed to correct the specific areas of deficiency identified in the agency's DOE monitoring report.
    - TDHCA WAP monitors utilize the DOE monitoring report to adjust sampling and increase focus in the identified areas. Identified issues/network trends are addressed utilizing network-wide or Subgrantee specific trainings.
  - Grantee Monitoring Reports of the Subgrantees
    - TDHCA T&TA staff are copied on all monitoring reports and/or a staff meeting is held for monitors to debrief T&TA staff after each visit. In those meetings, monitoring staff relay issues found related to the Subgrantee as well as overall trends identified. Following the monitoring report, T&TA staff provide an initial email to the Subgrantee to provide resources for identified issues. T&TA staff applies this debrief information when determining the needs for Subgrantee specific T&TA and to plan any needed training curriculum.
- Whole House Assessment Process
  - Specific whole house assessment training/questions is readily available upon Subgrantee request or as determined necessary by Grantee staff.
- Energy Modeling
  - Specific energy audit training/questions in regard to energy audit modeling is readily available upon Subgrantee request or as determined necessary by Grantee staff.
- Priority List Criteria and Use.
  - Specific Priority List training/questions is readily available upon Subgrantee request or as determined necessary by Grantee staff.
  - TDHCA has a webinar, Priority List Policies and Procedures, and FAQs available for Subgrantees on demand through the TDHCA [website](#).
- Health & Safety. All H&S topics in WPN 22-7 require some level of training for all affected workers, the frequency of these type trainings is based on workforce needs. All WAP H&S training include review of required, allowable, and prohibited activities listed within WPN 22-7. Additional topics covered in H&S trainings include the following:

- Air Conditioning, Heating Systems, Combustion Appliances
  - WAP H&S Policy training on allowable activities
  - Licensing and/or certifications for HVAC installers as required by authority having jurisdiction
  - Testing and inspection training
  - Combustion Gases
- How to perform appropriate testing, determine when a building is excessively depressurized, and the difference between air free and as-measured CO action levels
- Asbestos (Confirmed and/or Presumed Asbestos Containing Material)
  - How to identify suspected ACM
  - Licensing/certification/training requirements
  - Safe work practices
- Biologicals and Unsanitary Conditions
  - How to recognize unsafe conditions and when to defer
  - Safe work practices when encountering such conditions
- Building Structure and Roofing
  - How to identify structural and roofing issues
- Code Compliance
  - How to determine what code compliance may be required
- Electrical
  - How to identify electrical hazards
  - Local or Authority Having Jurisdiction (AHJ) code compliance
- Fuel Leaks
  - Fuel leak testing
- Gas Ovens/Stovetops/Ranges
  - Testing techniques
  - CO action levels
- Hazardous Materials
  - Appropriate Personal Protective Equipment (PPE) for working with hazardous waste materials
  - Disposal requirements and locations
  - Health and environmental risks related to hazardous materials
- Injury Prevention of Occupants and Weatherization Workers
  - Hazard identification
- Lead Based Surface Coverings (Paints, Varnishes, Roofing, etc.)
  - Lead Based Paint & EPA's Lead Renovation, Repair & Painting Program (RRP)
    - All employees and contractors working on pre-1978 homes must receive training to install measures in a lead-safe manner in accordance with the SWS and EPA protocols, and installation must be overseen by an EPA Certified Renovator
    - Grantee Monitors and Inspectors must be Certified Renovators
- Mold/Moisture
  - National curriculum on mold and moisture or equivalent
  - How to recognize drainage issues
- Occupant Pre-existing or Potential Health Conditions
  - How to assess occupant preexisting conditions and determine what action to take if the home is not deferred
  - Awareness of potential hazards
- Pests
  - How to assess presence and degree of infestation, associated risks, and deferral policy
- Radon
  - Auditors, assessors, and inspectors must have knowledge of radon, what it is and how it occurs, including what factors may make radon worse, and precautionary measures that may be helpful
  - Workers must be trained in proper vapor retarder installation



- Provide zonal radon map resources
- Safety Devices
  - Where to install alarms
  - Local code compliance
- Ventilation and Indoor Air Quality
  - American Society of Heating Refrigeration and Air-Conditioning Engineers (ASHRAE) requirements
  - ASHRAE 62.2 training including proper sizing, evaluation of existing and new systems
  - If the grantee opts to adopt a new version of ASHRAE 62.2 then training and technical assistance should be planned to prepare crews to implement the new standard
- Water Heater Replacement
  - Water temperature testing
  - How to identify if repair or replacement is warranted
- Worker Safety
  - Use and importance of PPE
  - Safety training appropriate for job requirements. OSHA 30 for supervisors and OSHA 10 for crew members
  - Ongoing training as required in Hazard Communication Program
- Client Education (training workers to conduct client education). Examples include:
  - Importance of providing both written and verbal education for each client
  - How to review energy savings materials
  - Steps to properly educate clients on instructions for equipment operation and/or maintenance

Additional Specific Training is handled on an ongoing and as-needed basis as identified by network request, new/updated requirements, new staff hires, results of monitoring reports, or as deemed necessary by Grantee staff.

**CONFERENCES. EXAMPLES INCLUDE:**

- **ENERGY OUTWEST**
- **BUILDING PERFORMANCE ASSOCIATION**
- **NATIONAL ASSOCIATION FOR STATE AND COMMUNITY SERVICE PROVIDERS**
- **COMMUNITY ACTION PARTNERSHIP**

TDHCA relays all conference related Weatherization Memorandums/Notifications allowing use of training funds to Subgrantees. Conference attendance examples include:

- Energy OutWest;
- Building Performance Association;
- National Association for State and Community Service Providers, and
- Community Action Partnership.

**OTHER, PLEASE SPECIFY:**

TDHCA budgets T&TA funds for both the Grantee and Subgrantees which are utilized as described in Section 1.0 General Information of this plan.

## 5.0 – TECHNICAL ASSISTANCE

DESCRIBE THE TECHNICAL ASSISTANCE ACTIVITIES INCLUDED IN THE T&TA BUDGET CATEGORY.

**PROGRAMMATIC/ADMINISTRATION SUPPORT**

Programmatic/Administration technical assistance is readily available and provided to all Subgrantees utilizing TDHCA training staff through the following methods:

- Questions and/or technical assistance is continuously available for all Subgrantees through the TDHCA WUFOO online portal at the following link: [Submit a Program Question or Request T&TA](#).
- Virtual technical assistance is provided utilizing platforms such as GoTo Meeting, Microsoft® Teams, FaceTime, etc.
- Subgrantee onsite or network trainings.

- TDHCA website resources such as TDHCA developed Best Practices, Frequently Asked Questions, training videos, etc.
- Peer-to-Peer technical assistance/information exchange is available from recognized experienced WX network Subgrantees.
- Activities in coordination with Texas Association of Community Action Agencies (TACAA).
- Quarterly Network Calls.
- WAP E-Newsletters.

Additional Programmatic/Administration technical assistance methods are created/utilized on an as-needed basis to improve program administration, effectiveness, and delivery of services.

#### TECHNICAL SUPPORT

Technical Support is readily available and provided to Subgrantees utilizing TDHCA training staff through the following methods:

- Questions and/or technical assistance is continuously available for all Subgrantees through the TDHCA WUFOO online portal at the following link: [Submit a Program Question or Request T&TA](#).
- Virtual support is provided utilizing platforms such as GoTo Meeting/Webinar, Microsoft® Teams, FaceTime, etc.
- Subgrantee onsite or network trainings.
- TDHCA website resources such as TDHCA developed Best Practices/Forms, training videos, WAP Cheat Sheets, etc.
- Peer-to-Peer technical assistance/information exchange is available from recognized experienced WX network Subgrantees.
- Activities in coordination with TACAA.
- Quarterly Network Calls.
- WAP E-Newsletters.

Additional technical support methods are created/utilized on an as-needed basis to improve program administration, effectiveness, and delivery of services.

#### HEALTH & SAFETY SUPPORT ACTIVITIES

H&S support is readily available and provided to Subgrantees utilizing TDHCA training staff through the following methods:

- Questions and/or technical assistance is continuously available for all Subgrantees through the TDHCA WUFOO online portal at the following link: [Submit a Program Question or Request T&TA](#);
- Virtual support is provided utilizing platforms such as GoTo Meeting/Webinar, Microsoft® Teams, FaceTime, etc.;
- Subgrantee onsite or network trainings;
- TDHCA website resources such as TDHCA developed Best Practices/Forms, WAP Cheat Sheets, training videos, etc.
- Peer-to-Peer technical assistance/information exchange is available from recognized experienced WX network Subgrantees;
- Activities in coordination with TACAA;
- Quarterly Network Calls; and
- WAP E-Newsletters.

Additional H&S support methods are created/utilized on an as-needed basis to improve program administration, effectiveness, and delivery of services.

#### MONITORING

**WHAT PERCENTAGE OF T&TA FUNDING IS ALLOCATED TO MONITORING? (IF DEFINED IN SECTION B OF THE BUDGET DETAILS WITHIN THE ANNUAL APPLICATION, INCLUDE THAT WITHIN YOUR DESCRIPTION BELOW.)**

TDHCA WAP Monitoring staff who conduct fiscal/administrative and inspection monitoring activities are paid out of the T&TA (40%) budget category.
<b>OTHER, PLEASE SPECIFY</b>
TDHCA is very fortunate to have a Compliance Monitoring staff experienced in Subgrantee monitoring, unit assessments, audits, material installation, inspections, and the training and technical assistance that support each. TDHCA Compliance staff work in conjunction with Department Training staff to continuously improve our weatherization program.
<h2>6.0 CLIENT EDUCATION</h2> <p><b>DESCRIBE WHAT CURRENT AND PLANNED CLIENT EDUCATION MATERIALS AND/OR ACTIVITIES ARE INCLUDED IN THE T&amp;TA BUDGET CATEGORY. ONLY THOSE PAID FOR WITH T&amp;TA FUNDS NEED TO BE MENTIONED.</b></p> <p><b>NOTE: THIS DOES NOT INCLUDE TRAINING WORKERS TO DELIVER CLIENT EDUCATION. THIS SHOULD BE DESCRIBED IN THE TRAINING SECTION, ABOVE.</b></p>
CLIENT EDUCATION ACTIVITIES PRIOR TO, DURING AND AFTER WEATHERIZATION WHICH ADDRESS THE WEATHERIZATION PROCESS AND ENERGY SAVINGS DETAILS
The Department requires Subgrantees to provide (at minimum) educational materials in verbal or written format. Each Subgrantee must complete the Health & Safety Requirements form and provide educational materials, including the EPA's Renovate Right guide and specific information on energy savings. Additionally, Subgrantees will provide instructions for the operation and maintenance of any installed equipment as required in the Standard Work Specifications (SWS) and in Section 5.0 of the Health & Safety Plan. Compliance staff reviews materials and procedures during each Subgrantee's annual onsite monitoring.
<p style="text-align: center;">CLIENT EDUCATION ACTIVITIES REGARDING H&amp;S ISSUES AS INDICATED IN WPN 22-7</p> <ul style="list-style-type: none"> <li>○ AIR CONDITIONING, HEATING SYSTEMS, AND COMBUSTION APPLIANCES</li> <li>○ ASBESTOS – CONFIRMED AND/OR PRESUMED ASBESTOS CONTAINING MATERIAL</li> <li>○ BIOLOGICALS AND UNSANITARY CONDITIONS</li> <li>○ BUILDING STRUCTURE AND ROOFING</li> <li>○ CODE COMPLIANCE</li> <li>○ COMBUSTION GASES</li> <li>○ ELECTRICAL</li> <li>○ FUEL LEAKS</li> <li>○ GAS OVENS/STOVETOPS/RANGES</li> <li>○ HAZARDOUS MATERIALS</li> <li>○ INJURY PREVENTION OF OCCUPANTS</li> <li>○ LEAD BASED SURFACES (PAINTS, VARNISHES, ROOFING, ETC.)</li> <li>○ MOLD AND MOISTURE</li> <li>○ OCCUPANT PRE-EXISTING OR POTENTIAL HEALTH CONDITIONS</li> <li>○ PESTS</li> <li>○ RADON</li> <li>○ SAFETY DEVICES</li> <li>○ VENTILATION AND INDOOR AIR QUALITY <ul style="list-style-type: none"> <li>▪ AMERICAN SOCIETY OF HEATING REFRIGERATION AND AIR-CONDITIONING ENGINEERS (ASHRAE)</li> </ul> </li> <li>○ WATER HEATERS</li> <li>○ WORKER SAFETY <ul style="list-style-type: none"> <li>▪ OSHA</li> </ul> </li> <li>○ ADDITIONAL TOPICS AS DESCRIBED IN HEALTH &amp; SAFETY PLAN</li> </ul>
<p>Client education activities/resources regarding H&amp;S issues are provided by Subgrantees to ensure compliance with WPN 22-7 as follows:</p> <ul style="list-style-type: none"> <li>• A Client H&amp;S Questionnaire is required to be completed by Subgrantees for each unit weatherized. Questionnaire can be located on the TDHCA website at the following link:</li> </ul>

- H&S Requirements Form
- When deferral is necessary, Subgrantees are required to provide information to the client, in writing, describing conditions that must be met in order for weatherization to commence and if applicable, include any of the additional specific information detailed below. A copy of the notification must also be retained within the client file.
  - Appropriate referral resources shall also be provided to the client.
- H&S client education resources can be located at the following links:
  - [WPN 22-7 Additional Resources and References](#)
  - [TDHCA Program Guidance](#)
- Air Conditioning, Heating Systems, and Combustion Appliances
  - Appropriate use and maintenance of units.
  - Provide all paperwork and manuals for any installed equipment.
  - Discuss and provide information on proper disposal of bulk fuel tanks when not removed as part of the weatherization work.
  - Where combustion equipment is present, provide combustion safety information, including how to recognize depressurization, dangers of CO poisoning, and fire risks associated with combustion appliance use.
- Asbestos
  - Formally notify the occupant and landlord if applicable, in writing:
    - of suspected ACMs that are present and what precautions will be taken to ensure the occupants' and workers' safety during weatherization;
    - of results if testing was performed;
    - not to disturb suspected ACM;
    - When deferral is necessary due to asbestos, occupant, or landlord if applicable, must provide documentation before work continues.
- Biologicals and Unsanitary Conditions
  - Inform client, in writing, of observed conditions.
- Building Structure and Roofing
  - Notify client, in writing, of structurally compromised areas.
- Code Compliance
  - Inform client, in writing, of observed code compliance issues when it results in deferral.
- Electrical
  - Provide occupant with written documentation of any electrical hazards identified that will not be addressed by weatherization.
  - Provide information to occupant on over-current protection, overloading circuits, and basic electrical safety/risks if conditions warrant.
- Fuel Leaks
  - Inform clients in writing of fuel leak testing results, including specific location if fuel leaks are detected.
- Gas Ovens/Stovetops/Ranges
  - Inform clients of the importance of using exhaust ventilation when cooking and the importance of keeping burners clean to limit the production of CO.
- Hazardous Materials Disposal
  - Inform occupant in writing of hazards associated with hazardous waste materials being generated/handled in the home.
  - Inform occupant in writing of observed hazardous conditions and associated risks.
  - Provide occupant written materials on safety issues and proper disposal of household pollutants.
- Injury Prevention of Occupants
  - If identified hazardous conditions will not be correct during weatherization, inform occupant in writing of observed hazards and associated risks utilizing the "Hazard Identification Notification Form" required by WPN 22-7.

- Lead Based Surface Coverings (Paint, Varnishes, Roofing, etc.)
  - Follow pre-renovation education requirements per EPA RRP rules.
- Mold/Moisture
  - Provide occupant written notification of identified mold/moisture hazards and information regarding the associated hazard.
- Occupant Pre-existing or Potential Health Conditions
  - Inform client in writing of any known risks and provide pre-weatherization screening form.
  - Provide client with Subgrantee point of contact information in writing.
- Pests
  - Inform client in writing of observed conditions and associated risks.
- Radon
  - Provide all clients *EPA's A Citizen's Guide to Radon* and inform them of radon related risks.
  - Occupants must sign informed consent form prior to receiving weatherization
- Safety Devices
  - Provide client with verbal and written information on use of newly installed devices and the potential risks of not properly maintaining these devices.
- Ventilation and Indoor Air Quality (ASHRAE)
  - Provide client with information on function, use, and maintenance (including location of service switch and cleaning instructions) of ventilation system and components.
  - Provide client with equipment manuals for installed equipment.
  - Include disclaimer that ASHRAE 62.2 does not account for high polluting sources or guarantee indoor air quality.
- Water Heaters
  - Appropriate use and maintenance of units.
  - Provide all paperwork and manuals for any installed equipment.
  - Where combustion equipment is present, provide combustion safety and hazards information including how to recognize depressurization, dangers of CO poisoning, and fire risks associated with combustion appliance use.

Training Topic(s)	Training Requested or Initiated by?	Training Category	Comprehensive or Specific Training?	Job Task Analysis (JTA)	Scheduled Date(s) of Training?	Duration of Training (hours)?	Continuing Education Unit(s) Offered?	Training Center/Provider	Attendance Mandatory?	Estimated Costs	Grantee/Subgrantee/Contractor Participating in Training	Total Number of Participants	Actual Costs	Remarks/Comments
Example* QCI Training	Onsite Monitoring	Technical	Comprehensive	QCI	10/9/19 - 10/20/19	80	32	Weatherization Academy (IHEC accredited)	Yes	\$8,000.00	ABLE Agency (4) Can Do CAA (3)	7	\$5,427.00	Contract with trainer approved 7/9/17. All QCI get opportunity for this comprehensive course every 5 years.
Subgrantee Budgeted T&TA - Subgrantee specific topics are determined annually through a TNA at the beginning of each year. Below are example topics that will vary based on individual subgrantee needs.														
QCI Training	Program Requirement	Programmatic/Technical	Comprehensive	QCI	TBD	TBD	TBD	TBD		TBD	TBD	TBD		
Energy Auditor	Program Requirement	Programmatic/Technical	Comprehensive	EA	TBD	TBD	TBD	TBD		TBD	TBD	TBD		
Lead Safe Renovator	Program Requirement	Technical	Specific		TBD	TBD	TBD	TBD		TBD	TBD	TBD		
Retrofit Installer Training	Contractor Request	Programmatic/Technical	Comprehensive	RIT	TBD	TBD	TBD	TBD		TBD	TBD	TBD		
Crew Leader Training	Contractor Request	Programmatic/Technical	Comprehensive	CL	TBD	TBD	TBD	TBD		TBD	TBD	TBD		
OSHA 10	Program Requirement	Technical	Specific		TBD	TBD	TBD	TBD		TBD	TBD	TBD		
OSHA 30	Program Requirement	Technical	Specific		TBD	TBD	TBD	TBD		TBD	TBD	TBD		
BPA Conference	Subgrantee Request	Programmatic/Technical	Specific		TBD	TBD	TBD	TBD		TBD	TBD	TBD		
Energy/Outwest Conference	Subgrantee Request	Programmatic/Technical	Specific		TBD	TBD	TBD	TBD		TBD	TBD	TBD		
Agency Specific Training Needs (As directed by TNA)	Program Requirement/Monitoring	TBD	TBD		TBD	TBD	TBD	TBD		TBD	TBD	TBD		
TDHCA (Network) Budgeted T&TA - For internal staff T&TA needs, compliance mandated Subgrantee T&TA, and for network-wide/regional T&TA sessions when determined feasible.														
National Home Performance Conference and Trade Show	Program Updates	Programmatic/Technical	Specific		TBD	TBD	TBD	BPA	No	\$1,500.00	Grantee Staff x 2	2		
Energy OutWest Conference	Program Updates	Programmatic/Technical	Specific		TBD	TBD	TBD	Energy OutWest	No	\$1,500.00	Grantee Staff x 2	2		
NASCSP Annual Training Conference	Program Updates	Programmatic/Technical	Specific		TBD	TBD	TBD	NASCSP	No	\$1,500.00	Grantee Staff x 2	2		
NASCSP Winter Training Conference	Program Updates	Programmatic/Technical	Specific		TBD	TBD	TBD	NASCSP	No	\$1,500.00	Grantee Staff x 2	2		
New Grantee Staff (pending hire)	Program Requirement	Programmatic/Technical	Comprehensive		TBD	TBD	TBD	TBD	No	\$10,000.00	New WAP staff to be hired	1		to address Comprehensive training needs of new staff
Compliance Mandated T&TA for Subgrantees	Program Requirement/Monitoring	Programmatic/Technical	Comprehensive		TBD	TBD	TBD	TBD	No	\$30,000.00	projected compliance mandated T&TA x 3	TBD		
Network-wide Training	Program Requirement/Monitoring	Programmatic/Technical	Comprehensive		TBD	TBD	TBD	TBD	No	\$20,000.00	performance improvement network-wide session	100		



## Texas Department of Housing and Community Affairs

### Governing Board

#### Board Action Request

**File #: 742**

**Agenda Date: 2/6/2025**

**Agenda #: 3.**

Presentation, discussion, and possible action regarding a waiver relating to the applicability of a local Public Housing Authority Utility Allowance for Lapiz Flats HOME American Rescue Plan Application 23712

#### **RECOMMENDED ACTION**

**WHEREAS**, Lapiz Flats (9% Housing Tax Credit 22297) applied for 9% Housing Tax Credits (HTCs) in 2022 and was awarded \$1,366,000 in HTCs in July 2022;

**WHEREAS**, Lapiz Flats (HOME-ARP 23712) applied gap financing funds under the 2023-2 HOME American Rescue Plan (HOME-ARP) Rental Development Notice of Funding Availability (NOFA) and received an award of \$1,506,500 in July 2023;

**WHEREAS**, in December, 2024, during the post-award process, the Applicant notified staff that the project was approved for Project-Based Vouchers (PBVs) by the Dallas Housing Authority (DHA), and submitted supporting documentation;

**WHEREAS**, the Applicant is requesting a nonmaterial amendment to include the vouchers under 10 TAC §10.405(a) which allows Applicants to request amendments to their Applications after award prior to the Land Use Restriction Agreement recording; and

**WHEREAS**, as part of the nonmaterial amendment request, the Applicant requests a waiver under §11.207, which authorizes the Board to waive rules, to waive 10 TAC §10.614(c)(3)(A) so that the development may calculate Utility Allowances according to the Dallas Housing Authority payment standard for the project located in Grand Prairie because of the vouchers;

**NOW, therefore, it is hereby**

**RESOLVED**, the waiver request for Lapiz Flats to use the Utility Allowances for the Dallas Housing Authority in Grand Prairie is approved as presented to this meeting, and the Executive Director and his designees are each authorized, directed, and empowered to take all necessary action to effectuate the foregoing.

#### **BACKGROUND**

Lapiz Flats, LLC, is the owner of Lapiz Flats in Grand Prairie, which is a New Construction project that received a 2022 9% HTC award and a 2023 HOME-ARP award for gap financing. Lapiz Flats is a 69-unit new construction elderly housing project. In December 2024, the Applicant submitted supporting documentation to staff to show that the DHA PBV's are senior-specific for persons aged 62+. The total cost of the proposed new

construction is \$16,779,636, of which \$1,366,000 is Housing Tax Credits and \$1,506,500 is the HOME-ARP award.

10 TAC §10.614(c)(3)(A) regarding Utility Allowances states:

*“(3) Other Buildings. For all other rent-restricted Units, Development Owners must use one of the methods described in subparagraphs (A) - (E) of this paragraph: (A) Public Housing Authority (PHA). The Utility Allowance established by the applicable PHA for the Housing Choice Voucher Program. The Department will utilize the Texas Local Government Code, Chapter 392 to determine which PHA is the most applicable to the Development.”*

The “applicable PHA for the Housing Choice Voucher Program” would be the Grand Prairie PHA. However, because the vouchers are from Dallas Public Housing Authority, the Applicant requests that the “applicable” PHA is deemed to be the Dallas Public Housing Authority.

The waiver is requested to allow for Utility Allowances to be calculated so that Utility Allowances for all units match estimations calculated by the DHA PBV award. This waiver would assist the project and the Department in meeting the purpose of the Department in Tex. Gov’t Code §2306.001 to provide for the housing needs of individuals and families of low, very low and extremely low income...” As such, staff recommends approval of the waiver to the Utility Allowance estimation method per 10 TAC §10.614(c)(3)(A).





## Texas Department of Housing and Community Affairs

### Governing Board

### Board Action Request

**File #: 924**

**Agenda Date: 2/6/2025**

**Agenda #: 4.**

Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Elmwood Apartments (HTC 12045 / HOME 1001679 / CMTS 1130), Cottonwood Apartments (HTC 12048 / HOME 1001677 / CMTS 544), and Oakwood Apartments (HTC 11082 / HOME 1001591 / CMTS 1304)

### **RECOMMENDED ACTION**

**WHEREAS**, Elmwood Apartments (Elmwood), owned by PK Elmwood Apartments, LP (Elmwood Owner), had uncorrected compliance findings relating to the applicable land use restriction agreements and the associated statutory and rule requirements;

**WHEREAS**, Cottonwood Apartments (Cottonwood), owned by PK Cottonwood Apartments, LP (Cottonwood Owner), had uncorrected compliance findings relating to the applicable land use restriction agreements and the associated statutory and rule requirements;

**WHEREAS**, Oakwood Apartments (Oakwood), owned by PK Oakwood Apartments, LP (Oakwood Owner), had uncorrected compliance findings relating to the applicable land use restriction agreements and the associated statutory and rule requirements;

**WHEREAS**, Elmwood Owner, Cottonwood Owner, and Oakwood Owner are related entities, ultimately controlled by Ronald Potterpin (collectively known as Owner);

**WHEREAS**, three out of ten properties under this ownership group, including Elmwood and Cottonwood, were subject to prior Agreed Final Orders;

**WHEREAS**, the terms of those Agreed Final Orders from 2019 were met, and administrative penalties were partially forgiven, with a collective \$2,000.00 administrative penalty paid;

**WHEREAS**, TDHCA identified new findings of noncompliance during its regularly scheduled 2024 file monitoring reviews at Cottonwood, Elmwood, and Oakwood, and referred the development owners for administrative penalties when the noncompliance was not timely corrected;

**WHEREAS**, complete corrections were received after referral to the Enforcement Committee, but the penalty referral history did not support informal closure;

**WHEREAS**, an Enforcement Committee informal conference was held on December 10, 2024, and Owner agreed, subject to Board approval, to enter into an Agreed Final Order assessing a collective administrative penalty of \$2,500.00; and

**WHEREAS**, staff has based its recommendations for an Agreed Final Order on the Department's rules for administrative penalties and an assessment of each and all of the statutory factors to be considered in assessing such penalties, applied specifically to the facts and circumstances present in this case.

**NOW, therefore, it is hereby**

**RESOLVED**, that an Agreed Final Order assessing an administrative penalty of \$2,500.00, for noncompliance at Elmwood Apartments (HTC 12045 / HOME 1001679 / CMTS 1130), Cottonwood Apartments (HTC 12048 / HOME 1001677 / CMTS 544), and Oakwood Apartments (HTC 11082 / HOME 1001591 / CMTS 1304), substantially in the form presented at this meeting, and authorizing any non-substantive technical corrections, is hereby adopted as the order of this Board.

#### **BACKGROUND**

**PROPERTY AND FINANCING INFORMATION:** PK Elmwood Apartments, LP, PK Cottonwood, LP, and PK Oakwood Apartments, LP are the respective owning entities for the following developments:

- Elmwood Apartments, a 24-unit apartment complex located in Buffalo, Leon County (Elmwood);
- Cottonwood Apartments, a 24-unit apartment complex located in Taft, San Patricio County (Cottonwood); and
- Oakwood Apartments, a 36-unit apartment complex located in Madisonville, Madison County (Oakwood).

The three ownership entities are controlled by Ronald Potterpin. The primary CMTS contact for the owner is Lindsey Klug. Property management is conducted in-house by PK Housing and Management Company, with Shanna Spurgeon as the primary CMTS contact.

Each development is encumbered by both a HOME LURA and an HTC LURA, with TDHCA funds used for rehabilitation. The HTC LURAs are all within the 15-year federal Compliance Period through December 31, 2027, and the Extended Use Periods run through 2042 for Elmwood and Cottonwood, and through 2052 for Oakwood. The HOME LURAs expire in 2043 for Elmwood and Cottonwood, and in 2052 for Oakwood.

**ENFORCEMENT HISTORY:** There are ten developments in this ownership group, three of which have prior Agreed Final Orders:

1. Agreed Final Order signed in 2019 for Elmwood and Cottonwood together, agreeing to pay an administrative penalty of \$2,000.00 relating to file monitoring noncompliance, with \$500.00 due at signing and the remainder to be forgivable provided that the owner complied with all requirements. Owner complied with this Order.

2. Agreed Final Order signed in 2019 for Northwood Apartments (HTC 11081 / HOME 1001590 / CMTS # 1303), agreeing to pay an administrative penalty of \$1,500.00 relating to file monitoring noncompliance. Owner complied with this Order.

Owner made improvements in the interim period, and was not referred again until North Court Villas (HTC 01104 / CMTS 4772) was referred for an administrative penalty for Uniform Physical Condition Standards noncompliance in 2023. That referral was closed informally upon correction since it was the first referral in a number of years. The three subsequent administrative penalty referrals during 2024 for Elmwood, Cottonwood, and Oakwood have now brought the owner perilously close the 50% debarment referral threshold at 10 TAC §2.401 (e)(2)(A), and the Compliance Division asked the Enforcement Committee to hold an informal conference even if full corrections were made.

**NONCOMPLIANCE SUBJECT TO AN ADMINISTRATIVE PENALTY:** TDHCA identified the following findings of noncompliance during file monitoring reviews conducted at Elmwood, Cottonwood, and Oakwood during 2024. All were fully resolved before the Enforcement Committee's informal conference.

1. Failure to market to veterans as required by the LURAs for Elmwood, Cottonwood, and Oakwood.
2. Failure to provide evidence of the appropriate number of points worth of tenant supportive services for Elmwood, Cottonwood, and Oakwood. The LURAs require ten points of services for Elmwood and Cottonwood, and eight points of services for Oakwood, which may be selected from a lengthy list of potential services at Appendix A of each LURA. At the time of monitoring, Elmwood failed to provide evidence of any services, Cottonwood failed to provide evidence of five out of ten required points, and Oakwood failed to provide evidence of six out of eight required points.
3. Failure to allow an onsite file monitoring review on April 12, 2024 at Cottonwood. On March 21, 2024, the Department provided notice of the onsite review, but the leasing office was closed at the appointed time. The onsite review was therefore cancelled, and a notice of noncompliance was issued, setting a July 25, 2024, corrective action deadline to submit requested files electronically.
4. Failure to update the utility allowance for Cottonwood after USDA issued a new 2024 utility allowance. Utility allowances must be updated annually, and gross rents must be adjusted accordingly to ensure that TDHCA rent limits are not exceeded.
5. Failure to recertify or provide annual eligibility certification for unit 201D at Oakwood. The property recertified the household and had an annual eligibility certification signed on June 1, 2023, however, the rules require the forms to be completed no earlier than 120 days before the move-in date anniversary of November 28, 2023. The earliest acceptable date to sign would have been July 31, 2023.

**ADMINISTRATIVE PENALTY FACTORS:** Owner participated in an informal conference with the Enforcement Committee on December 10, 2024. The Enforcement Committee analyzed the required statutory factors for determining an appropriate administrative penalty as follows:

1. The seriousness, extent, and gravity of the violations: Most of the violations are not severe, but are important, demonstrating basic file monitoring and administrative problems. Failure to allow monitoring at Cottonwood is extremely serious. However, during the informal conference, the owner representatives explained that the property manager was prepared for the review, but had a medical emergency that day and was unexpectedly hospitalized. Backup staff were at another inspection and were unable to cover the TDHCA review, and supervisory staff that were too far away attempted to call TDHCA but were unable to make contact until the next day. The Enforcement Committee noted that although it had no way to confirm these claims since this relates to private health information, the explanation did change the committee's views on the matter, mitigating the seriousness of this violation, particularly since it noted that this was not a systemic issue occurring at multiple developments in the portfolio.
2. Hazard posed to the health or safety of the public: None. All findings were for file monitoring.
3. Hazard posed to the public's economic welfare: Overall, the hazard to the public's economic welfare was minimal since the utility allowance did not cause gross rent overcharges at Cottonwood, mitigating the seriousness of that violation. Failure to market to veterans can have an impact on that population since they are not aware of the housing availability. The Oakwood violation relating to unit 201D did not cause any economic harm to the household. Social services are promised during application in order to receive points, and while many services on the Appendix A list of each HTC LURA serve a social, intellectual, or practical purpose, others do provide an economically valuable service. As an example, Cottonwood corrected the social services noncompliance by providing evidence of services supporting economic welfare, such as financial planning classes, income tax preparation services, and notary public services. This value is offset by participation, however, since social services are sometimes not utilized by residents.
4. Efforts made to correct the violations: The owner responded within the TDHCA Compliance Division's corrective action period for Cottonwood and Oakwood, but did not respond for Elmwood. All of the noncompliance considered in this item was resolved after referral for an administrative penalty, but prior to the Enforcement Committee's informal conference. Social services were a serious violation as noted above, however, the owner has hired a social services coordinator to work with all of their sites to maintain social services as required.
5. Any other matters that justice may require: Improvements were implemented between 2019 and 2023, with no referrals during that period, but there was a decline in 2023 and 2024. The owner has fired the person who was overseeing compliance matters that led

to the penalty referrals that are under consideration today. There is now a new supervisory group including a regional manager, assistant area director, and the new social services coordinator. The owner has also implemented a tracker with multiple people reviewing in the chain of command to verify that work is being completed timely, correctly, and completely.

6. Amount necessary to deter future violations: There is a history of noncompliance, and one more administrative penalty referral will cause the owner to be referred for debarment consideration. The Enforcement Committee thought that substantive improvements have been implemented, and that the potential future debarment was sufficient incentive to make further improvements to avoid further administrative penalty referrals. The Enforcement Committee therefore recommends a collective \$2,500.00 administrative penalty in light of the above factors.

**AGREED FINAL ORDER RECOMMENDED:** Owner has agreed to sign an Agreed Final Order for a \$2,500.00 administrative penalty due on or before February 17, 2025.

Consistent with direction from the Department's Enforcement Committee, an administrative penalty in the amount of \$2,500.00 is recommended. This will be a reportable item of consideration under previous participation for any new award to the principals of the Owner.

ENFORCEMENT ACTION AGAINST	§	BEFORE THE
PK COTTONWOOD APARTMENTS, LP,	§	TEXAS DEPARTMENT OF HOUSING
PK ELMWOOD APARTMENTS, LP, AND PK	§	AND COMMUNITY AFFAIRS
OAKWOOD APARTMENTS, LP, WITH	§	
RESPECT TO COTTONWOOD APARTMENTS	§	
(HTC 12048 / HOME 1001677 / CMTS 544),	§	
ELMWOOD APARTMENTS (HTC 12045 /	§	
HOME 1001679 / CMTS 1130), AND	§	
OAKWOOD APARTMENTS (HTC 11082 /	§	
HOME 1001591 / CMTS 1304)	§	
	§	

### **AGREED FINAL ORDER**

#### **General Remarks and official action taken:**

On this 6<sup>th</sup> day of February, 2025, the Governing Board (Board) of the Texas Department of Housing and Community Affairs (TDHCA or Department) considered the matter of whether enforcement action should be taken against **PK COTTONWOOD APARTMENTS, LP**, a Texas limited partnership (Cottonwood Owner), **PK ELMWOOD APARTMENTS, LP**, a Texas limited partnership (Elmwood Owner), and **PK OAKWOOD APARTMENTS, LP**, a Texas limited partnership (Oakwood Owner) (to be collectively known as Respondents).

This Agreed Order is executed pursuant to the authority of the Administrative Procedure Act ("APA"), Tex. Gov't Code §2001.056, which authorizes the informal disposition of contested cases. In a desire to conclude this matter without further delay and expense, the Board and Respondents agree to resolve this matter by this Agreed Final Order. The Respondents agree to this Order for the purpose of resolving this proceeding only and without admitting or denying the findings of fact and conclusions of law set out in this Order.

Upon recommendation of the Enforcement Committee, the Board makes the following findings of fact and conclusions of law and enters this Order:

### **WAIVER**

Respondents acknowledge the existence of their right to request a hearing as provided by Tex. Gov't Code §2306.044, and to seek judicial review, in the District Court of Travis County, Texas, of any order as provided by Tex. Gov't Code §2306.047. Pursuant to this compromise and

settlement, the Respondents waive those rights and acknowledge the jurisdiction of the Board over Respondents.

### **FINDINGS OF FACT (FOF)**

#### **Jurisdiction:**

1. During 2011, Oakwood Owner received HOME funds and an allocation of Low Income Housing Tax Credits to build and operate Oakwood Apartments (Oakwood) (HTC 11082 / HOME 1001591 / CMTS 1304).
2. During 2012, Cottonwood Owner received HOME funds and an allocation of Low Income Housing Tax Credits to build and operate Cottonwood Apartments (Cottonwood) (HTC 12048 / HOME 1001677 / CMTS 544).
3. During 2012, Elmwood Owner received HOME funds and an allocation of Low Income Housing Tax Credits to build and operate Elmwood Apartments (Elmwood) (HTC 12045 / HOME 1001679 / CMTS 1130).
4. Respondents signed the following land use restriction agreements (LURAs):
  - a. The Oakwood HTC LURA: Declaration of Land Use Restrictive Covenants Land Use Restriction Agreement for Low Income Housing Tax Credits effective November 5, 2013, and filed of record on December 06, 2013 at Document Number 84307 in Volume 1300, Page 153 of the Official Records of Real Property of Madison County, Texas, as amended by a First Amendment to Declaration of Land Use Restrictive Covenants Land Use Restriction Agreement for Low Income Housing Tax Credits effective on September 29, 2014, and filed of record on October 2, 2014 at Document Number 89179 in Volume 1374, Page 269.
  - b. The Oakwood HOME LURA: Land Use Restriction Agreement (Multifamily Properties) effective November 27, 2012, and filed of record on November 30, 2012 at Document Number 78393 in Volume 1215, Page 7 of the Official Records of Real Property of San Patricio County, Texas.
  - c. The Cottonwood HTC LURA: Declaration of Land Use Restrictive Covenants Land Use Restriction Agreement for Low Income Housing Tax Credits effective December 5, 2013, and filed of record on December 23, 2013 at Document Number 633859 of the Official Records of Real Property of San Patricio County, Texas, as amended by a First Amendment to Declaration of Land Use Restrictive Covenants Land Use Restriction Agreement for Low Income Housing Tax Credits effective on May 7, 2019, and filed of record on May 16, 2019 at Document Number 688269.

- d. The Cottonwood HOME LURA: Land Use Restriction Agreement (Multifamily Properties) effective April 5, 2013, and filed of record on April 9, 2013 at Document Number 626659 of the Official Records of Real Property of San Patricio County, Texas.
- e. The Elmwood HTC LURA: Declaration of Land Use Restrictive Covenants Land Use Restriction Agreement for Low Income Housing Tax Credits effective November 15, 2013, and filed of record on December 27, 2013 at Document Number 00402201 in Volume 1583, Page 756 of the Official Records of Real Property of Leon County, Texas, as amended by a First Amendment to Declaration of Land Use Restrictive Covenants Land Use Restriction Agreement for Low Income Housing Tax Credits effective on May 7, 2019, and filed of record on May 10, 2019 at Document Number 2019-433274 in Volume 1758, Page 508.
- f. The Elmwood HOME LURA: Land Use Restriction Agreement (Multifamily Properties) effective April 17, 2013, and filed of record on April 19, 2013 at Document Number 00396452 in Volume 1552, Page 744 of the Official Records of Real Property of San Patricio County, Texas.

5. Respondents are subject to the regulatory authority of TDHCA.

Compliance Violations<sup>1</sup>:

- 6. An on-site monitoring review was conducted at Elmwood on February 16, 2024, to determine whether Respondent complied with LURA requirements to lease units to low-income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and a May 21, 2024, corrective action deadline was set, however, the following violations were not resolved before the corrective action deadline:
  - a. Respondent failed to market to veterans, a violation of Appendix A of the Elmwood HTC LURA, which requires affirmative marketing to veterans through direct marketing or contracts with veterans organizations. This violation was corrected on September 4, 2024, after intervention by the Enforcement Committee.
  - b. Respondent failed to submit evidence that ten required supportive services points were being provided, a violation of Appendix A of the Elmwood HTC LURA and 10 TAC §10.619 (Monitoring for Social Services), which require the development to maintain evidence proving that ten points worth of services from Appendix A were

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<sup>1</sup> Within this Agreed Final Order, all references to violations of TDHCA Compliance Monitoring rules at 10 TAC Chapter 10 refers to the versions of the code in effect at the time of the compliance monitoring reviews and/or inspections that resulted in recording each violation. All past violations remain violations under the current code and all interim amendments.



provided. This violation was corrected on September 4, 2024, after intervention by the Enforcement Committee.

7. An on-site monitoring review was attempted at Cottonwood on April 12, 2024, to determine whether Respondent complied with LURA requirements to lease units to low-income households and maintain records demonstrating eligibility. The Department gave reasonable notice of the review on March 21, 2024, but the leasing office was closed at the appointed time. The onsite review was therefore cancelled, and a notice of noncompliance was issued, setting a July 25, 2024, corrective action deadline to submit requested files electronically. Respondent submitted files, and the Department issued a subsequent notice of noncompliance, setting a corrective action deadline of August 9, 2024. The following violations were not resolved before the extended corrective action deadline:
  - a. Respondent failed to allow onsite monitoring on April 12, 2024, resulting in inspection cancellation, a violation of 10 TAC §10.618 (Monitoring and Inspections), which requires Respondent to permit the Department access to the premises and records in order to review all documents supporting compliance. When documentation was submitted on June 10, 2024, five of the tenant files were missing ledgers, three were missing current tenant income certifications, and one unit was not correctly designated as a HOME household. This violation, and the subsequent documentation noncompliance, was corrected on September 18, 2024, after intervention by the Enforcement Committee.
  - b. Respondent failed to properly implement the utility allowance for Cottonwood, a violation of 10 TAC §10.614 (Utility Allowances), which requires all developments to establish and update the utility allowance annually. This violation was corrected on September 18, 2024, after intervention by the Enforcement Committee.
  - c. Respondent failed to market to veterans, a violation of Appendix A of the Cottonwood HTC LURA, which requires affirmative marketing to veterans through direct marketing or contracts with veterans organizations. This violation was corrected on September 18, 2024, after intervention by the Enforcement Committee.
  - d. Respondent failed to submit evidence that five out of ten required supportive services points were being provided, a violation of Appendix A of the Cottonwood HTC LURA and 10 TAC §10.619 (Monitoring for Social Services), which require the development to maintain evidence proving that ten points worth of services from Appendix A were provided. This violation was corrected on October 14, 2024, after intervention by the Enforcement Committee.
8. An on-site monitoring review was conducted at Oakwood on April 16, 2024, to determine whether Respondent complied with LURA requirements to lease units to low-income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and an August 7, 2024, corrective action deadline was set, however, the following violations were not resolved before the corrective action deadline:

- a. Respondent failed to market to veterans, a violation of Appendix A of the Oakwood HTC LURA, which requires affirmative marketing to veterans through direct marketing or contracts with veterans organizations. This violation was corrected on October 11, 2024, after intervention by the Enforcement Committee.
  - b. Respondent failed to submit evidence that six out of eight required supportive services points were being provided, a violation of Appendix A of the Oakwood HTC LURA and 10 TAC §10.619 (Monitoring for Social Services), which require the development to maintain evidence proving that eight points worth of services from Appendix A were provided. This violation was corrected on October 11, 2024, after intervention by the Enforcement Committee.
  - c. Respondent failed to provide a tenant income certification for unit 201D that was due November 28, 2023, the move-in anniversary date, a violation of 10 TAC §10.612(b)(2) (Tenant File Requirements) and Section 2.4(a) of the Oakwood HOME LURA, which require annual recertification within 120 days before the anniversary date. This violation was corrected on October 25, 2024, after intervention by the Enforcement Committee.
  - d. Respondent failed to collect an Annual Eligibility Certification for unit 201D that was due November 28, 2023, the move-in anniversary date, a violation of 10 TAC §10.612(b)(2) (Tenant File Requirements), which requires developments to annually collect an Annual Eligibility Certification form from each household within 120 days before the move-in date. This violation was corrected on October 25, 2024, after intervention by the Enforcement Committee.
9. All violations listed above are considered resolved at the time of this Order.

### **CONCLUSIONS OF LAW**

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503 and 10 TAC Chapter 2.
2. Respondents are a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14).
3. Pursuant to IRC §42(m)(1)(B)(iii), housing credit agencies are required to monitor for noncompliance with all provisions of the IRC and to notify the Internal Revenue Service of such noncompliance.
4. Pursuant to Tex. Gov't Code Chapter 2306, Subchapter DD and Tex. Gov't Code §2306.185, TDHCA is authorized to make Housing Tax Credit Allocations for the State of Texas and is required to monitor to ensure compliance.
5. Respondents violated Appendix A of the Elmwood HTC LURA, the Cottonwood HTC LURA, and the Oakwood HTC LURA in 2024, by failing to provide evidence of affirmative marketing to veterans.

6. Respondents violated 10 TAC §10.614 in 2024, by failing to implement the 2024 utility allowance at Cottonwood.
7. Respondents violated 10 TAC §10.619 and Appendix A of the Elmwood HTC LURA, the Cottonwood HTC LURA, and the Oakwood HTC LURA in 2024, by failing to provide evidence of required supportive services.
8. Respondents violated 10 TAC §10.618 at Cottonwood in 2024, by failing to allow onsite monitoring.
9. Respondents violated 10 TAC §10.612 and Section 2.4A of the Oakwood HOME LURA in 2024, by failing to provide a tenant income certification and documentation to annually recertify unit 201D within the prescribed time period.
10. Respondents violated 10 TAC §10.612 in 2024, by failing to collect an Annual Eligibility Certification for unit 201D within the prescribed time period.
11. Because Respondents are a housing sponsor with respect to the properties, and have violated TDHCA rules, the Board has personal and subject matter jurisdiction over Respondent pursuant to Tex. Gov't Code §2306.041 and Tex. Gov't Code §2306.267.
12. Because Respondents are housing sponsors, TDHCA may order Respondents to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondents and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
13. Because Respondents have violated rules promulgated pursuant to Tex. Gov't Code §2306.053 and has violated agreements with the Agency to which Respondents are a party, the Agency may impose an administrative penalty pursuant to Tex. Gov't Code §2306.041.
14. An administrative penalty of \$2,500.00 is an appropriate penalty in accordance with 10 TAC Chapter 2.

Based upon the foregoing findings of fact and conclusions of law, and an assessment of the factors set forth in Tex. Gov't Code §2306.042 to be considered in assessing such penalties as applied specifically to the facts and circumstances present in this case, the Governing Board of the Texas Department of Housing and Community Affairs orders the following:

**IT IS HEREBY ORDERED** that Respondents are assessed a collective administrative penalty in the amount of \$2,500.00

**IT IS FURTHER ORDERED** that Respondents shall pay and are hereby directed to pay the \$2,500.00 administrative penalty by cashier's check payable to the "Texas Department of Housing and Community Affairs" on or before March 10, 2025, to the following address:

If via overnight mail (FedEx, UPS):	If via USPS:
TDHCA Attn: Ysella Kaseman 221 E 11 <sup>th</sup> St Austin, Texas 78701	TDHCA Attn: Ysella Kaseman P.O. Box 13941 Austin, Texas 78711

**IT IS FURTHER ORDERED** that Respondents shall follow the requirements of [10 TAC §10.406](#), and obtain approval from the Department prior to consummating a sale of the property, if contemplated.

**IT IS FURTHER ORDERED** that the terms of this Agreed Final Order shall be published on the TDHCA website.

*[Remainder of page intentionally blank]*

*Approved by the Governing Board of TDHCA on February 6, 2025.*

By: \_\_\_\_\_

Name: Leo Vasquez

Title: Chair of the Board of TDHCA

By: \_\_\_\_\_

Name: James "Beau" Eccles

Title: Secretary of the Board of TDHCA

**THE STATE OF TEXAS §**

**§**

**COUNTY OF \_\_\_\_\_ §**

Before me, the undersigned notary public, on this 6<sup>th</sup> day of February, 2025, personally appeared Leo Vasquez, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

\_\_\_\_\_  
Notary Public, State of Texas

**THE STATE OF TEXAS §**

**§**

**COUNTY OF TRAVIS §**

Before me, the undersigned notary public, on this 6<sup>th</sup> day of February, 2025, personally appeared James "Beau" Eccles, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

\_\_\_\_\_  
Notary Public, State of Texas



Given under my hand and seal of office this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
Signature of Notary Public

\_\_\_\_\_  
Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

**PK ELMWOOD APARTMENTS, LP**, a Texas limited partnership

**PK ELMWOOD, GP, LLC**, a Texas limited liability company, its general partner

By: \_\_\_\_\_

Name: Ronald Potterpin

Title: Manager

Given under my hand and seal of office this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
Signature of Notary Public

\_\_\_\_\_  
Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF \_\_\_\_\_

My Commission Expires: \_\_\_\_\_



**PK OAKWOOD APARTMENTS, LP**, a Texas limited partnership

**MEGAN & ASSOCIATES XIII, LLC**, a Texas limited liability company, its general partner

By: \_\_\_\_\_

Name: Ronald Potterpin

Title: Member

Given under my hand and seal of office this \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
Signature of Notary Public

\_\_\_\_\_  
Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF \_\_\_\_\_

My Commission Expires: \_\_\_\_\_



## Texas Department of Housing and Community Affairs

### Governing Board

### Board Action Request

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**File #: 926**

**Agenda Date: 2/6/2025**

**Agenda #: 5.**

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TDHCA Annual Performance Measure Report - First quarter, Fiscal Year 2025

#### **BACKGROUND**

The attached performance measure report from the first quarter of Fiscal Year 2025 reflects how the Texas Department of Housing and Community Affairs (TDHCA) did in meeting its performance measures. TDHCA staff provides these reports quarterly to the Legislative Budget Board (LBB). Following their submittal to the LBB, these reports are included each quarter in Board meeting books.

## Performance Measure Report (September 1, 2024 – November 30, 2024)

Measure	Description	Annual Target	Q1 Performance	FY 25 Performance	Provided Explanations
1.1.1. OP 1	Number of Households Assisted through Bond Authority or Other Mortgage Financing	10,400	1,058	1,058	Q1 remains steady, despite the tremendous continued volatility in the secondary mortgage market. Additionally, low available home inventory drove higher sales prices that have remained high. Q1 also reflects the new stricter underwriting overlay changes for all loans effective early 2024 that are now closing. Hazard, Wind, Hail and Other peril homeowner's insurance, that is required by Program, has added extra challenges to a homebuyer's ability to qualify for a mortgage due to ever increasing insurance premiums for acceptable coverage. This volatile market has trickled down to severe affordability issues for even the most qualified home buyers due to high interest rates and supply chain issues associated with new construction and homes in need of repairs.
1.1.1. EF 1	Average Loan Amount without Down Payment Assistance	\$217,000	\$245,914	\$245,914	Under current market conditions, the Department continues to offer an unassisted rate option, to offer qualified applicants much needed below market interest rates. This option has not been offered since 2018, and we expect to continue to offer this rate for the remainder of the Fiscal Year, funding permitting. Q1 reflects this change.
1.1.1. EF 2	Average Loan Amount with Down Payment Assistance	\$217,000	\$231,200	\$231,200	New income and purchase price limits were updated across all program offerings in June 2024, in addition to changes to program maximum house price limits within the My Choice Program which allows for additional households served at higher loan amounts within this fiscal year reporting quarters.

Measure	Description	Annual Target	Q1 Performance	FY 25 Performance	Provided Explanations
1.1.1. EX 1	Number of Households Receiving Mortgage Loans without Down Payment Assistance	50	247	247	Under current market conditions, the Department continues to offer an unassisted rate option, to offer qualified applicants a much needed below market interest rates. This option has not been offered since 2018 and we expect to continue to offer this rate for the remainder of the Fiscal Year, funding permitting. Q1 reflects this change.
1.1.1. EX 2	Number of Households Receiving Mortgage Loans with Down Payment Assistance	8,250	709	709	As home prices remain at historical highs across the State with higher percentage increases, affordability continues to be a concern. Although Q1 numbers are below projections, TDHCA has seen more demand in our Bond Loans which are offered at a competitive interest rate and/or below market rate. TDHCA is always pursuing ways to better serve the community while trying to be more efficient with available resources. The cumulative impact of tightened underwriting guidelines have affected borrowers capacity to qualify for TDHCA assistance and resulted in lower historical output. Upcoming changes to program guidelines will allow for an increase in households assisted and will be reflected in upcoming reporting quarters.
1.1.1. EX 3	Number of Households Receiving a Mortgage Credit Certificate without a Mortgage Loan	1,050	0	0	MCCs have come with an increase in cost and resources during mortgage industry financial instability and are not perceived as necessary compared to pure DPA. Homeowners are opting for the lowest rate available which usually does not apply to MCC. As of July 2023, the MCC Standalone program is not available and we do not anticipate it return in the near future.
1.1.1. EX 4	Number of Households Recieving a Mortgage Credit Certificate with a Mortgage Loan and with or without Down Payment Assistance	1,050	102	102	MCCs have come with an increase in rate pricing, cost and resources during mortgage industry financial instability and are not perceived as necessary compared to pure DPA with lower rate offerings. Thus lowering the usage of Combo loans with DPA and MCC at a rate slightly higher than pure DPA. Combo Loans also experienced a decrease due to unavailablity earlier this year. We expect to see the number remain steady this fiscal year.

Measure	Description	Annual Target	Q1 Performance	FY 25 Performance	Provided Explanations
1.1.2. OP 1	Number of Households Assisted with Single Family HOME Funds	875	1,175	1,175	It is expected that Q1 will always contain more than 25% of the FY target projection due to the methodology and calculation of specific TBRA explanatory measures. The figure reported for Q1 represents the total number of households receiving assistance as of September 1 plus new households assisted between September 1st and November 30th. Subsequent quarters are expected to result in a less drastic variance.
1.1.2. OP 2	Number of Households Assisted with Multifamily HOME, TCAP RF, National HTF, MF Direct Loans	599	14	14	Over the past year, the Multifamily Direct Loan (MFDL) program has primarily leveraged NHTF funds to support affordable developments. Two NHTF funded developments are currently drawing down funds. We anticipate an increase in the number of households served with NHTF funds as additional developments draw funds in subsequent quarters.
1.1.2. EF 2	Average Amount Per Household/Single Family Rehab, New Construction, or Reconstruction	\$133,000	\$162,958	\$162,958	Updates to the HOME rule allow for a higher cost of construction which will be reflected in future projections/targets. Updates will be included next biennium.
1.1.2. EF 5	Average Amount of HOME, TCAP RF, National HTF, or Other Funds per Household Multifamily Development	\$114,521	\$110,183	\$110,183	Actual performance within acceptable range of projected performance. No explanation required.
1.1.2. EX 2	Number of Households Assisted through Single Family Rehab, New Construction, or Reconstruction	75	12	12	The 2024 NOFA was depleted, creating a shortage of available funds for new submissions. These are also competitive funds, shared among other SF General activity types.

Measure	Description	Annual Target	Q1 Performance	FY 25 Performance	Provided Explanations
1.1.2. EX 4	Number of Households Assisted through Tenant-based Rental Assistance	800	1,163	1,163	It is expected that Q1 will always contain more than 25% of the FY target projection due to the methodology and calculation of this measure. The figure reported for the first quarter represents the total number of households receiving assistance as of September 1 plus new households assisted between September 1st and November 20th. Subsequent quarters are expected to result in a less drastic variance; however, due to the pandemic, many more households are applying for assistance than expected when projecting targets. Updates will be included next biennium.
1.1.2. EX 5	Number of Households Assisted through HOME Multifamily Activities	195	0	0	No HOME units to report this Quarter.
1.1.2. EX 6	Number of Households Assisted through TCAP RF, National HTF, and MF Direct Loan Activities	404	14	14	Over the past year, the Multifamily Direct Loan (MFDL) program has primarily leveraged NHTF funds to support affordable developments. Two NHTF funded developments are currently drawing down funds. We anticipate an increase in the number of households served with NHTF funds as additional developments draw funds in subsequent quarters.
1.1.3. OP 1	Number of Households Assisted through Texas Bootstrap - HTF	45	11	11	Actual performance within acceptable range of projected performance. No explanation required.
1.1.3. EF 1	Average Amount Per Household for Texas Bootstrap - HTF	\$49,500	\$49,500	\$49,500	Actual performance within acceptable range of projected performance. No explanation required.
1.1.4. OP 1	Number of Households Assisted through Amy Young Barrier Removal - HTF	65	22	22	2024 NOFA supplementation allowed for more households to be submitted.

Measure	Description	Annual Target	Q1 Performance	FY 25 Performance	Provided Explanations
1.1.4. EF 1	Average Amount Per Household for Amy Young Barrier Removal - HTF	\$22,500	\$23,413	\$23,413	Actual performance within acceptable range of projected performance. No explanation required.
1.1.5. OP 1	Number of Households Assisted through Statewide Housing Assistance Payments Program	895	316	316	Due to an additional allocation to new property owners who participated in the recently incentivized Emergency Housing Voucher (EHV) program, there was a corresponding increase in the number of vouchers with which to assist qualified households.
1.1.5. OP 2	Number of Section 8 Households Participating in Project Access Program	150	9	9	Despite the additional allocation to new property owners who participated in the recently incentivized EHV program, there was no increase in the number of Project Access (Mainstream, Non-Eldery Disabled (NED), and Veteran Assistance Supportive Housing (VASH) vouchers. This lack of growth was primarily due to property owners' reluctance to adhere to HUD guidance regarding unit readiness and ongoing repairs. Consequently, voucher holders face challenges in finding decent, safe, and affordable housing throughout the state.
1.1.6. OP 1	Number of Households Assisted through Section 811 PRA Program	734	505	505	Actual performance within acceptable range of projected performance. No explanation required.
1.1.7. OP 1	Number of Households Assisted through the Housing Tax Credit Program	22,626	2,808	2,808	Fewer than estimated cost certifications were received for various reasons, including construction delays, reward returns, and application amendments. Additional cost certifications are expected to be received in subsequent quarters.
1.1.7. EF 1	Average Annual Tax Credits Amount Per Household for New Construction	\$11,022	\$10,604	\$10,604	Actual performance within acceptable range of projected performance. No explanation required.

Measure	Description	Annual Target	Q1 Performance	FY 25 Performance	Provided Explanations
1.1.7. EF 2	Average Total Development Costs Per Household for New Construction	\$249,857	\$215,384	\$215,384	The cost increases reflected in the cost certifications received during Q1 were mostly lower than initially projected.
1.1.7. EF 3	Average Annual Tax Credits Amount Per Household for Acquisition Rehabilitation	\$8,489	\$8,654	\$8,654	Actual performance within acceptable range of projected performance. No explanation required.
1.1.7. EF 4	Average Total Development Costs Per Household for Acquisition Rehabilitation	\$211,876	\$220,054	\$220,054	Actual performance within acceptable range of projected performance. No explanation required.
1.1.7. EX 1	Number of Households Assisted through New Construction Activities	18,642	1,980	1,980	Fewer than estimated cost certifications were received for various reasons, including construction delays, reward returns, and application amendments. Additional cost certifications are expected to be received in subsequent quarters.
1.1.7. EX 2	Number of Households Assisted through Acquisition Rehabilitation Activities	3,984	828	828	Actual performance within acceptable range of projected performance. No explanation required.
1.1.8. OP 1	Number of Households Assisted with Multifamily MRB Program	2,589	0	0	No cost certifications for MRB funded transactions were received this quarter. Cost certifications projected to be received in Q1 may have been received in previous quarters due to the expedited pace of certain bond transactions or may be received in subsequent quarters because of construction delays.



Measure	Description	Annual Target	Q1 Performance	FY 25 Performance	Provided Explanations
1.1.8. EF 1	Average Amount of Bond Proceeds Per Household for New Construction	\$176,580	\$0	\$0	No cost certifications for MRB funded transactions were received this quarter. Cost certifications projected to be received in Q1 may have been received in previous quarters due to the expedited pace of certain bond transactions or may be received in subsequent quarters because of construction delays.
1.1.8. EF 2	Average Total Development Costs Per Household for New Construction	\$304,553	\$0	\$0	No cost certifications for MRB funded transactions were received this quarter. Cost certifications projected to be received in Q1 may have been received in previous quarters due to the expedited pace of certain bond transactions or may be received in subsequent quarters because of construction delays.
1.1.8. EF 3	Average Amount of Bond Proceeds Per Household for Acquisition Rehabilitation	\$123,865	\$0	\$0	No cost certifications for MRB funded transactions were received this quarter. Cost certifications projected to be received in Q1 may have been received in previous quarters due to the expedited pace of certain bond transactions or may be received in subsequent quarters because of construction delays.
1.1.8. EF 4	Average Total Development Costs Per Household for Acquisition Rehabilitation	\$267,100	\$0	\$0	No cost certifications for MRB funded transactions were received this quarter. Cost certifications projected to be received in Q1 may have been received in previous quarters due to the expedited pace of certain bond transactions or may be received in subsequent quarters because of construction delays.

Measure	Description	Annual Target	Q1 Performance	FY 25 Performance	Provided Explanations
1.1.8. EX 1	Number of Households Assisted through New Construction Activities	1,551	0	0	No cost certifications for MRB funded transactions were received this quarter. Cost certifications projected to be received in Q1 may have been received in previous quarters due to the expedited pace of certain bond transactions or may be received in subsequent quarters because of construction delays.
1.1.8. EX 2	Number of Households Assisted through Acquisition Rehabilitation Activities	1,038	0	0	No cost certifications for MRB funded transactions were received this quarter. Cost certifications projected to be received in Q1 may have been received in previous quarters due to the expedited pace of certain bond transactions or may be received in subsequent quarters because of construction delays.
2.1.1. OP 1	Number of Information and Technical Assistance Requests Completed	7,100	2,605	2,605	HRC has received an elevated number of phone calls and emails due to increased inquiries about rental assistance and other funding.
3.1.1. OP 1	Number of Persons Assisted through Homeless and Poverty-related Fund	500,000	49,146	49,146	Late execution of ESG contracts and delinquent reporting are factors affecting reporting, as administrator reports are not due until the last day of the month following the latest reporting period date.
3.1.1. OP 2	Number of Persons Assisted That Achieve Incomes Above Poverty Level	650	254	254	Increase in numbers of clients transitioning out of poverty due to clients being assisted throughout the year.
3.1.1. OP 3	Number of Persons Assisted by the Community Services Block Grant Program	460,000	42,779	42,779	Performance is lower than anticipated due to late reporting by larger subrecipients.

Measure	Description	Annual Target	Q1 Performance	FY 25 Performance	Provided Explanations
3.1.1. OP 4	Number of Persons Enrolled in the Emergency Solutions Grant Program	45,000	4,750	4,750	Late execution of ESG contracts and delinquent reporting are factors affecting reporting, as administrator reports are not due until the last day of the month following the latest reporting period date.
3.1.1. OP 5	Number of Persons Assisted by the Homeless and Housing Services Program	5,000	1,617	1,617	Cost per client assisted may vary dependent on the types of services provided. Lower cost services allow for a greater number of persons to be assisted than anticipated, which was based on prior funding usage.
3.1.1. EF 1	Average Subrecipient Cost Per Person for the CSBG Program	\$150	\$199	\$199	The higher per person cost for Q1 is the result of estimates based on a per person costs averaged over the entire fiscal year. The per person cost of this program will decrease as subrecipients serve more people.
3.1.2. EF 1	Average Subrecipient Cost Per Person for the Emergency Solutions Grant Pgm	\$700	\$218	\$218	Q1 variance likely due to delinquent reporting, as administrator reports are not due until the last day of the month following the latest reporting period date (November reports likely not submitted yet). Average subrecipient cost per person will increase as subrecipients report serving more people.
3.1.2. EF 2	Average Subrecipient Cost Per Person for the HHSP Program	\$600	\$275	\$275	Q1 variance likely due to delinquent reporting, as administrator reports are not due until the last day of the month following the latest reporting period date (November reports likely not submitted yet). Average subrecipient cost per person will increase as subrecipients report serving more people.
3.2.1. OP 1	Number of Households Receiving Utility Assistance	259,000	25,751	25,751	Lower number than anticipated for households served is associated with lower energy rates lower during winter months.
3.2.1. OP 2	Number of Dwelling Units Weatherized by the Department	1,800	373	373	Actual performance within acceptable range of projected performance. No explanation required.

Measure	Description	Annual Target	Q1 Performance	FY 25 Performance	Provided Explanations
3.2.1. EF 1	Average Subrecipient Cost Per Household Served for Utility Assistance	\$700	\$1,272	\$1,272	Subrecipients reported serving fewer households than anticipated, resulting in a higher per household cost for Q1.
3.2.1. EF 2	Average Cost Per Home Weatherized	\$7,507	\$9,372	\$9,372	Subrecipients reported serving fewer households than anticipated, resulting in a higher per household cost for Q1.
3.3.1. OP 1	Number of Colonia Residents Receiving Direct Assist from Self-help Centers	600	392	392	Since the pandemic, more Colonia residents are utilizing self-help centers. Targets will be updated next biennium.
4.1.1. OP 1	Number of Annual Owners Compliance Reports Received and Reviewed	2,746	0	0	This measure represents Part A of the Annual Owners Compliance Report for which testing does not occur until Q4 of each fiscal year. As a result, this output will remain zero until the fourth quarter.
4.1.1. OP 2	Number of File Reviews	903	181	181	Actual performance within acceptable range of projected performance. No explanation required.
4.1.1. OP 3	Number of Physical Inspections	1,165	154	154	During the first quarter, Physical Inspections had to complete and issue a Request for Proposal (RFP) for a third party inspection company. At this time, no third party inspections were conducted, which resulted in less inspections.
4.1.2. OP 1	Number of Monitoring Reviews of All Non-formula Contracts	150	38	38	Actual performance within acceptable range of projected performance. No explanation required.
4.1.2. OP 2	Number of Single Audit Reviews	105	71	71	OMB created influx of single audits reviewed. Number of audits to be reviewed is high for fiscal year.

Measure	Description	Annual Target	Q1 Performance	FY 25 Performance	Provided Explanations
4.1.2. OP 3	Number of Formula-Funded Subrecipients Receiving Monitoring Reviews	32	7	7	Actual performance within acceptable range of projected performance. No explanation required.
4.1.2. EX 1	Number of Non-formula Contracts Subject to Monitoring	330	330	330	Number is only reported in Q1 - The number of non-formula contracts are subject to funding levels and therefore the number fluctuates as funding is available.
4.1.2. EX 2	Number of Previous Participation Reviews	550	120	120	Actual performance within acceptable range of projected performance. No explanation required.
4.1.2. EX 3	Number of Formula-Funded Subrecipients	53	12	12	Actual performance within acceptable range of projected performance. No explanation required.



## Texas Department of Housing and Community Affairs

### Governing Board

### Board Action Request

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**File #: 914**

**Agenda Date: 2/6/2025**

**Agenda #: 6.**

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Presentation, discussion, and possible action on an order proposing the repeal of sections 10 TAC §7.34 and §7.36, and an order proposing new sections at §7.34 and §7.36, and directing their publication for public comment in the *Texas Register*.

#### **RECOMMENDED ACTION**

**WHEREAS**, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (Department) is authorized to adopt rules governing the administration of the Department and its programs;

**WHEREAS**, the Department is proposing to repeal sections §7.34, Continuing Awards; and §7.36, General Threshold Criteria; and proposing new sections §7.34, Continuing Awards; and §7.36, General Threshold Criteria to maintain compliance with federal requirements; and

**WHEREAS**, upon Board approval, the proposed new rule will be submitted to the Texas Register to be published for public comment, which will be accepted from February 21, 2025, to March 21, 2025;

**NOW, therefore, it is hereby**

**RESOLVED**, that the Executive Director and his designees be and each them hereby are authorized, empowered, and directed, for and on behalf of the Department to cause the proposed repeal of 10 TAC §7.34 and §7.36, and an order proposing new sections at §7.34 and §7.36 in the form presented to this meeting to be published in the Texas Register for public comment and, in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

#### **BACKGROUND**

The Emergency Solutions Grants (ESG) Program rules at 10 TAC Chapter 7, Subchapter C, provide the administrative framework for the ESG Program. In the process of applying these rules, staff routinely reviews possible areas of improvement and compliance with federal regulations. During this review, staff identified the need to update sections §7.34, Continuing Awards and §7.36, General Threshold Criteria.

As recipients of HUD's ESG funds, the Department is required to annually submit to HUD a Consolidated Annual Performance and Evaluation Report (CAPER). Department Subrecipients must report all persons assisted with ESG funding using the Homeless Management Information System (HMIS); annually, the Department requires each ESG funded Subrecipient to submit this data shortly after the end of each Program Year. To ensure the Department maintains compliance with federal reporting guidelines, staff is recommending updating the rule that governs Applicant eligibility as a threshold item for ESG funding. This update will provide a tangible incentive for Subrecipients to report their annual data in a timely manner.

Similarly, staff recommends updating the eligibility requirements for Continuing Awards to reflect an increase in the number of timely-submitted reports required to qualify for a Continuing Award. The current rule requires that Subrecipients submit four or fewer delinquent monthly reports within a six-month period; staff recommends this be updated to require Subrecipients to submit two or fewer delinquent monthly reports within a six-month period.

Specific changes to the ESG Program rules are included in the attachments. A blackline version with all changes will be available on the Department's website during the public comment period.

**Attachment A: Preamble, including required analysis, for proposed repeal of 10 TAC §7.34 Continuing Awards and §7.36, General Threshold Criteria**

The Texas Department of Housing and Community Affairs (the Department) proposes the repeal of 10 TAC Chapter 7, Subchapter A, Emergency Solutions Grants (ESG), §7.34 Continuing Awards and §7.36 General Threshold Criteria. The purpose of the repeals is to eliminate an outdated rule, while adopting a new updated rule under separate action.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

**a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.**

1. Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the proposed repeal would be in effect, the proposed repeal does not create or eliminate a government program, but relates to the repeal, and simultaneous readoption making changes to an existing activity, administration of the Department's Emergency Solutions Grants (ESG) Program.
2. The proposed repeal does not require a change in work that would require the creation of new employee positions, nor is the proposed repeal significant enough to reduce workload to a degree that any existing employee positions are eliminated.
3. The proposed repeal does not require additional future legislative appropriations.
4. The proposed repeal does not result in an increase in fees paid to the Department, nor a decrease in fees paid to the Department.
5. The proposed repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.
6. The proposed action will repeal an existing regulation, but is associated with a simultaneous readoption making changes to an existing activity, the administration of the Department's Emergency Solutions Grant Program.
7. The proposed repeal will not increase or decrease the number of individuals subject to the rule's applicability.
8. The proposed repeal will not negatively or positively affect the state's economy.

**b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.**

The Department has evaluated this proposed repeal and determined that the proposed repeal will not create an economic effect on small or micro-businesses or rural communities.



c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The proposed repeal does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the proposed repeal as to its possible effects on local economies and has determined that for the first five years the proposed repeal would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the proposed repeal is in effect, the public benefit anticipated as a result of the repealed sections would be updated and more germane rules. There will not be economic costs to individuals required to comply with the repealed sections.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the proposed repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

REQUEST FOR PUBLIC COMMENT. The public comment period will be held February 21, 2025, to March 21, 2025, to receive input on the proposed repealed sections. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Rosy Falcon, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941 or email [rosy.falcon@tdhca.texas.gov](mailto:rosy.falcon@tdhca.texas.gov). ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m., Central Time, March 21, 2025.

STATUTORY AUTHORITY. The proposed repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed repealed sections affect no other code, article, or statute.

10 TAC Chapter 7, Subchapter A, Emergency Solutions Grants (ESG)

§7.34 Continuing Awards

§7.36 General Threshold Criteria

## **Attachment B: Preamble for proposed new 10 TAC §7.34 Continuing Awards and §7.36 General Threshold Criteria**

The Texas Department of Housing and Community Affairs (the Department) proposes new Chapter 7, Subchapter A, Emergency Solutions Grants (ESG), §7.34 Continuing Awards and §7.36 General Threshold Criteria. The purpose of the proposed new sections is to take steps to better incentivize compliance with HUD's annual reporting requirements.

Tex. Gov't Code §2001.0045(b) does not apply to the rule proposed for action because it was determined that no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

### **a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.**

Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the proposed new rule would be in effect:

1. The proposed sections do not create or eliminate a government program, but relate to the readoption of this rule which makes changes to administration of the Department's Emergency Solutions Grants Program.
2. The proposed new sections do not require a change in work that would require the creation of new employee positions, nor are the rule changes significant enough to reduce work load to a degree that eliminates any existing employee positions.
3. The proposed new sections do not require additional future legislative appropriations.
4. The proposed new sections will not result in an increase in fees paid to the Department nor a decrease in fees paid to the Department.
5. The proposed new sections are not creating a new regulation, except that it is replacing a rule being repealed simultaneously to provide for revisions.
6. The proposed new sections will not expand or repeal an existing regulation.
7. The proposed new sections will not increase or decrease the number of individuals subject to the rule's applicability.
8. The proposed new sections will not negatively or positively affect the state's economy.

### **b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002. The Department, in drafting thees**

proposed new sections, has attempted to reduce any adverse economic effect on small or micro-business or rural communities while remaining consistent with the statutory requirements of Tex. Gov't Code §2306.111.

1. The Department has evaluated these proposed new sections and determined that none of the adverse effect strategies outlined in Tex. Gov't Code §2006.002(b) are applicable.

2. The Department has determined that because the proposed new sections serve to clarify and update existing requirements and do not establish new requirements for which there would be an associated cost, there will be no economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The proposed new sections do not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the proposed new sections as to their possible effects on local economies and has determined that for the first five years the rule will be in effect the proposed new sections have no economic effect on local employment because the rule serves to clarify and update existing requirements and does not establish new requirements or activities that may positively or negatively impact local economies.

Tex. Gov't Code §2001.022(a) states that this "impact statement must describe in detail the probable effect of the rule on employment in each geographic region affected by this rule..." Considering that participation in the Department's Homeless Programs is at the discretion of the local government or other eligible subrecipients, there are no "probable" effects of the proposed new sections on particular geographic regions.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Bobby Wilkinson, Executive Director, has determined that, for each year of the first five years the proposed new sections are in effect, the public benefit anticipated as a result of the rule will be a more germane rule that better aligns administration to federal and state requirements. There will not be any economic cost to any individuals required to comply with the new sections because the processes described by the rule have already been in place through the rule found at this section being repealed.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the proposed new sections are in effect, enforcing or administering the rule does not have any foreseeable implications related to costs or revenues of the state or local governments because the rule updates and clarifies existing requirements and does not impose new requirements.

REQUEST FOR PUBLIC COMMENT. The public comment period will be held February 21, 2025, to March 21, 2025, to receive input on the proposed new sections. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Rosy Falcon, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941 or email [rosy.falcon@tdhca.texas.gov](mailto:rosy.falcon@tdhca.texas.gov). ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m., Central Time, March 21, 2025.

STATUTORY AUTHORITY. The new sections are proposed pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed new sections affect no other code, article, or statute.

## CHAPTER 7 HOMELESSNESS PROGRAMS

### SUBCHAPTER C EMERGENCY SOLUTIONS GRANTS (ESG)

#### §7.34 Continuing Awards

(a) TDHCA will withhold a portion of funds from the competition for funds to be used for continuing awards to prior Subrecipients of its ESG allocation, not including ESG CARES or Contracts for reallocated funds from prior years only, in accordance with §7.33 of this subchapter (related to Apportionment of ESG Funds).

(b) ESG funds withheld for continuing awards by the Department will be allocated in accordance with the Allocation Formula, and are not subject to the award process and requirements outlined in §7.38 of this subchapter (relating to Competitive Award and Funding Process).

(c) The subsequent years of allocation of ESG funds received by the Department will be offered to eligible Subrecipients of ESG funds (not including ESG CARES) that were awarded funds from at least three of the prior four allocations of ESG. An ESG Subrecipient is eligible for an offer of a continuing award of funds if the Subrecipient meets the following requirements:

(1) Submits an abbreviated Application for funding within 21 days of the request from the Department as promulgated by the Department;

(2) Resolves administrative deficiencies within the timeframe and in the manner outlined in §7.37 of this subchapter (relating to Application Review and Administrative Deficiency Process for Department NOFAs);

(3) Submitted ~~two~~four or fewer delinquent monthly reports for each of their active ESG Contracts or for the most recently closed ESG Contract if there are no active ESG Contracts, (not including ESG CARES) for reports due in the ~~six-month~~six-month period preceding the application submission deadline;

(4) Satisfies the requirements of the Previous Participation Review as provided for in §1.302 of this title (relating to Previous Participation Reviews for Department Program Awards Not Covered by §1.301 of this Subchapter);

(5) Does not have unresolved monitoring findings in any TDHCA funded program after the corrective action period;

(6) Does not have monitoring findings in any TDHCA funded program which resulted in disallowed costs in excess of \$5,000;

(7) Does not apply for funds within the same COC Region under the competitive Application process for Program Participant service(s) in which they are already funded for a Continuing Award;

(8) Expended a minimum of 95% of their contracted award amount, as amended in their most recently closed ESG Contract (not including ESG CARES);

(9) Did not voluntarily deobligate an amount that exceeds 5% of their contracted award amount, as amended for increases due to reallocated funds, on their most recently closed ESG Contract (not including ESG CARES); ~~and~~

(10) Submitted the most recent yearly report information, as required in 10 TAC §7.5-(h)(1), in SAGE by the deadline established by the Department for the report due in the period preceding the application submission deadline; and

(11) Is approved by the Department's Governing Board.

(d) Any offer of ESG funds made under this section is contingent on retaining similar terms and conditions or agreeing to adjustments reflective of funding amount, including but not limited to performance and match requirements, in the active ESG annual Contract issued under a NOFA.

(e) Offers of funding will be based on the prior year's award, excluding Contracts comprised exclusively of reallocated funds, before amendments, and will be proportionally increased or decreased in proportion to the total amount of ESG funds available subject to the allocation formula.

(f) If additional funds are made available due to reduced continuing awards in the region, awards may be increased proportionate to the increased withheld funds. In any event, an increased award from funds made available from reduced awards may not exceed 115% of the award amount under the allocation or the maximum award amount established in the NOFA.

(g) Funds that remain available after all eligible continuing awards have been accepted will be transferred to the competition for funds for the regional competition in accordance with §7.38 of this subchapter.

(h) Percentages identified in this section will not be rounded up to the nearest whole number.

### **§7.36 General Threshold Criteria**

(a) Applications submitted to the Department are subject to general threshold criteria. Applications which do not meet the general threshold criteria or which cannot resolve an administrative deficiency related to general threshold criteria are subject to termination. Applicants applying directly to the Department to administer the ESG Program must submit an Application on or before the deadlines specified in the NOFA, notification of a direct Subgrant, or notification of availability of a continuing award, and must include items in paragraphs (1) - (13) of this subsection:

(1) Application materials as published by the Department including, but not limited to, program description, budget, and performance statement.

(2) An ESG budget that does not exceed the total amount available within the CoC region, other geographic limitation, Subgrant, or offer of continuing award, as applicable.

(3) A copy of the Applicant's written standards that comply with the requirements of 24 CFR §576.400 and certification of compliance with these standards. Any occupancy standard set by the Subrecipient must not conflict with local regulations or Texas Property Code §92.010.

(4) A copy of the Applicant's policy for termination of assistance that complies with the requirements of 24 CFR §576.402 and certification of compliance with these standards.

(5) A Service Area which consists of at least the entirety of one county or multiple counties within the CoC region under which Application is made, unless a CoC region does not include an entire county. When the CoC region does not encompass at least the entirety of one county, the Service Area must encompass the entire CoC region. The Service Area selected within an Application must be fully contained within one CoC region.

(6) Commitment in the budget to the provision of 100% Match, or request for a Match waiver, as applicable. Match waivers will be considered by the Department based on the rank of the Application. Applicants requesting an award of funds in excess of the minimum award amount as described in the NOFA for Program Participant services are not eligible to request or receive a Match waiver. In the event that the Match waivers requested exceed \$100,000, the waivers will be considered only for the highest scoring eligible Applications, subject to availability of excess Match provided by ESG Applicants. Applicants that do not receive the waiver and are unable to provide a source of Match will be ineligible for an ESG award.

(7) Applicant certification of compliance with State and federal laws, rules and guidance governing the ESG Program as provided in the Application.

(8) Evidence of a Unique Entity Identifier (UEI) number for Applicant.

(9) Documentation of existing Section 501(c) tax-exempt status, as applicable.

(10) Completed previous participation review materials, as outlined in Chapter 1, Subchapter C of this title (relating to Previous Participation), for Applicant.

(11) Local government approval per 24 CFR §576.202(a)(2) for an Applicant that will be providing shelter activities with ESG or as ESG Match, as applicable. This documentation must be submitted not later than 30 calendar days after the Application submission deadline as specified in the NOFA, or prior to execution of a Contract for Subrecipients subject to a direct Subgrant, or continuing award. Receipt of the local government approval is a condition prior to the Department obligating ESG funding.

(12) A resolution or other governing body action from the Applicant's direct governing body which includes:

(A) Authorization of the submission of the Application;

(B) Title of the person authorized to represent the entity and who also has signature authority to execute a Contract; and

(C) Date that the resolution was passed by the governing body, which must be not older than 12 months preceding the date the Application is submitted.

(13) Applicants with an ESG Contract(s) must have submitted the most recent yearly report information, as required in 10 TAC §7.5-(h)(1), in SAGE by the deadline established by the Department for the report due in the period preceding the application submission deadline.

(b) An Application must be substantially complete when received by the Department. An Application may be terminated if the Application is so unclear or incomplete that a thorough review cannot reasonably be performed, as determined by the Department. Such Application will be terminated without being processed as an administrative deficiency. Specific reasons for a Department termination will be included in the notification sent to the Applicant but, because the termination may occur prior to completion of the full review, will not necessarily include a comprehensive list of all deficiencies in the



Application. Termination of an Application may be subject to §1.7 of this title (relating to Appeals Process).



## Texas Department of Housing and Community Affairs

### Governing Board

### Board Action Request

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**File #: 913**

**Agenda Date: 2/6/2025**

**Agenda #: 7.**

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Presentation, discussion, and possible action on order adopting the repeal and new 10 TAC Chapter 23, Single Family HOME Program, and directing its publication in the *Texas Register*

#### **RECOMMENDED ACTION**

**WHEREAS**, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs; and

**WHEREAS**, the proposed repeal and replacement of 10 TAC Chapter 23 was published in the *Texas Register* for public comment from November 22, 2024, through December 27, 2024, and public comment was received, staff has considered the comment, and is recommending to the Board the adoption of the rules with changes in response to public comment;

**NOW, therefore, it is hereby**

**RESOLVED**, that the repeal and new 10 TAC Chapter 23, Single Family HOME Program, with the preambles presented at this meeting, are hereby approved for publication in the *Texas Register*; and

**FURTHER RESOLVED**, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department to cause the actions to publish the adopted rules in the *Texas Register* and, in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing, including the preparation of subchapter specific preambles.

#### **BACKGROUND**

The Single Family HOME Program rules at 10 TAC Chapter 23 provide the administrative framework for all Single Family HOME Program activities, including Homeowner Reconstruction Assistance (HRA), Contract for Deed (CFD), Single Family Development (SFD), Tenant-Based Rental Assistance (TBRA), and Homebuyer Assistance with New Construction (HANC).

The purpose of repealing 10 TAC Chapter 23, Single Family HOME Program rule and proposing a new 10 TAC Chapter 23 is to update and implement procedures for implementation of the HOME Program. Changes were made to most subchapters; therefore, the Department is repealing and proposing a new Chapter to replace it instead of amending the existing Chapter. Staff has summarized the significant changes proposed to be made to the Single Family HOME Rule at 10 TAC Chapter 23 below. A black line version with all changes will be available on the Department's website during the public comment period.

The Department held two roundtable discussions on October 18, 2024, regarding the Single Family HOME Program. The roundtable discussions included the proposed changes to the HOME Single Family rule, with specific focus on construction cost limitations which had been an increasing area of concern for Administrators. Comments and suggestions received from the roundtable discussions were taken into consideration during the preparation of the proposed HOME Rule as presented at this meeting.

#### **Summary of Significant Changes:**

- Merges the threshold Application requirements into Subchapter B and removes these from the Activity specific subchapters.
- Increases the amount required for cash reserves to operate prior to reimbursement within the threshold application requirements.
- Increases construction cost limitations, including both hard costs and soft costs, and includes references to federal subsidy and value limitations.
- Adds in a requirement for waivers of customary fees charged by Applicants, which will be provided as Matching contributions for the HOME Program.
- Allows for Single Family Development to be offered as a non-CHDO development activity to increase the number of organizations that may be able to participate.
- Codifies ineligibility of payment of late fees for the TBRA Program.
- Updates the payment standard language for TBRA to include use of HUD's Small Area Fair Market Rent (SAFMR) in non-metropolitan areas when a SAFMR is published by HUD, and sets a compliance date for use of updated Fair Market Rents (FMRs) and SAFMRs to be January 1 of the year following the date of publication.
- Incorporates the compliance date for the Housing Opportunity Through Modernization Act (HOTMA) as it applies to Single Family HOME Program Activities. On December 20, 2024, after publication of the proposed rule, HUD published *Federal Register* Notice 2024-31401 (89 FR 106998). The notice extended the compliance date for Sections 102, 103, and 104 of the HOTMA regulations to January 1, 2026. The deadline in the proposed rule has been updated to incorporate the extended deadline as a technical correction to the rule.

The proposed rules were approved for publication for public comment by the Board at its meeting of November 7, 2024. Public comment was received and is included as Attachment C to this item. Staff received comment from Karen Walker of Langford Community Management Services, and Staff has summarized the comment, and the summary as well as the staff's response is provided in the preambles. Staff does recommend changes in response to the public comment.

**Attachment A: Preamble, including required analysis, for adoption of the repeal of 10 TAC Chapter 23, Single Family HOME Program Rule**

The Texas Department of Housing and Community Affairs (the Department) adopts, without changes, the repeal of 10 TAC Chapter 23, Single Family HOME Program Rule. The purpose of the repeal is to eliminate an outdated rule while adopting a new updated rule under separate action.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

**a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.**

1. Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the repeal would be in effect, the proposed repeal does not create or eliminate a government program, but relates to the repeal, and simultaneous readoption making changes to an existing activity, administration of the HOME Program.

2. The repeal does not require a change in work that would require the creation of new employee positions, nor is the proposed repeal significant enough to reduce work load to a degree that any existing employee positions are eliminated.

3. The repeal does not require additional future legislative appropriations.

4. The repeal does not result in an increase in fees paid to the Department, nor a decrease in fees paid to the Department.

5. The repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The action will repeal an existing regulation, but is associated with a simultaneous readoption making changes to an existing activity, the administration of the Single Family HOME Program.

7. The repeal will not increase or decrease the number of individuals subject to the rule's applicability.

8. The repeal will not negatively affect this state's economy.

**b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.**

The Department has evaluated this repeal and determined that the repeal will not create an economic effect on small or micro-businesses or rural communities.

**c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The repeal does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.**

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the repeal as to its possible effects on local economies and has determined that for the first five years the repeal would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the repeal is in effect, the public benefit anticipated as a result of the repealed chapter would be an updated and more germane rule. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson has also determined that for each year of the first five years the repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

SUMMARY OF PUBLIC COMMENT AND STAFF REASONED RESPONSE. The Department accepted public comment between November 22, 2024, and December 27, 2024. No comment was received.

The Board adopted the final order adopting the repeal on February 6, 2025.

STATUTORY AUTHORITY. The repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed repealed chapter affects no other code, article, or statute.

#### SUBCHAPTER A, GENERAL GUIDANCE

§23.1 Applicability and Purpose

§23.2 Definitions

#### SUBCHAPTER B, AVAILABILITY OF FUNDS, APPLICATION REQUIREMENTS, REVIEW AND AWARD PROCEDURES, GENERAL ADMINISTRATIVE REQUIREMENTS, AND RESALE AND RECAPTURE OF FUNDS

§23.20 Availability of Funds and Regional Allocation Formula

§23.21 Application Forms and Materials and Deadlines

§23.22 Contract Award Application Review Process for Open and Competitive Application Cycles

§23.23 Reservation System Participant Review Process

§23.24 Administrative Deficiency Process

§23.25 General Threshold and Selection Criteria

§23.26 Contract Benchmarks and Limitations

§23.27 Reservation System Participant (RSP) Agreement

§23.28 General Administrative Requirements

§23.29 Resale and Recapture Provisions

#### SUBCHAPTER C HOMEOWNER REHABILITATION ASSISTANCE PROGRAM

§23.30 Homeowner Rehabilitation Assistance (HRA) Threshold and Selection Criteria  
§23.31 Homeowner Rehabilitation Assistance (HRA) General Requirements  
§23.32 Homeowner Rehabilitation Assistance (HRA) Administrative Requirements

SUBCHAPTER D, CONTRACT FOR DEED PROGRAM

§23.40 Contract for Deed (CFD) Threshold and Selection Criteria  
§23.41 Contract for Deed (CFD) General Requirements  
§23.42 Contract for Deed (CFD) Administrative Requirements

SUBCHAPTER E, TENANT-BASED RENTAL ASSISTANCE PROGRAM

§23.50 Tenant-Based Rental Assistance (TBRA) Threshold and Selection Criteria  
§23.51 Tenant-Based Rental Assistance (TBRA) General Requirements  
§23.52 Tenant-Based Rental Assistance (TBRA) Administrative Requirements

SUBCHAPTER F, SINGLE FAMILY DEVELOPMENT PROGRAM

§23.60 Single Family Development (SFD) Threshold and Selection Criteria  
§23.61 Single Family Development (SFD) General Requirements  
§23.62 Single Family Development (SFD) Administrative Requirements

SUBCHAPTER G, HOMEBUYER ASSISTANCE WITH NEW CONSTRUCTION (HANC) OR REHABILITATION

§23.70 Homebuyer Assistance with New Construction (HANC) or Rehabilitation Threshold and Selection Criteria  
§23.71 Homebuyer with New Construction or Rehabilitation (HANC) General Requirements  
§23.72 Homebuyer with New Construction (HANC) Administrative Requirements

## **Attachment B: Preamble for adopting new 10 TAC Chapter 23, Single Family HOME Program Rule**

The Texas Department of Housing and Community Affairs (the Department) adopts, with changes, new 10 TAC Chapter 23, Single Family HOME Program Rule. The purpose of the new chapter is to update the rule to implement a more germane rule and better align administration to state and federal requirements.

Tex. Gov't Code §2001.0045(b) does not apply to the rule proposed for action because it was determined that no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

### **a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.**

Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the new rule would be in effect:

1. The new rule does not create or eliminate a government program, but relates to the readoption of this rule which makes changes to administration of the Department's Single Family HOME Program activities, including Homeowner Reconstruction Assistance, Contract for Deed, Tenant-Based Rental Assistance, Single Family Development, and Homebuyer Assistance with New Construction.
2. The new rule does not require a change in work that would require the creation of new employee positions, nor are the rule changes significant enough to reduce work load to a degree that eliminates any existing employee positions.
3. The new rule does not require additional future legislative appropriations.
4. The new rule will not result in an increase in fees paid to the Department, nor a decrease in fees paid to the Department.
5. The new rule is not creating a new regulation, except that it is replacing a rule being repealed simultaneously to provide for revisions.
6. The new rule will not expand or repeal an existing regulation, but is associated with a simultaneous readoption making changes to an existing activity, the administration of the Department's Single Family HOME Program.
7. The new rule will not increase or decrease the number of individuals subject to the rule's applicability.
8. The new rule will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002. The Department, in drafting this new rule, has attempted to reduce any adverse economic effect on small or micro-business or rural communities while remaining consistent with the statutory requirements of Tex. Gov't Code, §2306.111.

1. The Department has evaluated this new rule and determined that none of the adverse effect strategies outlined in Tex. Gov't Code §2006.002(b) are applicable.

2. There are approximately 60 rural communities currently participating in construction activities under the Single Family HOME Program that are subject to the new rule for which no economic impact of the rule is projected during the first year the rule is in effect.

3. The Department has determined that because the new rule serves to clarify and update existing requirements and does not establish new requirements for which there would be an associated cost, there will be no economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The new rule does not contemplate nor authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the new rule as to its possible effects on local economies and has determined that for the first five years the rule will be in effect the new rule has no economic effect on local employment because the rule serves to clarify and update existing requirements and does not establish new requirements or activities that may positively or negatively impact local economies.

Tex. Gov't Code §2001.022(a) states that this "impact statement must describe in detail the probable effect of the rule on employment in each geographic region affected by this rule..." Considering that participation in the Single Family HOME Program is at the discretion of the local government or other eligible subrecipients, there are no "probable" effects of the new rule on particular geographic regions.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Bobby Wilkinson, Executive Director, has determined that, for each year of the first five years the new rule is in effect, the public benefit anticipated as a result of the rule will be an updated and more germane rule. There will not be any economic cost to any individuals required to comply with the new section because the HOME Program provides reimbursement to those entities that are subject to the rule for the cost of compliance with the rule.



f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson has also determined that for each year of the first five years the new rule is in effect, enforcing or administering the rule does not have any foreseeable implications related to costs or revenues of the state or local governments because the Single Family HOME Program is a federally funded program, and participation in the program, which may include provision of matching funds, is voluntary.

SUMMARY OF PUBLIC COMMENT AND STAFF REASONED RESPONSE. The Department accepted public comment between November 22, 2024 and December 27, 2024. Comments regarding the proposed repeal were accepted in writing and by e-mail with comment received from Karen Walker of Langford Community Management Services. The commenter expressed support for certain changes and posed questions for clarification on others. The Department does recommend changes in response to public comment as shown below.

Comment 1:

#### §23.23 General Threshold Criteria

Commenter agrees that requiring waivers of customary fees to be documented as HOME Program Match is a benefit to the Program. Commenter states that fees are often waived, but since the waivers were not mandatory, the waivers were not always reported as HOME Match. Commenter also agrees that increasing the required cash reserves for Applicants for HOME Funds provides necessary protection for the Program participants and Administrators.

Reasoned Response: Staff appreciates the commenter's feedback. No changes are recommended in response to this comment.

#### §23.25 Reservation System Participant Agreement:

Commenter states that paragraph (b) needs clarification. Commenter interprets the rule to mean that no more than five Reservations may be submitted in each county and seeks clarification about Administrators with overlapping jurisdictions.

Reasoned Response: The rule as proposed is clear that the limitation is for each Reservation System Participation (RSP) Administrator. When one RSP Administrator shares jurisdiction with another RSP Administrator, their RSP Agreements are separate and apart, so the limitation only applies to each Administrator, not the HOME Program overall. No changes are recommended in response to this comment.

Commenter disagrees with the clarification made to paragraph (d) related to transferability of Match. They state that Match contributed to a project in excess of the requirement should be able to be utilized to meet the Match requirement for a separate project, and state that this is how they have interpreted the existing rule.

Reasoned Response: The updated rule adds clarifying language; however, the application of the rule is unchanged. The Match requirement must be met on an Activity-by-Activity basis and cannot be shared amongst Activities. This is necessary so that each Activity is comparable, as well as ensuring that Match may be tracked for contract compliance, and to ensure correct reporting of Match to HUD. No changes are recommended in response to this comment.

#### §23.27 Project Cost Limitations.

Commenter agrees with the changes related to project cost limitations for construction costs and mitigation costs. Commenter questions whether the increase in the limitation for soft costs proposed in paragraph (f) applies to activities under the Homeowner Reconstruction Assistance (HRA) Program, and if not, whether soft costs are still included as an eligible cost for HRA. Commenter questions whether existing allowances for third-party soft costs will be carried over to the new rule.

Reasoned Response: Staff has carefully reviewed §23.27(f) and is recommending changes in response to this comment to clarify the soft cost allowability for Reconstruction or New Construction in absence of an acquisition or refinance component. Staff also updated the amount of funds available for soft costs for Reconstruction and New Construction both with and without an acquisition or refinancing component, and included a provision for third-party soft costs as exists in the rule being replaced.

The Board adopted the final order adopting the new rule on February 6, 2025.

STATUTORY AUTHORITY. The new sections are approved pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the new rule affects no other code, article, or statute. The rule, as adopted, has been reviewed by legal counsel and found to be a valid exercise of the Department's legal authority.

## **CHAPTER 23 SINGLE FAMILY HOME PROGRAM**

### **SUBCHAPTER A GENERAL GUIDANCE**

#### **§23.1 Applicability and Purpose**

(a) Applicability. This Chapter governs the use and administration of all HOME single family Activities funds provided to the Texas Department of Housing and Community Affairs (the "Department") by the U.S. Department of Housing and Urban Development (HUD) pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990 as amended (42 U.S.C. §§12701 - 12839) and HUD regulations at 24 CFR Part 92, as amended. Chapter 20 of this Title relating to Single Family Programs Umbrella Rule and Chapters 1 and 2 of this Title will apply to all single family activities, including Single Family Development. Unless otherwise noted herein or required by law, all provisions of this Chapter apply to any Application for a Contract award, or any Reservation submitted or received on or after the date of adoption of this Chapter. Existing Agreements or current pending Applications may be amended in writing at the request of the Administrator or Applicant, and with Department approval, so that all provisions of this Chapter apply to the Agreement or Application. Amendments proposing only partial adoption of this Chapter are prohibited. No amendment adopting this Chapter shall be granted if, in the discretion of the Department, any of the provisions of this Chapter conflict with the Notice of Funding Availability (NOFA) under which the existing Agreement was awarded or Application was submitted. The Governing Board may waive rules subject to this Chapter for good cause to meet the purpose of the HOME Program as described further in subsection (b) of this section, provided the waiver does not conflict with the federal regulations governing the use of these funds, or impact federally imposed obligation or expenditure deadlines governing the HOME Program.

(b) Purpose. The State's HOME Program is designed to:

- (1) focus on the areas with the greatest housing need described in the State Consolidated Plan;
- (2) provide funds for home ownership and rental housing through acquisition, Reconstruction, New Construction, and Tenant-Based Rental Assistance;
- (3) promote partnerships among all levels of government and the private sector, including nonprofit and for-profit organizations; and
- (4) provide low, very low, and extremely low-income families with affordable, decent, safe, and sanitary housing.

#### **§23.2 Definitions**

These words when used in this Chapter shall have the following meanings, unless the context clearly indicates otherwise. Additional definitions may be found in Tex. Gov't Code Chapter 2306 or Chapter 20 of this Title relating to Single Family Programs Umbrella Rule.

- (1) Area Median Family Income--The income limits published annually by the U.S. Department of Housing and Urban Development (HUD) for the Housing Choice Voucher Program that is used by the Department to determine the eligibility of Applicants for the HOME Program, also referred to as AMFI. All Households assisted with HOME funds must have income at or below 80% AMFI.

(2) CFR--Code of Federal Regulations.

(3) Commitment of Funds--Occurs when the funds are awarded to an Administrator for a specific Activity approved by the Department and set up in the Integrated Disbursement and Information System (IDIS) established by HUD.

(4) Construction Completion Date--The Construction Completion Date shall be the date of completion of all improvements as stated on the affidavit of completion, provided that the affidavit is filed within ten days of the stated date of completion or the date of filing as outlined in Tex. Prop. Code §53.106.

(5) Date of Assistance--The date that assistance is provided to the Household. For Tenant-Based Rental Assistance, this is the start date of the rental subsidy. For Homeowner Reconstruction Assistance and Contract for Deed, this is the date of the loan closing or date of execution of grant agreement. For Single Family Development and Homebuyer Assistance with New Construction, this is the date that the Household executes the purchase agreement.

(6) Development Site--The area, or if scattered site, areas on which the development is proposed to be located.

(7) Direct Activity Costs--The total costs of hard construction costs, demolition costs, aerobic septic systems, refinancing costs (as applicable), acquisition and closing costs for acquisition of real property, and rental and utility subsidy and deposits.

(8) HOME Final Rule--The regulations with amendments promulgated at 24 CFR, Part 92 as published by HUD for the HOME Investment Partnerships Program at 42 U.S.C. §§12701 - 12839.

(9) Homeownership--Ownership in fee simple title in a one to four unit dwelling or in a condominium unit, or equivalent form of ownership approved by the Department. Homeownership is not right to possession under a contract for deed, installment contract, or land contract that has not converted into a deed for title ownership.

(10) Identity of Interest--An acquisition will be considered to be an Identity of Interest transaction when the purchaser has any financial interest whatsoever in the seller or lender or is subject to common control, or any family relationship by virtue of blood, marriage, or adoption exists between the purchaser and the seller or lender.

(11) Match--Funds contributed to an Activity that meet the requirements of 24 CFR §§92.218 - 92.220. Match contributed to an Activity does not include mortgage revenue bonds, non HOME-assisted projects, and cannot include any other sources of Department funding unless otherwise approved in writing by the Department.

(12) New Construction--Construction of a new Single Family Housing Unit which involves:

(A) Construction on a lot that was not the site of a Single Family Housing Unit on the date HOME assistance was requested;

(B) Construction of a new Single Family Housing Unit following acquisition; or

(C) Construction of a site-built Single Family Housing Unit that replaces a manufactured housing unit.

(13) Person--Any individual, partnership, corporation, association, unit of government, community action agency, or public or private organization of any character.

(14) Persons with Special Needs--Individuals or categories of individuals determined by the Department to have unmet housing needs as provided in the Consolidated Plan and the State's One Year Action Plan.

(15) Predevelopment Costs--Costs consistent with 24 CFR §92.212 related to a specific eligible Activity including:

(A) Predevelopment housing project costs that the Department determines to be customary and reasonable, including but not limited to consulting fees, costs of preliminary financial applications, legal fees, architectural fees, engineering fees, engagement of a development team, and site control;

(B) Pre-construction housing project costs that the Department determines to be customary and reasonable, including but not limited to, the costs of obtaining firm construction loan commitments, architectural plans and specifications, zoning approvals, engineering studies and legal fees; and

(C) Predevelopment costs do not include general operational or administrative costs.

(16) Principal--A Person, or Persons, that will exercise Control over a partnership, corporation, limited liability company, trust, or any other private entity. In the case of:

(A) Partnerships: Principals include all General Partners, special limited partners, and Principals with ownership interest;

(B) Corporations: Principals include any officer authorized by the board of directors to act on behalf of the corporation, including the president, vice president, secretary, treasurer, and all other executive officers, and each stock holder having a ten percent or more interest in the corporation; and

(C) Limited liability companies: Principals include all managing members, members having a ten percent or more interest in the limited liability company or any officer authorized to act on behalf of the limited liability company.

(17) Reconstruction--Has the same meaning as the defined term in 24 CFR §92.2.

(18) Reservation System Participant (RSP)--Administrator who has executed a written Agreement with the Department that allows for participation in the Reservation System.

(19) Service Area--The city(ies), county(ies) and/or place(s) identified in the Application and/or Agreement that the Administrator will serve.

(20) Third Party--A Person who is not:

(A) An Applicant, Administrator, Borrower, General Partner, Developer, Development Owner, or General Contractor; or

(B) An Affiliate, Affiliated Party to the Applicant, Administrator, Borrower, General Partner, Developer, Development Owner, or General Contractor; or

(C) A Person receiving any portion of the administration, contractor fee, or developer fee.

## **SUBCHAPTER B AVAILABILITY OF FUNDS, APPLICATION REQUIREMENTS, REVIEW AND AWARD PROCEDURES, GENERAL ADMINISTRATIVE REQUIREMENTS, AND RESALE AND RECAPTURE OF FUNDS**

### **§23.20 Availability of Funds and Regional Allocation Formula**

Funds made available through an open Application cycle and subject to regional allocation formula shall be made available to each region and subregion for a time period to be specified in the applicable NOFA, after which the funds remaining shall collapse and be made available statewide.

### **§23.21 Application Forms and Materials and Deadlines**

(a) The Department will produce an Application to satisfy the Department's requirements to be qualified to administer HOME activities. The Application will be available on the Department's website.

(b) The Department must receive all Applications by the deadline specified in the NOFA.

### **§23.22 Application Review Process**

(a) Contract award review process for open Application cycles. An Application received by the Department in response to an open Application cycle NOFA will be assigned a "Received Date." An Application will be prioritized for review based on its "Received Date." Application acceptance dates may be staggered under an open Application cycle to prioritize Applications which propose to serve areas identified in Tex. Gov't Code §2306.127 as priority for certain communities. An Application with outstanding administrative deficiencies under §23.24 of this Chapter, may be suspended from further review until all administrative deficiencies have been cured or addressed to the Department's satisfaction. Applications that have completed the review process may be presented to the Board for approval with priority over Applications that continue to have administrative deficiencies at the time Board materials are prepared, regardless of "Received Date." If all funds available under a NOFA are awarded, all remaining Applicants will be notified and the remaining Applications will not be processed.

(b) Reservation System Participant review process. An Application for a Reservation System Participant (RSP) Agreement shall be reviewed and if approved under Chapter 1, Subchapter C of this Title, as amended or superseded, concerning Previous Participation Review of Department Awards, and not denied under §23.24 of this Chapter, will be drafted and processed in the order in which it was accepted to be executed and made effective.

(c) Administrative deficiency review process. The administrative deficiency process allows staff to request that an Applicant provide clarification, correction, or non-material missing information to resolve inconsistencies in the original Application or to assist staff in evaluating the Application. Staff will request such information via a deficiency notice. Staff will send the deficiency notice via an email or if an email address is not provided in the Application, by facsimile to the Applicant. Responses must be submitted electronically to the Department. A review of the Applicant's response may reveal that issues initially identified as an administrative deficiency are actually determined to be beyond the scope of an administrative deficiency process, meaning that they are in fact matters of a material nature not susceptible to being resolved. Department staff may, in good faith, provide an Applicant confirmation that an administrative deficiency response has been received or that such response is satisfactory. Communication from staff that the response was satisfactory does not establish any entitlement to points, eligibility status, or to any presumption of having fulfilled any requirements. Final determination regarding the sufficiency of documentation submitted to cure an administrative deficiency as well as the distinction between material and non-material missing information are reserved for the Executive Director or authorized designee, and Board, as applicable.

(d) An Applicant may not change or supplement any part of an Application in any manner after submission to the Department, and may not add any set-asides, except in response to a direct request from the Department to remedy an administrative deficiency or by amendment of an Application after the Board approval of a HOME award. An administrative deficiency may not be cured if it would, in the Department's determination, substantially change an Application, or if the Applicant provides any new unrequested information to cure the deficiency.

(e) The time period for responding to a deficiency notice commences on the first day following the deficiency notice date. If an administrative deficiency is not resolved to the satisfaction of the Department by 5:00 p.m., central time, on the 14th day following the date of the deficiency notice, the application may be terminated. The Department may accept a corrected Board Resolution submitted after the deficiency deadline on the condition that the corrected Board Resolution resolves the deficiencies to the satisfaction of the Department, but the Board Resolution must be received and deemed satisfactory by the Department before the RSP Agreement or Contract start date. Applicants that have been terminated may reapply.

### **§23.23 General Threshold Criteria**

(a) General Threshold. All Applicants and Applications to administer a HOME Program award from the Department must submit or comply with the following:

(1) An Applicant certification of compliance with state rules promulgated by the Department, and federal laws, rules and guidance governing the HOME Program as provided in the Application.

(2) A Resolution from the Applicant's direct governing body which includes:

(A) Authorization of the submission of the Application specifying the NOFA under which funds are requested for Contract award Applications;

(B) Commitment and amount of cash reserves, if applicable, for use during the Contract or RSP Agreement term;

(C) Source of funds for Match obligation and Match amount to be contributed as a percentage of Direct Activity Costs, if applicable;

(D) Title of the person authorized to represent the organization and who also has signature authority to execute a Contract and grant agreement or loan documents, as applicable, unless otherwise stated; and

(E) Date that the resolution was passed by the governing body, which must be within six months preceding Application submission for Reservation System Participation Agreement Applications, and no earlier than the date of the Department's Governing Board approval of the NOFA for Contract award Applications.

(3) An Applicant must be registered in the System for Award Management (SAM) and have a current Unique Entity Identification (UEID) number.

(4) Service Area. Applicants must include the Service Area proposed for the Contract or RSP Agreement for all Activity types. Administrators must state whether the Service Area is limited to only certain cities within any county in the proposed Service Area.

(A) The Service Area for TBRA must include the entire rural or urban area of a county as identified in the Application, excluding Participating Jurisdictions. However, Service Areas must include Participating Jurisdictions as applicable if the Agreement includes access to the Persons with Disabilities set-aside; or



(B) The Service Area may be limited to the boundaries of the jurisdiction of the Applicant if the Applicant for TBRA is a unit of local government.

(5) Match. The Department shall use population figures from the most recently available U.S. Census Bureau's American Community Survey (ACS) as of the date of submission of the Application to determine the applicable Match for cities with a population of less than 5,000 persons. The Department shall use the population figures from the most recent Population Estimates from the U.S. Census Bureau's QuickFacts for all counties and for cities with a population that exceeds 5,000 persons. The Department may incentivize or provide preference to Applicants committing to provide additional Match above the requirement of this paragraph. Such incentives may be established as selection criteria in the NOFA.

(A) Excluding Applications under the disaster relief and persons with disabilities set-asides, Match shall be required for Homeowner Reconstruction Assistance (HRA) and Homebuyer Assistance with New Construction (HANC) based on the tiers described in clauses (i) and (ii) of this subparagraph:

(i) Zero percent of Direct Activity Costs, exclusive of Match, is required as Match when:

(I) the Service Area includes the entire unincorporated area of a county and where the population of Administrator's Service Area is less than or equal to 20,000 persons; or

(II) When the Service Area does not include the entire unincorporated area of a county and the population of the Administrator's Service Area is less than or equal to 3,000 persons.

(ii) One percent of Direct Activity Costs, exclusive of Match, is required as Match for every 1,000 in population to a maximum of 25 percent.

(B) Applicants that charge customary fees related to the construction of single-family housing must waive all fees that otherwise apply to any HOME Activity. These fee waivers must be reported as Match, regardless of whether Match is otherwise required based on population and activity type. Applicants must submit their schedule of fees related to construction, if applicable, with their Application for a Contract or Reservation System Participation Agreement.

(6) Cash Reserve Threshold Requirements. Documentation, as described in subparagraphs (A) and (B) of this paragraph, must be submitted at the time of Application that demonstrates that the Applicant has at least \$80,000 in cash reserves if the Application includes construction Activities, and at least \$30,000 in cash reserves if the Application is for Tenant-Based Rental Assistance only. The cash reserves may be utilized to facilitate administration of the program, and to ensure the capacity to cover costs prior to reimbursement or costs determined to be ineligible for reimbursement. The amount of the cash reserve commitment must be included in the Applicant's resolution. To meet this requirement, Applicants must submit:

(A) financial statements indicating adequate local unrestricted cash or cash equivalents to utilize as cash reserves and a letter from the Applicant's bank(s) or financial institution(s) indicating that current account balances are sufficient; or

(B) evidence of an available line of credit or equivalent tool in an amount equal to or exceeding the requirement in this paragraph.

(7) A NOFA may include incentives or otherwise require architectural plans to incorporate "green building" elements.

(8) Applications proposing development using the Community Housing Development Organization (CHDO) set-aside must submit an Application for CHDO certification. Applicants must meet the requirement for CHDO certification as defined in §13.2 of this Title (relating to the Multifamily Direct Loan Rule).

(9) Other Threshold and/or Selection criteria for this Activity may be outlined in the NOFA.

(10) An Application must be substantially complete when received by the Department. An Application will be terminated if an entire tab of the Application is missing; has excessive omissions of documentation from the threshold or selection criteria or uniform Application documentation; or is so unclear, disjointed, or incomplete that a thorough review cannot reasonably be performed by the Department, as determined by the Department. Such Application will be terminated without being processed as an administrative deficiency. To the extent that a review was able to be performed, specific reasons for the Department's termination will be included in the notification sent to the Applicant but, because of the suspended review, may not include an all-inclusive list of deficiencies in the Application.

#### **§23.24 Contract Benchmarks and Limitations**

(a) Contract Award Funding Limits. Limits on the total amount of a Contract award will be established in the NOFA.

(b) Contract Award Terms. Homeowner Reconstruction Assistance awards will have a Contract term of not more than 21 months, exclusive of any applicable affordability period or loan term. Single Family Development awards will have a Contract term of not more than 24 months, exclusive of any applicable affordability period or loan term. Tenant-Based Rental Assistance awards will have a Contract term of not more than 36 months.

(c) Contract Award Benchmarks. Administrators must have attained environmental clearance for the contractually required number of Households served within six months of the effective date of the Contract. Contract Administrators must submit to the Department complete Activity setup information for the Commitment of Funds of all contractually required Households in accordance with the requirements herein within nine months from the effective date of the Contract. All remaining funds will be deobligated and reallocated in accordance with Chapter 1 of this Title relating to Reallocation of Financial Assistance.

(d) Voluntary deobligation. The Administrator may fully deobligate funds in the form of a written request signed by the signatory, or successor thereto, of the Contract. The Administrator may partially deobligate funds under a Contract in the form of a written request from the signatory if the letter also deobligates the associated number of targeted Households, funds for administrative costs, and Match and the partial deobligation would not have impacted the award of the Contract. Voluntary deobligation of a Contract does not limit an Administrator's ability to participate in an open application cycle.

(e) The Department may request information regarding the performance or status under a Contract prior to a Contract benchmark or at various times during the term of a Contract. Administrator must respond within the time limit stated in the request. Prolonged or repeated failure to respond may result in suspension of funds and ultimately in termination of the Contract by the Department.

(f) Pre-Contract Costs.

(1) The Administrator may be reimbursed for eligible administrative and Activity soft costs incurred before the effective date of the Contract in accordance with 24 CFR §92.212 and at the sole discretion of the Department.

(2) A Community Housing Development Organization may be reimbursed for Predevelopment Costs as defined in this Chapter for an Activity funded under Single Family Development.

(3) In no event will the Department reimburse expenses incurred more than six months prior to Governing Board approval of the Administrator's award.

(g) Amendments to Contract awards will be processed in accordance with Chapter 20 of this Title, relating to Single Family Programs Umbrella Rule.

### **§23.25 Reservation System Participant (RSP) Agreement**

(a) Terms of Agreement. The term of an RSP Agreement will not exceed 36 months. Execution of an RSP Agreement does not guarantee the availability of funds under a reservation system. Reservations submitted under an RSP agreement will be subject to the provisions of this Chapter in effect as of the date of submission by the Administrator.

(b) Limits on Number of Reservations. Except for Activities submitted under the Disaster set-aside, RSP Administrators may have no more than five Reservations per county within the RSP's Service Area submitted to the Department for approval at any given time, except that Tenant-Based Rental Assistance Reservations submitted for approval under an RSP Agreement is limited to 30 at any given time.

(c) Extremely Low-Income Households. Except for Households submitted under the Disaster set-aside, each RSP will be required to serve at least one extremely low-income Household out of every four Households submitted and approved for assistance. For purposes of this subsection, extremely low-income is defined as families that are either at or below 30 percent AMFI for the county in which they will reside or have an income that is lower than the statewide 30 percent income limit without adjustments to HUD limits.

(d) Match. Administrators must meet the Match requirement per Activity approved for assistance. Match may not be transferred from one Activity to another Activity.

(e) Completion of Construction. For Activities involving construction, construction must be complete within 12 months from the Commitment of Funds for the Activity, unless amended in accordance with subsection (g) of this Section.

(f) Household commitment contract term. The term of a Household commitment contract may not exceed 12 months, except that the Household commitment contract term for Tenant-Based Rental Assistance may not exceed 24 months. Household commitment contracts may commence after the end date of an RSP Agreement only in cases when the Administrator has submitted a Reservation on or before the termination date of the RSP Agreement.

(g) Amendments to Household commitment contracts may be considered by the Department provided the approval does not conflict with the federal regulations governing use of these funds, or impact federally imposed obligation or expenditure deadlines.

(1) The Executive Director's authorized designee may approve an amendment that extends the term of a Household commitment contract by not more than six months, except that the term of a Household commitment contract for Tenant-Based Rental Assistance may not be extended to exceed a total Household commitment contract term of 24 months.

(2) The Executive Director's authorized designee may approve one or more amendments to a Household commitment contract to:

- (A) extend the Construction Completion Date by not more than six months;
  - (B) extend the term of rental subsidy up to a total term of 24 months;
  - (C) extend the draw period by not more than three months after the Construction Completion Date or termination of rental subsidy; or
  - (D) to increase Activity funds within the limitations set forth in this Chapter.
- (3) The Executive Director may approve amendments to a Household commitment contract, except amendments to extend the contract term of a Household Commitment contract by more than 12 months.
- (h) Pre-agreement costs. The Administrator may be reimbursed for eligible administrative and Activity soft costs incurred before the effective date of the RSP Agreement in accordance with 24 CFR §92.212 and at the sole discretion of the Department. In no event will the Department reimburse expenses incurred more than six months prior to the effective date of the RSP Agreement.
- (i) Administrator must remain in good standing with the Department, the state of Texas, and HUD. If an Administrator is not in good standing, participation in the Reservation System will be suspended and may result in termination of the RSP Agreement.

### **§23.26 General Administrative Requirements**

Unless otherwise provided in this Chapter, the Administrator or Developer must comply with the requirements described in paragraphs (1) - (21) of this section, for the administration and use of HOME funds:

- (1) Complete training, as applicable.
- (2) Provide all applicable Department Housing Contract System access request information and documentation requirements.
- (3) Establish and maintain sufficient records at its regular place of business and make available for examination by the Department, HUD, the U.S. General Accounting Office, the U.S. Comptroller, the State Auditor's Office of Texas, the Comptroller of Public Accounts, or any of their duly authorized representatives, throughout the applicable record retention period.
- (4) For non-Single Family Development Contracts, develop and establish written procurement procedures that comply with federal, state, and local procurement requirements including:
  - (A) Develop and comply with written procurement selection criteria and committees, including appointment of a procurement officer to manage any bid process;
  - (B) Develop and comply with a written code of conduct governing employees, officers, or agents engaged in administering HOME funds;
  - (C) Ensure consultant or any procured service provider does not participate in or direct the process of procurement for services. A consultant cannot assist in their own procurement before or after an award is made;
  - (D) Ensure that procedures established for procurement of building construction contractors do not include requirements for the provision of general liability insurance coverage in an amount to exceed the value of the contract and do not give preference for contractors in specific geographic locations;

(E) Ensure that building construction contractors are procured in accordance with State and Federal regulations for single family HOME Activities;

(F) To the extent that a set of architectural plans are generated and used by an Administrator for more than one Single Family Housing Unit, the Department will reimburse only for the first time a set of architectural plans is used, unless any subsequent site specific fees are paid to a Third Party architect or licensed engineer for the reuse of the plans on that subsequent specific site, as demonstrated by a contract with the third-party;

(G) Ensure that professional service providers (consultants) are procured using an open competitive procedure and are not procured based solely on the lowest priced bid; and

(H) Ensure that any Request for Proposals or Invitation for Bid include:

(i) an equal opportunity disclosure and a notice that bidders are subject to search for listing on the Excluded Parties List;

(ii) bidders' protest rights and an outline of the procedures bidders must take to address procurement related disputes;

(iii) a conflict of interest disclosure;

(iv) a clear and accurate description of the technical requirements for the material, product, or service to be procured. The description must include complete, adequate, and realistic specifications;

(v) for sealed bid procedures, disclose the date, time and location for public opening of bids and indicate a fixed-price contract;

(vi) must not have a term of services greater than five years; and

(vii) for competitive proposals, disclose the specific election/evaluation criteria.

(5) In instances where a potential conflict of interest exists, follow procedures to submit required documentation to the Department sufficient to submit an exception request to HUD for any conflicts prohibited by 24 CFR §92.356. The request submitted to the Department must include a disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict by newspaper publication, a description of how the public disclosure was made, and an attorney's opinion that the conflict does not violate state or local law. No HOME funds will be committed to or reserved to assist a Household impacted by the conflict of interest regulations until HUD has granted an exception to the conflict of interest provisions.

(6) Perform environmental clearance procedures, as required, before acquiring any Property or before performing any construction activities, including demolition, or before the occurrence of the loan closing, if applicable.

(7) Develop and comply with written Applicant intake and selection criteria for program eligibility that promote and comply with Fair Housing requirements and the State's One Year Action Plan.

(8) Complete Applicant intake and Applicant selection. Notify each Applicant Household in writing of either acceptance or denial of HOME assistance within 60 days following receipt of the intake application.

(9) Determine the income eligibility of a Household using the "Annual Income" as defined at 24 CFR §5.609, by using the list of income included in HUD Handbook 4350.3 (or most recent version), and excluding from income those items listed in HUD's Updated List of Federally Mandated Exclusions from

Income. The Single Family HOME Program will implement the applicable requirements of the Housing Opportunity Through Modernization Act (HOTMA) not later than January 1, 2026~~5~~.

(10) Complete an updated income eligibility determination of a Household if the date of certification is more than six months prior to the Date of Assistance.

(11) For single family Activities involving construction, perform initial inspection in accordance with Chapter 20 of this Title (relating to Single Family Programs Umbrella Rule). Property inspections must include photographs of the front, back, and side elevations of the housing unit and at least one picture of each of the kitchen, family room, each bedroom and each bathrooms. The inspection must be signed and dated by the inspector and the Administrator. The photographs submitted with the initial inspection should evidence the deficiencies noted on the initial inspection and must clearly show the entire property, including other buildings located on the property.

(12) Submit a substantially complete request for the Commitment or Reservation of Funds, loan closing preparation, and for disbursements. Administrators must upload all required information and verification documentation in the Housing Contract System. Requests determined to be substantially incomplete will not be reviewed and may be disapproved by the Department. Expenses for which reimbursement is requested must be documented as incurred. If the Department identifies administrative deficiencies during review, the Department will allow a cure period of 14 calendar days beginning at the start of the first day following the date the Administrator or Developer is notified of the deficiency. If any administrative deficiencies remain after the cure period, the Department, in its sole discretion, may disapprove the request. Disapproved requests will not be considered sufficient to meet the performance benchmark and shall not constitute a Reservation of Funds.

(13) Submit signed program documents timely as may be required for the completion of a Commitment or Reservation of Funds, and for closing preparation of the loan or grant documents. Department reserves the right to cancel or terminate Activities when program documents are not executed timely, in the Department's sole and reasonable discretion.

(14) Not proceed or allow a contractor to proceed with construction, including demolition, on any Activity or development without first completing the required environmental clearance procedures, preconstruction conference and receiving notice to proceed, if applicable, and execution of grant agreement or loan closing with the Department, whichever is applicable.

(15) Submit any Program Income received by the Administrator or Developer to the Department within 14 days of receipt; any fund remittance to the Department, including refunds, must include a written explanation of the return of funds, the Contract number, name of Administrator or Developer, Activity address and Activity number, and must be sent to the Department's accounting division.

(16) Submit required documentation for project completion reports no later than 60 days after the completion of the Activity, unless this term is extended through amendment.

(17) For Contract awards, submit certificate of Contract Completion within 14 days of the Department's request.

(18) Submit to the Department reports or information regarding the operations related to HOME funds provided by the Department.

(19) Submit evidence with the final draw for construction related activities that the builder has provided a one-year warranty specifying at a minimum that materials and equipment used by the contractor will be new and of good quality unless otherwise required, the work will be free from defects other than those

inherent in the work as specified, and the work will conform to the requirements of the contract documents.

(20) Provide the Household all warranty information for work performed by the builder and any materials purchased for which a manufacturer or installer's warranty is included in the price.

(21) If required by state or federal law, place the appropriate bonding requirement in any contract or subcontract entered into by the Administrator or Developer in connection with a HOME award. Failure to include the bonding requirement in subcontracts may result in termination of the RSP Agreement.

### **§ 23.27 Project Cost Limitations.**

(a) Direct Activity Costs for construction, exclusive of Match funds, are limited to the amounts described in this section; however, not more than once per year, the Board in its sole discretion, may increase or decrease by up to five percent of the limitation for Direct Activity Costs. Total Activity costs may not exceed HUD Subsidy Limits. Dollar amounts in a Household commitment contract are set at the time of Contract execution and may not be adjusted through this process. Current limit amounts under this section will be reflected on the Department's website.

(b) Reconstruction and New Construction of site-built housing: the lesser of \$150 per square foot of conditioned space or \$175,000; or for Households of five or more Persons that require a four-bedroom unit, the lesser of \$150 per square foot of conditioned space, or \$200,000; and

(c) Direct Activity Costs for acquisition and placement of a unit of Manufactured Housing, including demolition or removal of existing housing and exclusive of Match funds, is limited to \$125,000.

(d) Direct Activity Costs for conversion of a Contract for Deed, including closing costs paid from HOME funds, is limited to \$40,000.

(e) In addition to the Direct Activity Costs allowable under subsections (b) and (c) of this section, additional funds in the amount of \$15,000 may be used to pay for each of the following, as applicable:

(1) Necessary environmental mitigation as identified during the Environmental review process;

(2) Installation of an aerobic septic system; and

(3) Homeowner requests for accessibility features.

(f) Activity soft costs eligible for reimbursement for Activities of the following types are limited to:

(1) Acquisition or ~~refinance~~, refinance in conjunction with ~~and~~ New Construction of site-built housing or placement of an MHU: no more than ~~\$15,000~~ 2,500 per housing unit; ~~and~~

(2) ~~Acquisition or refinance, and~~ Replacement with an MHU: no more than \$10,000 per housing unit;

(3) Reconstruction or New Construction of site-built housing: \$15,000 per housing unit; and

(4) Reasonable and necessary third-party costs incurred in connection with required housing counseling, appraisals, title reports or insurance, tax certificates, recording fees, surveys, and first year hazard and flood insurance.

(g) Project Cost Limitations for Tenant-Based Rental Assistance Activities are limited as described in Subchapter E of this Chapter.

(h) Projects Costs must not exceed the federal subsidy limit, unless waived by HUD.

(i) Unless waived by HUD, the purchase price of acquired property and the post-improvement value of the unit may not exceed the limitations set forth in 24 CFR §92.254. Compliance with the purchase price limitation must be evidenced prior to loan closing with an as-built appraisal.

(j) Administrative Cost Limitations.

(1) Funds for administrative costs are limited to no more than five percent of the Direct Activity Costs, exclusive of Match funds, for HRA.

(2) Funds for administrative costs are limited to no more than eight percent of the Direct Activity Costs, exclusive of Match funds, for CFD and HANC.

(3) For TBRA, Administrators must select one method under which funds for administrative costs and Activity soft costs may be reimbursed prior to execution of an RSP agreement or at Application for an award of funds. All costs must be reasonable and customary for the Administrator's Service Area. Applicants and Administrators may choose from one of the following options, and in any case funds for Administrative costs may be increased by an additional one percent of Direct Activity Costs if Match is provided in an amount equal to five percent or more of Direct Activity Costs:

(A) Funds for Administrative costs are limited to four percent of Direct Activity Costs, excluding Match funds, and Activity soft costs are limited to \$1,200 per Household assisted. Activity soft costs may reimburse expenses for costs related to determining Household income eligibility, including recertification, and conducting Housing Quality Standards (HQS) inspections. All costs must be reasonable and customary for the Administrator's Service Area; or

(B) Funds for Administrative costs are limited to ten percent of Direct Activity Costs, excluding Match funds, and Administrator may not be reimbursed for Activity soft costs.

### **§ 23.28 Design and Quality Requirements.**

(a) Each Single Family Housing Unit constructed with HOME funds must meet the design and quality requirements as described in paragraphs (1) – (6) of this subsection, and plans must be certified by a licensed architect or engineer:

(1) Current applicable International Residential Code, local codes, ordinances, and zoning ordinances in accordance with 24 CFR §92.251(a);

(2) Requirements in Chapters 20 and 21 of this Title;

(3) Units must Include the following amenities: Wired with RG-6 COAX or better and CAT3 phone cable or better to each bedroom and living room; Blinds or window coverings for all windows; Disposal and Energy-Star or equivalently rated dishwasher (must only be provided as an option to each Household); Oven/Range; Exhaust/vent fans (vented to the outside) in bathrooms; Energy-Star or equivalently rated lighting in all rooms, which may include LED bulbs. The living room and each bedroom must contain at least one ceiling lighting fixture and wiring must be capable of supporting ceiling fans; and Paved off-street parking for each unit to accommodate at least one mid-sized car and access to on-street parking for a second car;

(4) Units must contain no less than two bedrooms. Each Single Family Housing Unit must contain complete physical facilities and fixtures for living, sleeping, eating, cooking, and sanitation;

(5) Each bedroom must be no less than 100 square feet; have a length or width no less than 8 feet; be self-contained with a door; have at least one window that provides exterior access; and have at least one



closet that is not less than two feet deep and three feet wide and high enough to contain at least five feet of hanging space; and

(6) Units must be no less than 800 total net square feet for a two bedroom Single Family Housing Unit; no less than 1,000 total net square feet for a three bedroom and two bathroom Single Family Housing Unit; and no less than 1,200 total net square feet for a four bedroom and two bathroom Single Family Housing Unit.

(7) An exception to items (2) – (6) may be requested by the Household and approved by the Division Director prior to submission of the Activity. A request for an exception must include the specific feature or design requirement for which the exception is requested, and must include justification for the exception.

(b) Units selected by Households assisted under the Tenant-Based Rental Assistance Program must meet the applicable federal requirements for the HOME Program as of the date of initial occupancy and any subsequent inspection.

### **§23.29 Resale and Recapture Provisions**

(a) Recapture is the primary method the Department will use to recoup HOME funds under 24 CFR §92.254(a)(5)(ii).

(b) To ensure continued affordability, the Department has established the recapture provisions described in paragraphs(1) -(4) of this subsection and further defined in 24 CFR §92.254(a)(5)(ii).

(1) In the event that a federal affordability period is required and the assisted property is rented, leased, or no member of the Household has it as the Principal Residence, the entire HOME investment is subject to recapture. The Department will include any loan payments previously made when calculating the amount subject to recapture. Loan forgiveness is not the same thing as loan payments for purposes of this subsection.

(2) In the event that a federal affordability period is required and the assisted property is sold, including through a short sale, deed in lieu of foreclosure, or foreclosure, prior to the end of the affordability period, the Department will recapture the available amount of net proceeds based on the requirements of 24 CFR §92.254, and as outlined in the State's One Year Action Plan.

(3) The Household can sell the unit to any willing buyer at any price. In the event of sale to a qualified low-income purchaser of a HOME-assisted unit, the qualified low-income purchaser may assume the existing HOME loan and assume the recapture obligation entered into by the original buyer if no additional HOME assistance is provided to the low-income purchaser. In cases in which the subsequent homebuyer needs HOME assistance in excess of the balance of the original HOME loan, the HOME subsidy (the direct subsidy as described in 24 CFR §92.254) to the original homebuyer must be recaptured. A separate HOME subsidy must be provided to the new homebuyer, and a new affordability period must be established based on that assistance to the buyer.

(4) If there are no net proceeds from the sale, no repayment will be required of the Household and the balance of the loan shall be forgiven as outlined in the State's applicable One Year Action Plan.

(c) The Department has established the resale provisions described in paragraphs\_(1) -(7) of this subsection, only in the event that the Department must impose the resale provisions of 24 CFR §92.254(a)(i).

(1) Resale is defined as the continuation of the affordability period upon the sale or transfer, rental or lease, refinancing, and no member of the Household is occupying the property as their Principal Residence.

(2) In the event that a federal affordability period is required and the assisted property is rented or leased, or no member of the Household has it as the Principal Residence, the HOME investment must be repaid.

(3) In the event that a federal affordability period is required and the assisted property is sold or transferred in lieu of foreclosure to a qualified low-income buyer at an affordable price, the HOME loan balance shall be transferred to the subsequent qualified buyer and the affordability period shall remain in force to the extent allowed by law.

(4) The resale provisions shall remain in force from the date of loan closing until the expiration of the required affordability period.

(5) The Household is required to sell the home at an affordable price to a reasonable range of low-income homebuyers that will occupy the home as their Principal Residence. Affordable to a reasonable range of low-income buyers is defined as targeting Households that have income between 70 and 80 percent AMFI and meet all program requirements.

(A) The seller will be afforded a fair return on investment defined as the sum of down payment and closing costs paid from the initial seller's cash at purchase, closing costs paid by the seller at sale, the principal payments only made by the initial homebuyer in excess of the amount required by the loan, and any documented capital improvements in excess of \$500.

(B) Fair return on investment is paid to the seller at sale once first mortgage debt is paid and all other conditions of the initial written agreement are met. In the event there are no funds for fair return, then fair return does not exist. In the event there are partial funds for fair return, then the appropriate partial fair return shall remain in force.

(6) The appreciated value is the affordable sales price less first mortgage debt less fair return.

(A) If appreciated value is zero, or less than zero, then no appreciated value exists.

(B) The initial homebuyer's investment of down payment and closing costs divided by the Department's HOME investment equals the percentage of appreciated value that shall be paid to the initial homebuyer or persons as otherwise directed by law. The balance of appreciated value shall be paid to the Department.

(7) The property qualified by the initial Household will be encumbered with a lien for the full affordability period.

(d) In the event the housing unit transfers by devise, descent, or operation of law upon the death of the assisted homeowner, forgiveness of installment payments under the loan may continue until maturity or the penalty amount for noncompliance under the conditional grant agreement may be waived, if the new Household qualifies for assistance in accordance with this subchapter. If the new Household does not qualify for assistance in accordance with this Chapter, forgiveness of installment payments will cease and repayment of scheduled payments under the loan will commence and continue until maturity or payment of a penalty amount under the conditional grant agreement may be required in accordance with the terms of the conditional grant agreement.

(e) Forgiveness of installment payments under the loan may continue until maturity or the penalty amount under conditional grant agreement may be waived by the Department if the housing unit is sold by the decedent's estate to a purchasing Household that qualifies for assistance in accordance with this Chapter.

(f) Grants subject to conditional grant agreements are not subject to the entire penalty amount in the event the property is no longer the Principal Residence of any Household member.

## **SUBCHAPTER C HOMEOWNER RECONSTRUCTION ASSISTANCE PROGRAM**

### **§23.30 Homeowner Reconstruction Assistance (HRA) General Requirements**

(a) Program funds may be used for the following under this subchapter:

(1) Reconstruction of housing on the same site meeting the following conditions:

(A) Replacement of an owner-occupied site-built house with either a new site-built house or a new Manufactured Housing Unit (MHU) on the same site;

(B) Replacement of an owner-occupied MHU with a new MHU on the same site;

(C) A unit that is not owner-occupied has been destroyed may be eligible for Reconstruction under subparagraph (A) or (B) of this paragraph if:

(i) the unit was the Principal Residence of the Household as of the date of destruction where evidence of the Household's Principal Residence is established by a homestead exemption from the local taxing jurisdiction and Household certification in effect at the date of destruction; and

(ii) HOME funds are committed within 12 months of the date of destruction.

(2) New Construction of housing meeting the following conditions:

(A) Construction of site-built housing on the same site to replace an existing owner-occupied MHU;

(B) Replacement of existing owner-occupied housing with an MHU or construction of site-built housing on another site contingent upon written approval of the Department; or

(C) Replacement of a housing unit determined to be uninhabitable within four years of submission of a Reservation for funds on the same site or another site when:

(i) the unit has been rendered uninhabitable as a direct result of a natural or man-made disaster, a condemnation order from the unit of local government, or a determination from the unit of local government that the unit presents an imminent threat to life, health, and safety of occupants; and

(ii) the Household's Principal Residence is established by a homestead exemption from the local taxing jurisdiction as of the date of the disaster, condemnation order, or determination of uninhabitability through a Certification.

(b) If a housing unit has an existing mortgage loan and Department funds are provided in the form of a loan, the Department will require a first lien position if the existing mortgage loan has an outstanding balance that is less than the investment of HOME funds and any of the statements described in paragraphs (1) - (3) of this subsection are true:

(1) A federal affordability period is required;

(2) Any existing mortgage has been in place for less than three years from the date the Household applies for assistance; or

(3) The HOME loan is structured as a repayable loan.

(c) The Household must be current on any existing mortgage loans or home equity loans. If the Department's assistance is provided in the form of a loan, the property cannot have any existing home equity loan liens.

(d) Total Project costs, exclusive of Match funds, are limited to the amounts described in §23.27, Project Cost Limitations.

(e) For New Construction Activities, the assistance to an eligible Household shall be in the form of a loan in the amount of the Direct Activity Costs excluding Match funds. The loan will be at zero percent interest and include deferral of payment and annual pro rata forgiveness with a term based on the federal affordability requirements as defined in 24 CFR §92.254.

(f) For Reconstruction Activities, the assistance to an eligible Household will be in the form of a grant agreement with a five year affordability period.

(g) To ensure affordability, the Department will impose resale and recapture provisions established in this Chapter.

### **§23.31 Homeowner Reconstruction Assistance (HRA) Administrative Requirements**

(a) Commitment or Reservation of Funds. The Administrator must submit the true and complete information, certified as such, with a request for the Commitment or Reservation of Funds as described in paragraphs (1) -(20) of this subsection:

(1) Head of Household name and address of housing unit for which assistance is being requested;

(2) A budget that includes the amount of Activity funds specifying the acquisition costs, construction costs, soft costs and administrative costs requested, a maximum of five percent of hard construction costs for contingency items, proposed Match to be provided, evidence that Direct Activity Cost and Soft Cost limitations are not exceeded, and evidence that any duplication of benefit is addressed;

(3) Verification of environmental clearance;

(4) A copy of the Household's intake application on a form prescribed by the Department;

(5) Certification of the income eligibility of the Household signed by the Administrator and all Household members age 18 or over, and including the date of the income eligibility determination. In instances where the total Household income is within \$3,000 of the 80 percent AMFI, all documentation used to determine the income of the Household;

(6) Project cost estimates, construction contracts, and other construction documents necessary to ensure applicable property standard requirements will be met at completion;

(7) When assistance is provided in the form of a loan, provide written consent from all Persons who have a valid lien or ownership interest in the Property;

(8) In the instance of relocation from one site to another site, the Household must document Homeownership of the existing unit to be replaced and must establish Homeownership of the lot on which the replacement housing unit will be constructed. The Household must agree to the demolition of the existing housing unit. HOME Activity funds cannot be used for the demolition of the existing unit and any funding used for the demolition is not eligible Match; however, solely for a Activity under this paragraph, the Administrator Match obligation may be reduced by the cost of such demolition without any Contract amendment;

(9) Identification of any Lead-Based Paint (LBP);

(10) For housing units located within the 100-year floodplain or otherwise required to carry flood insurance by federal or local regulation, certification from the Household that they understand the flood insurance requirements;

(11) Consent to demolish from any existing mortgage lien holders and consent to subordinate to the Department's loan, if applicable;

(12) If applicable, documentation to address or resolve any potential conflict of interest, Identity of Interest, duplication of benefit, or floodplain mitigation;

(13) A title commitment or policy or a down date endorsement to an existing title policy evidencing the Household's ownership of the property:

(A) For New Construction Activities, a title commitment or down-date endorsement to an existing title policy the effective date title commitment must be no more than 60 days prior to of the date of Activity submission. Title commitments for loan projects that expire prior to the loan closing date must be updated and must not have any adverse changes; and

(B) For Reconstruction Activities, a title report or a title commitment dated not more than six months prior to the date of Activity submission;

(14) Documents evidencing ownership, such as a warranty deed, life estate, or 99-year leasehold;

(15) If the housing to be replaced is an MHU, a Statement of Ownership and Location (SOL) for the MHU;

(16) Tax certificate that evidences a current paid status, and in the case of delinquency, evidence of an approved payment plan with the taxing authority and evidence that the payment plan is current;

(17) In the instances of replacement with an MHU, information necessary to draft loan documents or grant agreements to issue SOL;

(18) Life event documentation, as applicable, and all information necessary to prepare any applicable affidavits such as marital status and heirship;

(19) For disaster relief set-aside Activities, evidence that the housing unit occupied by the eligible Household was damaged as a direct result of a federal, state, or locally declared disaster that occurred less than four years prior to the submission of the Activity; and

(20) Any other documentation necessary to evidence that the Activity meets the program requirements.

(b) Loan closing or grant agreement. In addition to the documents required under subsection (a) of this section, the Administrator must submit the appraisal or other valuation method approved by the Department which establishes the post construction value of improvements for Activities involving construction prior to the issuance of grant or loan documents by the Department.

(c) Disbursement of funds. The Administrator must comply with all of the requirements described in paragraphs (1) - (12) of this subsection, for a request for disbursement of funds to reimburse eligible costs incurred. Submission of documentation related to the Administrator's compliance with requirements described in paragraphs (1) - (12) of this subsection, may be required with a request for disbursement:

(1) For construction costs associated with a loan, a down date endorsement to the title policy not older than the date of the last disbursement of funds or 45 days, whichever is later. For release of retainage the down date endorsement must be dated at least 40 days after the Construction Completion Date;

- (2) For construction costs associated with a grant agreement, an interim lien waiver or final lien waiver. For release of retainage the release on final payment must be dated at least 40 days after the Construction Completion Date;
- (3) If applicable, a maximum of 50 percent of Activity funds for an Activity may be drawn before providing evidence of Match. Thereafter, each Administrator must provide evidence of Match, including the date of provision, in accordance with the percentage of Activity funds disbursed;
- (4) Property inspections, including photographs of the front, back, and side elevations of the housing unit and at least one picture of each of the kitchen, family room, each bedroom and each bathroom with date and property address reflected on each photo. The inspection must be signed and dated by the inspector and Administrator;
- (5) Certification that its fiscal control and fund accounting procedures are adequate to assure the proper disbursement of, and accounting for, funds provided; that no Person that would benefit from the award of HOME funds; that it has satisfied any applicable cash reserve obligation or made promises in connection therewith; that each request for disbursement of HOME funds is for the actual cost of providing a service; and that the service does not violate any conflict of interest provisions;
- (6) The executed grant agreement or original, executed, legally enforceable loan documents and statement of location, if applicable, for each assisted Household containing remedies adequate to enforce any applicable affordability requirements. Original documents must evidence that such agreements have been recorded in the real property records of the county in which the housing unit is located and the original documents must be returned, duly certified as to recordation by the appropriate county official;
- (7) Expenditures must be allowable and reasonable in accordance with federal, state, and local rules and regulations. The Department shall determine the reasonableness for expenditures submitted for reimbursement. The Department may request Administrator to make modifications to the disbursement request and is authorized to modify the disbursement procedures set forth herein and to establish such additional requirements for payment of HOME funds to Administrator as may be necessary or advisable for compliance with all program requirements;
- (8) The request for funds for administrative costs must be proportionate to the amount of Direct Activity Costs requested or already disbursed;
- (9) Include the withholding of ten percent of hard construction costs for retainage. Retainage will be held until at least 40 days after the Construction Completion Date;
- (10) For final disbursement requests, submission of documentation required for Activity completion reports and evidence that the demolition or, if an MHU, salvage and removal of all dilapidated housing units on the lot, certification or other evidence acceptable to Department that the replacement house, whether site-built or MHU, was constructed or placed on and within the same lot for which ownership was established and on and within the same lot secured by the loan or grant agreement, if applicable, and evidence of floodplain mitigation;
- (11) The final request for disbursement must be submitted to the Department with support documentation no later than 60 days after the termination date of the Contract in order to remain in compliance with Contract and eligible for future funding. The Department shall not be obligated to pay for costs incurred or performances rendered after the termination date of a Contract; and

(12) For costs associated with insurance policies, including title policies and homeowner insurance policies, charged as Activity costs, evidence of payment of the cost must be submitted with the retainage request.



## **SUBCHAPTER D CONTRACT FOR DEED PROGRAM**

### **§23.40 Contract for Deed (CFD) General Requirements**

- (a) Program funds may be utilized for Acquisition or refinance, and New Construction, of single family housing units occupied by the purchaser as shown on an executory contract for conveyance.
- (b) The Department shall limit the availability of funds for CFD for a minimum of 60 days for Activities proposing to serve Households whose income does not exceed 60 percent AMFI, and for properties located in a Colonia as defined in Tex. Gov't Code §2306.083.
- (c) The Department will require a first lien position.
- (d) Total Project costs, exclusive of Match funds, are limited to the amounts described in § 23.27, Project Cost Limitations.
- (e) The assistance to an eligible Household shall be in the form of a loan in the amount of the Direct Activity Costs excluding Match funds. The loan will be at zero percent interest and include deferral of payment and annual pro rata forgiveness with a term based on the federal affordability requirements as defined in 24 CFR §92.254. For refinancing activities, the minimum loan term and affordability period is 15 years, regardless of the amount of HOME assistance.
- (f) To ensure affordability, the Department will impose resale or recapture provisions established in this Chapter.

### **§23.41 Contract for Deed (CFD) Administrative Requirements**

- (a) Commitment or Reservation of Funds. The Administrator must submit true and correct information, certified as such, with a request for the Commitment or Reservation of Funds as described in paragraphs (1) -(15) of this subsection:
  - (1) Head of Household name and address of housing unit for which assistance is being requested;
  - (2) A budget that includes the amount of Activity funds specifying the acquisition costs, construction costs, soft costs and administrative costs requested, a maximum of five percent of hard construction costs for contingency items, proposed Match to be provided, evidence that Activity and soft costs limitations are not exceeded, and evidence that any duplication of benefit is addressed;
  - (3) Verification of environmental clearance;
  - (4) A copy of the Household's intake application on a form prescribed by the Department;
  - (5) Certification of the income eligibility of the Household signed by the Administrator and all Household members age 18 or over, and including the date of the income eligibility determination. In instances the total Household income is within \$3,000 of the 80 percent AMFI, all documentation used to determine the income of the Household;
  - (6) Project cost estimates, construction contracts, and other construction documents necessary to ensure applicable property standard requirements will be met at completion;
  - (7) Identification of Lead-Based Paint (LBP);
  - (8) For housing units located within the 100-year floodplain or otherwise required to carry flood insurance by federal or local regulation, certification from the Household that they understand the flood insurance requirements;

(9) If applicable, documentation to address or resolve any potential Conflict of Interest, Identity of Interest, duplication of benefit, or floodplain mitigation;

(10) Appraisal which includes post construction improvements for Activities involving construction;

(11) A title commitment to issue a title policy that evidences the property will transfer with no tax lien, child support lien, mechanic's or materialman's lien or any other restrictions or encumbrances that impair the good and marketable nature of title to the ownership interest and that the definition of Homeownership will be met. The effective date of the title commitment must be no more than 60 days prior to the date of Activity submission. Commitments that expire prior to execution of closing must be updated at closing and must not have any adverse changes in order to close;

(12) In the instances of replacement with an MHU, information necessary to draft loan documents and issue Statement of Ownership and Location (SOL);

(13) Life event documentation, as applicable, and all information necessary to prepare any applicable affidavits such as marital status and heirship;

(14) A copy of the recorded executory contact and a current payoff statement; and

(15) Any other documentation necessary to evidence that the Activity meets the program requirements.

(b) Disbursement of funds. The Administrator must comply all of the requirements described in paragraphs (1) - (12) of this subsection, for a request for disbursement of funds to reimburse eligible costs incurred. Submission of documentation related to the Administrator's compliance with requirements described in paragraphs (1) - (12) of this subsection may be required with a request for disbursement:

(1) For construction costs, a down date endorsement to the title policy not older than the date of the last disbursement of funds or 45 days, whichever is later. For release of retainage the down date endorsement must be dated at least 40 days after the Construction Completion Date;

(2) If applicable, a maximum of 50 percent of Activity funds for an Activity may be drawn before providing evidence of Match. Thereafter, each Administrator must provide evidence of Match, including the date of provision, in accordance with the percentage of Activity funds disbursed;

(3) Property inspections, including photographs of the front, back, and side elevations of the housing unit and at least one picture of each of the kitchen, family room, each bedroom and each bathroom with date and property address reflected on each photo. The inspection must be signed and dated by the inspector and Administrator;

(4) Certification that its fiscal control and fund accounting procedures are adequate to assure the proper disbursement of, and accounting for, funds provided, no Person that would benefit from the award of HOME funds has satisfied the Applicant's cash reserve obligation or made promises in connection therewith; that each request for disbursement of HOME funds is for the actual cost of providing a service and that the service does not violate any conflict of interest provisions;

(5) Original, executed, legally enforceable loan documents, and statement of location, as applicable, for each assisted Household containing remedies adequate to enforce any applicable affordability requirements. Original documents must evidence that such agreements have been recorded in the real property records of the county in which the housing unit is located and the original documents must be returned, duly certified as to recordation by the appropriate county official. This provision is not applicable for funds made available at the loan closing;

(6) Expenditures must be allowable and reasonable in accordance with federal, state, and local rules and regulations. The Department shall determine the reasonableness of each expenditure submitted for reimbursement. The Department may request Administrator or Developer to make modifications to the disbursement request and is authorized to modify the disbursement procedures set forth herein and to establish such additional requirements for payment of HOME funds to Administrator as may be necessary or advisable for compliance with all program requirements;

(7) The request for funds for administrative costs must be proportionate to the amount of Direct Activity Costs requested or already disbursed;

(8) Table funding requests must be submitted to the Department with complete documentation no later than 14 calendar days prior to the anticipated loan closing date. Such a request must include a draft closing disclosure, title company payee identification information, the Administrator or Developer's authorization for disbursement of funds to the title company, request letter from title company to the Comptroller of Public Accounts with bank account wiring instructions, and invoices for costs being paid at closing;

(9) Include the withholding of ten percent of hard construction costs for retainage. Retainage will be held until at least 40 days after the Construction Completion Date;

(10) For final disbursement requests, submission of documentation required for Activity completion reports and evidence that the demolition or, if an MHU, salvage and removal of all dilapidated housing units on the lot, certification or other evidence acceptable to Department that the replacement house, whether site-built or MHU, was constructed or placed on and within the same lot secured by the loan, and evidence of floodplain mitigation;

(11) The final request for disbursement must be submitted to the Department with support documentation no later than 60 days after the termination date of the Contract in order to remain in compliance with Contract and eligible for future funding. The Department shall not be obligated to pay for costs incurred or performances rendered after the termination date of a Contract; and

(12) For costs associated with insurance policies, including title policies and homeowner's insurance policies charged as Activity costs, evidence of payment of the cost must be submitted with the retainage request.

## **SUBCHAPTER E TENANT-BASED RENTAL ASSISTANCE PROGRAM**

### **§23.50 Tenant-Based Rental Assistance (TBRA) General Requirements**

(a) Households assisted under the general set-aside must participate in a self-sufficiency program, as described in the Administrator's policies and procedures.

(b) The amount of assistance will be determined using the HUD Housing Choice Voucher method.

(c) Late fees are not an eligible HOME cost. Late fees incurred for the subsidy portion of rent must be paid by the Administrator from a non-HOME funding source.

(c) A Household certifying to zero income must also complete a questionnaire that includes a series of questions regarding how basic hygiene, dietary, transportation, and other living needs are met.

(d) The minimum Household contribution toward gross monthly rent must be ten percent of the Household's adjusted monthly income. The maximum Household contribution toward gross monthly rent at initial occupancy is limited to 40 percent of the Household's gross monthly income.

(e) Activity funds are limited to:

(1) Rental subsidy: Each rental subsidy term is limited to no more than 24 months. Total lifetime assistance to a Household may not exceed 36 months cumulatively, except that a maximum of 24 additional months of assistance, for a total of 60 months cumulatively may be approved if:

(A) the Household has applied for a Section 8 Housing Choice Voucher, HUD Section 811 Supportive Housing for Persons with Disabilities, HUD Section 811 Project Rental Assistance Demonstration, or HUD Section 202 Supportive Housing for the Elderly Program, and is placed on a waiting list during their TBRA participation tenure; and

(B) the Household has not been removed from the waiting list for the Section 8 Housing Choice Voucher, HUD Section 811 Supportive Housing for Persons with Disabilities, HUD Section 811 Project Rental Assistance Demonstration, or HUD Section 202 Supportive Housing for the Elderly Program due to failure to respond to required notices or other ineligibility factors; or

(C) the Administrator submits documentation evidencing that:

(i) no Public Housing Authority within a 50 mile radius of the Household's address during their participation in TBRA has opened their waitlist during the term of the Household's participation in TBRA, or has excluded the Household's application for placement on the waiting list for any reason other than eligibility or failure to respond to required notices, such as a randomized drawing of applications that may be placed on the waitlist; and

(ii) no waiting list was opened during the term of the Household's participation in TBRA for any HUD Section 811 Supportive Housing for Persons with Disabilities, HUD Section 811 Project Rental Assistance Demonstration, or HUD Section 202 Supportive Housing for the Elderly Program located within a 50 mile radius of the Household's address during their participation in TBRA; or

(iii) the Household is not eligible for placement on a waiting list for any HUD Section 811 Supportive Housing for Persons with Disabilities, HUD Section 811 Project Rental Assistance Demonstration, or HUD Section 202 Supportive Housing for the Elderly Program located within a 50 mile radius of the Household's address during their participation in TBRA; and

(D) the Household has not been denied participation in the Section 8 Housing Choice Voucher, HUD Section 811 Supportive Housing for Persons with Disabilities, HUD Section 811 Project Rental Assistance Demonstration, or HUD Section 202 Supportive Housing for the Elderly Program while they were being assisted with HOME TBRA; and

(E) the Household did not refuse to participate in the Section 8 Housing Choice Voucher, HUD Section 811 Supportive Housing for Persons with Disabilities, HUD Section 811 Project Rental Assistance Demonstration, or HUD Section 202 Supportive Housing for the Elderly Program when a voucher was made available.

(2) Security deposit: no more than the amount equal to two month's rent for the unit.

(3) Utility deposit in conjunction with a TBRA rental subsidy.

(f) The payment standard is determined at the Date of Assistance. The payment standard utilized by the Administrator must be:

(1) The U.S. Department of Housing and Urban Development (HUD) published Small Area Fair Market Rent (SAFMR) for any area in which a SAFMR is available. In areas where an SAFMR is not published by HUD, the payment standard must be the HUD-published Fair Market Rent (FMR) for the county. HUD-published SAFMRs and FMRs will become effective for the HOME Program on January 1 of each year following publication;

(2) For a HOME-assisted unit, the current applicable HOME rent; or

(3) The Administrator may submit a written request to the Department for approval of a different payment standard. The request must be evidenced by a market study or documentation that the PHA serving the market area has adopted a different payment standard. An Administrator may request a Reasonable Accommodation as defined in §1.204 of this Title for a specific Household if the Household, because of a disability, requires the features of a specific unit, and units with such features are not available in the Service Area at the payment standard.

(g) Administrator must not approve a unit if the owner is by consanguinity, affinity, or adoption the parent, child, grandparent, grandchild, sister, or brother of any member of the assisted Household, unless the Administrator determines that approving the unit would provide Reasonable Accommodation for a Household member who is a Person with Disabilities. This restriction against Administrator approval of a unit only applies at the time the Household initially receives assistance under a Contract or Agreement, but does not apply to Administrator approval of a recertification with continued tenant-based assistance in the same unit.

(h) Administrators must maintain Written Policies and Procedures established for the HOME Program in accordance with §10.802 of this Title, except that where the terms Owner, Property, or Development are used Administrator or Program will be substituted, as applicable. Additionally, the procedures in subsection (j) of this section (relating to the Violence Against Women Act (if in conflict with the provisions in §10.802 of this Title) will govern).

(i) Administrators serving a Household under a Reservation Agreement may not issue a Certificate of Eligibility to the Household prior to reserving funds for the Activity without prior written consent of the Department.

(j) Administrators are required to comply with regulations and procedures outlined in the Violence Against Women Act (VAWA), and provide tenant protections as established in the Act.

(1) An Administrator of Tenant-Based Rental Assistance must provide all Applicants (at the time of admittance or denial) and Households (before termination from the Tenant-Based Rental Assistance program or from the dwelling assisted by the Tenant-Based Rental Assistance Coupon Contract) the Department's "Notice of Occupancy Rights under the Violence Against Women Act", (based on HUD form 5380) and also provide to Households "Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking" (HUD form 5382) prior to execution of a Rental Coupon Contract and before termination of assistance from the Tenant-Based Rental Assistance program or from the dwelling assisted by the Tenant-Based Rental Assistance coupon contract.

(2) Administrator must notify the Department within three days when tenant submits a Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking and/or alternate documentation to Administrator and must submit a plan to Department for continuation or termination of assistance to affected Household members.

(3) Notwithstanding any restrictions on admission, occupancy, or terminations of occupancy or assistance, or any Federal, State or local law to the contrary, Administrator may "bifurcate" a rental coupon contract, or otherwise remove a Household member from a rental coupon contract, without regard to whether a Household member is a signatory, in order to evict, remove, terminate occupancy rights, or terminate assistance to any individual who is a recipient of TBRA and who engages in criminal acts of physical violence against family members or others. This action may be taken without terminating assistance to, or otherwise penalizing the person subject to the violence.

#### **§23.51 Tenant-Based Rental Assistance (TBRA) Administrative Requirements**

(a) Commitment or Reservation of Funds. The Administrator must submit the documents described in paragraphs (1) - (10) of this subsection, with a request for the Commitment or Reservation of Funds:

(1) Head of Household name and address of housing unit for which assistance is being requested;

(2) A budget that includes the amount of Direct Activity Costs, Activity soft costs, administrative costs requested, Match to be provided, evidence that Direct Activity Cost limitations are not exceeded, and evidence that any duplication of benefit is addressed;

(3) Verification of environmental clearance;

(4) A copy of the Household's intake application on a form prescribed by the Department;

(5) Certification of the income eligibility of the Household signed by the Administrator, and all Household members age 18 or over, and including the date of the income eligibility determination. Administrator must submit documentation used to determine the income and rental subsidy of the Household;

(6) Identification of Lead-Based Paint (LBP);

(7) If applicable, documentation to address or resolve any potential conflict of interest or duplication of benefit;

(8) Project address within 90 days of preliminary set up approval, if applicable;

(9) For Households assisted under the Disaster set-aside, verification that the household was displaced or is at-risk of displacement as a direct result of a Federal, State, or Locally declared disaster approved by the Department within four years of the date of Activity submission; and

(10) Any other documentation necessary to evidence that the Activity meets the program requirements.

(b) Disbursement of funds. The Administrator must comply with all of the requirements described in paragraphs (1) - (7) of this subsection for a request for disbursement of funds. Submission of documentation related to the Administrator compliance with requirements described in paragraphs (1) - (7) of this subsection may be required with a request for disbursement:

(1) If required or applicable, a maximum of 50 percent of Direct Activity Costs for an Activity may be drawn before providing evidence of Match. Thereafter, each Administrator must provide evidence of Match, including the date of provision, in accordance with the percentage of Direct Activity Costs disbursed;

(2) Certification that its fiscal control and fund accounting procedures are adequate to assure the proper disbursement of, and accounting for, funds provided, no Person that would benefit from the award of HOME funds has satisfied the Applicant's cash reserve obligation or made promises in connection therewith; that each request for disbursement of HOME funds is for the actual cost of providing a service and that the service does not violate any conflict of interest provisions;

(3) Expenditures must be allowable and reasonable in accordance with federal, state, and local rules and regulations. The Department shall determine the reasonableness of each expenditure submitted for reimbursement. The Department may request Administrator to make modifications to the disbursement request and is authorized to modify the disbursement procedures set forth herein and to establish such additional requirements for payment of HOME funds to the Administrator or Developer as may be necessary or advisable for compliance with all Program Requirements;

(4) With the exception of a maximum of 25 percent of the total funds available for administrative costs, the request for funds for administrative costs must be proportionate to the amount of Direct Activity Costs requested or already disbursed;

(5) Monthly subsidy may not be requested earlier than the tenth day of the month prior to the upcoming subsidized month;

(6) For final disbursement requests, submission of documentation required for Activity completion reports; and

(7) The final request for disbursement must be submitted to the Department with support documentation no later than 60 days after the termination date of the Contract in order to remain in compliance with Contract and eligible for future funding. The Department shall not be obligated to pay for costs incurred or performances rendered after the termination date of a Contract.

## **SUBCHAPTER F SINGLE FAMILY DEVELOPMENT PROGRAM**

### **§23.60 Single Family Development (SFD) General Requirements**

(a) Program funds under this subchapter may be used for the Development of new single family housing for homeownership that complies with affordability requirements as defined at 24 CFR §92.254. Direct Activity Costs, exclusive of Match funds, are limited to the amounts described in § 23.27, Project Cost Limitations.

(b) In addition to the requirements of Chapter 1, Subchapter B of this Title and Subchapter B of this Chapter, Applicants for an award of Single Family Development funds must submit a proposed development plan. The proposed development plan must be consistent with the requirements of this Chapter, all other federal and state rules, and include:

(1) a floor plan and front exterior elevation for each proposed unit which reflects the exterior building composition;

(2) a FEMA Issued Flood Map that identifies the location of the proposed site(s);

(3) letters from local utility providers, on company letterhead, confirming each site has access to the following services: water and wastewater, sewer, electricity, garbage disposal and natural gas, if applicable;

(4) documentation of site control of each proposed lot: A recorded warranty deed with corresponding executed settlement statement; or a contract or option for the purchase of the proposed lots that is valid for at least 180 days from the date of application submission; and

(5) an "as vacant" appraisal of at least one of the proposed lots if the Applicant has an Identity of Interest with the seller or current owner of the property; or any of the proposed property is part of a newly developed or under-development subdivision in which at least three other third-party sales cannot be evidenced. The purchase price of any lot in which the current owner has an Identity of Interest must not exceed the appraised value of the vacant lot at the time of Activity submission. The appraised value of the lot may be included in the sales price for the homebuyer transaction.

(6) The Department may prioritize Applications or otherwise incentivize Applications that partner with other lenders to provide permanent purchase money financing for the purchase of Single Family Housing Units developed with funds provided under this subchapter.

(c) Program funds under this subchapter are only eligible to be administered by a CHDO certified as such by the Department if administered utilizing the CHDO set-aside. A separate grant for CHDO operating expenses may be awarded to CHDOs that receive a Contract award if funds are provided for this purpose in the NOFA. A CHDO may not receive more than one grant of CHDO operating funds in an amount not to exceed \$50,000 within any one year period, and may not draw more than \$25,000 in CHDO operating funds in any twelve month period from any source, including CHDO operating funds from other HOME Participating Jurisdictions.

(d) Direct Activity Cost are limited to the costs described in § 23.27, Project Cost Limitations.

(e) Developer fees (including consulting fees) are limited to 15 percent of the total hard construction costs. The developer fee will be reduced by one percent per month or partial month that the construction period exceeds the original term of the construction period financing.



(f) General Contractor Fees are limited to 15 percent of the total hard construction costs. The General Contractor is defined as one who contracts for the construction of an entire development Activity, rather than a portion of the work. The General contractor hires subcontractors, such as plumbing contractors, electrical contractors, etc., coordinates all work, and is responsible for payment to the subcontractors. A prime subcontractor will also be treated as a General Contractor, and any fees payable to the prime subcontractor will be treated as fees to the General Contractor, in the scenarios described in paragraphs (1) and (2) of this subsection:

(1) Any subcontractor, material supplier, or equipment lessor receiving more than 50 percent of the contract sum in the construction contract will be deemed a prime subcontractor; or

(2) If more than 75 percent of the contract sum in the construction contract is subcontracted to three or fewer subcontractors, material suppliers, and equipment lessors, such parties will be deemed prime subcontractors.

(g) Construction period financing for each unit shall be structured as a zero percent interest loan with a 12-month term. The maximum construction loan amount may not exceed the total development cost less developer fees/profit, closing costs associated with the permanent mortgage financing, and ineligible Activity costs. Prior to construction loan closing, a sales contract must be executed with a qualified homebuyer.

(h) In the instance that the total development cost equals more than 100 percent of the appraised value, the portion of the development cost that exceeds 100 percent of the appraised value will be granted to the developer to buy down the purchase price. Reasonable and customary seller closing costs may be provided with HOME funds as a grant to the Developer.

(i) Direct assistance to the buyer will be structured as a first and/or second lien loan(s):

(1) A first-lien, fully amortizing, repayable loan with a 30-year term may be provided by the Department and will initially be evaluated at zero percent interest. The loan amount will not exceed the total development cost combined with reasonable and customary buyer's closing costs. Should the estimated housing payment, including all funding sources, be less than the minimum required housing payment for the minimum term, the Department may charge an interest rate to the homebuyer such that the total estimated housing payment is no less than the required minimum housing payment. In no instance shall the interest rate charged to the homebuyer exceed five percent, and such result may deem the applicant as overqualified for assistance.

(A) The total Mortgage Loan may include costs incurred for the total development cost and Mortgage Loan Closing Costs, exclusive of Match funds.

(B) The total Debt-to-Income Ratio shall not exceed the limitations set forth in Chapter 20 of this Title.

(C) For buyers whose income is equal to or less than 50 percent AMFI, the minimum required housing payment shall be no less than 15 percent of the household's gross income. For homebuyers whose income exceeds 50 percent AMFI, the minimum required housing payment shall be no less than 20 percent of the household's gross income.

(2) Downpayment and closing costs assistance is limited to the lesser of downpayment required by a third-party lender and reasonable and customary buyer's closing costs, or the amount required to ensure affordability of the HOME financing. Downpayment and closing cost assistance may not exceed ten percent of the total development cost and shall be structured as a five or ten-year deferred, forgivable loan with a subordinate lien, in accordance with the required federal affordability period.

(3) A first lien conventional mortgage not provided by the Department must meet the mortgage financing requirements outlined in Chapter 20 of this Title.

(j) Earnest money is limited to no more than \$1,000, which may be credited to the homebuyer at closing, but may not be reimbursed as cash.

(k) If a Household should become ineligible or otherwise cease participation and a replacement Household is not located within 90 days of the end of the construction period, all additional funding, closings, and draws on the award will cease and the Department will require the Applicant to repay any outstanding construction debt in full.

(l) The Division Director may approve the use of alternative floor plans or lots from those included in the approved Application, provided the requirements of this section can still be met and such changes do not materially affect the total budget.

(m) To ensure affordability, the Department will impose resale or recapture provisions established in this Chapter.

### **§23.61 Single Family Development (SFD) Administrative Requirements**

(a) Commitment or Reservation of Funds. The Administrator must submit true and correct information, certified as such, with a request for the Commitment of Funds as described in paragraphs (1) - (12) of this subsection:

(1) Head of Household name and address of housing unit for which assistance is being requested;

(2) A budget that includes the amount of Activity funds specifying the acquisition cost, construction costs, contractor fees, and developer fees, as applicable. A maximum of five percent of hard construction costs for contingency items, proposed Match to be provided, evidence that Activity Cost limitations are not exceeded, and evidence that any duplication of benefit is addressed;

(3) Verification of environmental clearance;

(4) A copy of the Household's intake application on a form prescribed by the Department;

(5) Certification of the income eligibility of the Household signed by the Administrator and all Household members age 18 or over, and including the date of the income eligibility determination. All documentation used to determine the income of the Household must be provided;

(6) Project cost estimates, construction contracts, and other construction documents necessary, in the Department's sole determination, to ensure applicable property standard requirements will be met at completion;

(7) Identification of Lead-Based Paint (LBP) if site remediation is needed;

(8) Executed sales contract and documentation that the first lien mortgage meets the eligibility requirements;

(9) Evidence that the housing unit will be located outside the 100-year floodplain;

(10) If applicable, documentation to address or resolve any potential conflict of interest, Identity of Interest, duplication of benefit, or floodplain mitigation;

(11) Appraisal, which includes post construction improvements; and

(12) Any other documentation necessary to evidence that the Activity meets the program requirements.

(b) Construction Loan closing. The Administrator must submit the documents described in paragraphs (1) - (2) of this subsection, with a request for the preparation of loan closing with the request for the Commitment of Funds:

(1) A title commitment to issue a title policy that evidences the property will transfer with no tax lien, child support lien, mechanic's or materialman's lien or any other restrictions or encumbrances that impair the good and marketable nature of title to the ownership interest and that the definition of Homeownership will be met. The effective date of the title commitment must be no more than 60 days prior to the date of project submission. Commitments that expire prior to execution of closing must be updated at closing and must not have any adverse changes in order to close; and

(2) Within 90 days after the loan closing date, the Administrator must submit to the Department the original recorded deed of trust and transfer of lien, if applicable. Failure to submit these documents within 90 days after the loan closing date will result in the Department withholding payment for disbursement requests.

(c) Disbursement of funds. The Administrator must comply with the requirements described in paragraphs (1) - (11) of this subsection, for a request for disbursement of funds to reimburse eligible costs incurred. Submission of documentation related to the Administrator compliance with requirements described in paragraphs (1) - (11) of this subsection may be required with a request for disbursement:

(1) For construction costs, an interim construction binder advance endorsement not older than the date of the last disbursement of funds or 45 days, whichever is later. For release of retainage a down date endorsement to the mortgagee policy issued to the homebuyer dated at least 40 days after the Construction Completion Date;

(2) If required or applicable, a maximum of 50 percent of Direct Activity Costs for an Activity may be drawn before providing evidence of Match. Thereafter, each Administrator must provide evidence of Match, including the date of provision, in accordance with the percentage of Activity funds disbursed;

(3) Property inspections, including photographs of the front, back, and side elevations of the housing unit and at least one picture of each of the kitchen, family room, each bedroom and each bathroom with date and property address reflected on each photo. The inspection must be signed and dated by the inspector and Administrator or Developer;

(4) Certification that its fiscal control and fund accounting procedures are adequate to assure the proper disbursement of, and accounting for, funds provided, no Person that would benefit from the award of HOME funds has provided a source of Match or has satisfied the Applicant's cash reserve obligation or made promises in connection therewith; that each request for disbursement of HOME funds is for the actual cost of providing a service and that the service does not violate any conflict of interest provisions;

(5) Original, executed, legally enforceable loan documents containing remedies adequate to enforce any applicable affordability requirements. Original documents must evidence that such agreements have been recorded in the real property records of the county in which the housing unit is located and the original documents must be returned, duly certified as to recordation by the appropriate county official;

(6) Expenditures must be allowable and reasonable in accordance with federal, state, and local rules and regulations. The Department shall determine the reasonableness for expenditures submitted for reimbursement. The Department may request Administrator or Developer to make modifications to the disbursement request and is authorized to modify the disbursement procedures set forth herein and to

establish such additional requirements for payment of HOME funds to Administrator or Developer as may be necessary or advisable for compliance with all Program Requirements;

(7) Table funding requests must be submitted to the Department with complete documentation no later than 14 days prior to the anticipated loan closing date. Such a request must include a draft settlement statement, title company payee identification information, the Administrator or Developer's authorization for disbursement of funds to the title company, request letter from title company to the Comptroller of Public Accounts with bank account wiring instructions, and invoices for costs being paid at closing;

(8) Include the withholding of ten percent of hard construction costs for retainage. Retainage will be held until at least 40 days after the Construction Completion Date;

(9) For final disbursement requests, submission of documentation required for Activity completion reports;

(10) The final request for disbursement must be submitted to the Department with support documentation no later than 60 days after the termination date of the Contract in order to remain in compliance with Contract and eligible for future funding. The Department shall not be obligated to pay for costs incurred or performances rendered after the termination date of a Contract; and

(11) For costs associated with insurance policies, including title policies and homeowner's insurance policies, charged as Activity costs, evidence of payment of the cost must be submitted with the retainage request.

## **SUBCHAPTER G HOMEBUYER ASSISTANCE WITH NEW CONSTRUCTION (HANC)**

### **§23.70 Homebuyer Assistance with New Construction (HANC) General Requirements**

(a) Eligible Activities must meet the ownership requirement in paragraph (1) of this subsection and an Activity described in paragraph (2) of this subsection:

(1) Ownership requirement. A site must be owned by the beneficiary or the HOME Activity must include one of the two following Activities:

(A) Acquisition of existing single family housing or a parcel; or

(B) Refinance of non-owner occupied real property parcel not prohibited for single family housing by zoning or restrictive covenants.

(2) All Activities must include New Construction of a unit of single family housing not occupied by the Household prior to assistance; New Construction described in this subsection includes the purchase and installation of a new unit of Manufactured Housing (MHU).

(b) The unit of housing in any of the Activities described in subsection (a) of this section must be occupied by the assisted Household as their principal residence for a minimum of 15 years from the Construction Completion Date.

(c) If the assisted property is owned by the Household prior to participation, the Household must be current on any existing Mortgage Loans and taxes, and the property cannot have any existing home equity loan liens. HOME funds may not be utilized to refinance loans made or insured by any federal program.

(d) Total Project costs, exclusive of Match funds, are limited to the amounts described in §23.27, -Project Cost Limitations.

(e) Homebuyers may choose to obtain financing for the acquisition or construction, or any combination thereof, from a third-party lender so long as the loan meets the requirements of §20.13 of this Title (relating to Loan, Lien and Mortgage Requirements for Activities).

(f) Direct assistance will be structured as a fully amortizing, repayable loan and will initially be evaluated at zero percent interest. The minimum loan term shall be equal to the required federal affordability period based on the HOME investment, and shall be calculated by setting the total estimated housing payment (including principal, interest, property taxes, insurance, and any other homebuyer assistance), equal to at least the minimum required housing payment. Should the estimated housing payment, including all funding sources, be less than the minimum required housing payment for the minimum term, the Department may charge an interest rate to the homebuyer such that the total estimated housing payment is no less than the required minimum housing payment. In no instance shall the interest rate charged to the homebuyer exceed five percent and such result may deem the applicant as overqualified for assistance. The term shall not exceed 30 years and not be less than 15 years.

(1) The total Mortgage Loan may include costs incurred for Acquisition or Refinance, Mortgage Loan closing costs, and Direct Activity Costs, exclusive of Match funds.

(2) The total Debt-to-Income Ratio shall not exceed the limitations set forth in Chapter 20 of this Title.

(3) For buyers whose income is equal to or less than 50 percent AMFI, the minimum required housing payment shall be no less than 15 percent of the household's gross income. For homebuyers whose income

exceeds 50 percent AMFI, the minimum required housing payment shall be no less than 20 percent of the household's gross income.

(g) Earnest money may be credited to the homebuyer at closing, but may not be reimbursed as cash. HOME funds may be used to pay other reasonable and customary closing costs that are HOME eligible costs.

(h) To ensure affordability, the Department will impose recapture provisions established in this Chapter.

### **§23.71 Homebuyer Assistance with New Construction (HANC) Administrative Requirements**

(a) Commitment or Reservation of Funds. The Administrator must submit the true and complete information, certified as such, with a request for the Commitment or Reservation of Funds as described in paragraphs (1) - (15) of this subsection:

(1) Head of Household name and address of housing unit for which assistance is being requested;

(2) A budget that includes the amount of Activity funds specifying the acquisition costs, construction costs, soft costs and administrative costs requested, a maximum of five percent of hard construction costs for contingency items, proposed Match to be provided, evidence that Direct Activity Cost and Soft Cost limitations are not exceeded, and evidence that any duplication of benefit is addressed;

(3) Verification of environmental clearance from the Department;

(4) A copy of the Household's intake application on a form prescribed by the Department;

(5) Certification of the income eligibility of the Household signed by the Administrator and all Household members age 18 or over, and including the date of the income eligibility determination. All documentation used to determine the income of the Household must be provided;

(6) Project cost estimates, construction contracts, and other construction documents necessary to ensure applicable property standard requirements will be met at completion;

(7) Identification of any Lead-Based Paint (LBP) if activity involves an existing unit and certification that LBP will be mitigated as required by 24 CFR §92.355;

(8) Evidence that the housing unit will be located outside of the 100-year floodplain;

(9) If applicable, documentation to address or resolve any potential conflict of interest, Identity of Interest, or duplication of benefit;

(10) Information necessary to draft Mortgage Loan documents, including issuance of an SOL;

(11) Life event documentation, as applicable, and all information necessary to prepare any applicable affidavits such as marital status and heirship;

(12) Documentation of homebuyer completion of a homebuyer counseling program/class provided by a HUD certified housing counselor;

(13) For Activities involving acquisition of real property:

(A) A title commitment to issue a title policy that evidences that the property will transfer with no tax lien, child support lien, mechanics or materialman's lien or any other restrictions or encumbrances that impair the good and marketable nature of title to the ownership interest and that the definition of Homeownership will be met. The effective date of the title commitment must be no more than 60 days

prior to the date of project submission. Commitments that expire prior to execution of closing must be updated at closing and must not have any adverse changes in order to close;

(B) Executed sales contract; and

(C) A loan estimate or letter from any other lender confirming that the loan terms and closing costs will be consistent with the executed sales contract, the first lien Mortgage Loan requirements, and the requirements of this Chapter;

(14) For Activities that do not involve acquisition of real property:

(A) A title commitment or policy, or a down date endorsement to an existing title policy, and the actual documents, or legible copies thereof, establishing the Household's ownership, such as a warranty deed or ground lease for a 99-year leasehold. The effective date of the title commitment must be no more than 60 days prior to the date of project submission. Title commitments for loan projects that expire prior to the loan closing date must be updated and must not have any adverse changes. These documents must evidence the definition of Homeownership is met;

(B) A tax certificate that evidences a current paid status;

(C) Written consent from all Persons who have a valid lien or ownership interest in the Property;

(D) Consent to demolish from any existing Mortgage Loan lien holders and consent to subordinate to the Department's loan, if applicable; and

(15) Any other documentation necessary to evidence that the Activity meets the Program requirements.

(b) Loan closing. In addition to the documents required under subsection (a) of this section, the Administrator must submit the appraisal or other valuation method approved by the Department which establishes the post construction value of improvements prior to the issuance of loan documents by the Department.

(c) Disbursement of funds. The Administrator must comply with all of the requirements described in paragraphs (1) -(11) of this subsection, for a request for disbursement of funds to reimburse eligible costs incurred. Submission of additional documentation related to the Administrator's compliance with requirements described in paragraphs (1) -(11) of this subsection, may be required with a request for disbursement:

(1) For construction costs that are part of a loan subject to the requirements of this subsection, a down date endorsement to the title policy not older than the date of the last disbursement of funds or 45 days, whichever is later, is required. For release of retainage, the down date endorsement must be dated at least 40 days after the Construction Completion Date;

(2) If applicable, a maximum of 50 percent of Activity funds for an Activity may be drawn before providing evidence of Match. Thereafter, each Administrator must provide evidence of Match, including the date of provision, in accordance with the percentage of Activity funds disbursed;

(3) Property inspections, including photographs of the front, back, and side elevations of the housing unit and at least one picture of each of the kitchen, family room, each bedroom, and each bathroom with date and property address reflected on each photo, are required to be submitted. The inspection must be signed and dated by the inspector and Administrator;

(4) Certification of the following is required:

- (A) That its fiscal control and fund accounting procedures are adequate to assure the proper disbursal of, and accounting for, funds provided;
  - (B) That no Person that would benefit from the award of HOME funds has satisfied the Applicant's cash reserve obligation or made promises in connection therewith;
  - (C) That each request for disbursement of HOME funds is for the actual cost of providing a service; and
  - (D) That the service does not violate any conflict of interest provisions;
- (5) Original, fully executed, legally enforceable loan documents for each assisted Household containing remedies adequate to enforce any applicable affordability requirements are required. Certified copies of fully executed, recorded loan documents that are required to be recorded in the real property records of the county in which the housing unit is located must be returned to the Department, duly certified as to recordation by the appropriate county official. This documentation prior to disbursement is not applicable for funds made available at the loan closing;
- (6) Expenditures must be allowable and reasonable in accordance with federal, state, and local rules and regulations. The Department shall determine the reasonableness for expenditures submitted for reimbursement. The Department may request Administrator to make modifications to the disbursement request and is authorized to modify the disbursement procedures set forth herein and to establish such additional requirements for payment of HOME funds to Administrator as may be necessary or advisable for compliance with all program requirements;
- (7) The request for funds for administrative costs must be proportionate to the amount of Direct Activity Costs requested or already disbursed;
- (8) Disbursement requests must include the withholding of ten percent of hard construction costs for retainage. Retainage will be held until at least 40 days after the Construction Completion Date;
- (9) For final disbursement requests, the following is required:
- (A) Submission of documentation required for Activity completion reports and evidence that the demolition or, if an MHU, salvage and disposal of all dilapidated housing units on the lot;
  - (B) Certification or other evidence acceptable to Department that the replacement house, whether site-built or MHU, was constructed or placed on and within the same lot for which ownership was established and on and within the same lot secured by the loan; and
  - (C) A final appraisal of the property after completion of improvements;
- (10) The final request for disbursement must be submitted to the Department with support documentation no later than 60 days after the termination date of the Contract in order to remain in compliance with the Contract and eligible for future funding. The Department shall not be obligated to pay for costs incurred or performances rendered after the termination date of a Contract; and
- (11) For costs associated with insurance policies, including title policies and homeowner insurance policies charged as Activity costs, evidence of payment of the cost must be submitted with the retainage request.





Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

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**File #: 916**

**Agenda Date: 2/6/2025**

**Agenda #: 8.**

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Media Analysis and Outreach Report, December 2024

**Report follows this page.**



## TDHCA Outreach and Media Analysis, December 2024

A compilation of TDHCA media analysis designed to enhance the awareness of TDHCA programs and services among key stakeholder groups and the general public, and outreach activities, such as trainings and webinars. The following is an analysis of print, online and broadcast news, and social media reporting for the time period of December 1-31, 2024 (news articles that specifically mentioned TDHCA generally or along with Department programs).

Total number of articles referencing TDHCA: 44

Breakdown by Medium:<sup>1</sup>

- Print: 6 (Editorials/Columnists = 3)
- Broadcast: 29
- Trade, Government or Internet-Based Publications: 9

Figure 1 News Tone

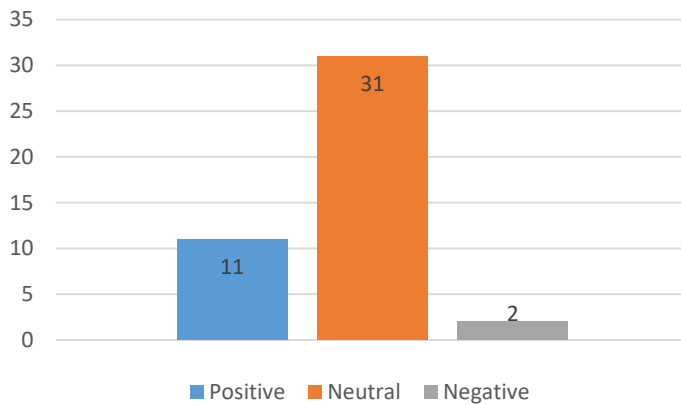
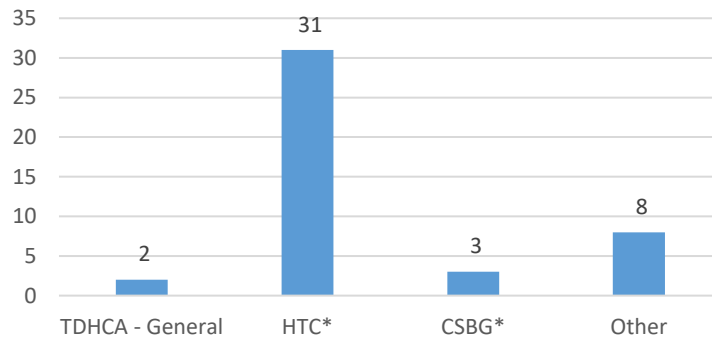
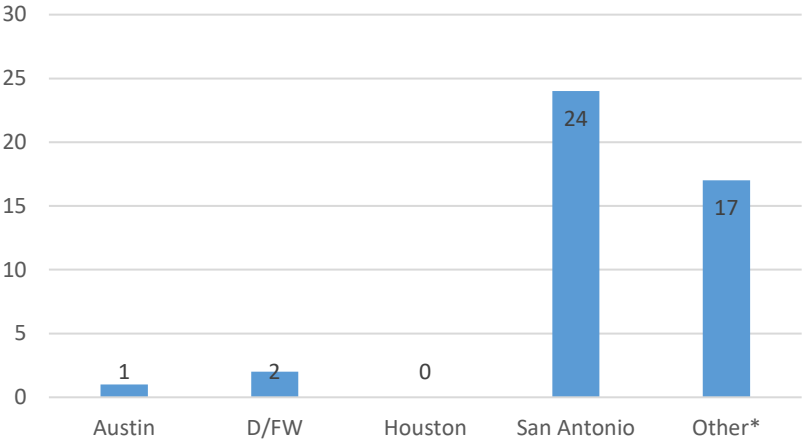


Figure 2 News Topic<sup>2</sup>



<sup>1</sup> Broadcast numbers may represent times in which TDHCA was referenced on a television or radio station's website, rather than in a broadcast segment. <sup>2</sup> News Topics: Programs include Housing Tax Credit, Community Service Block Grant.

Figure 3 Media Market



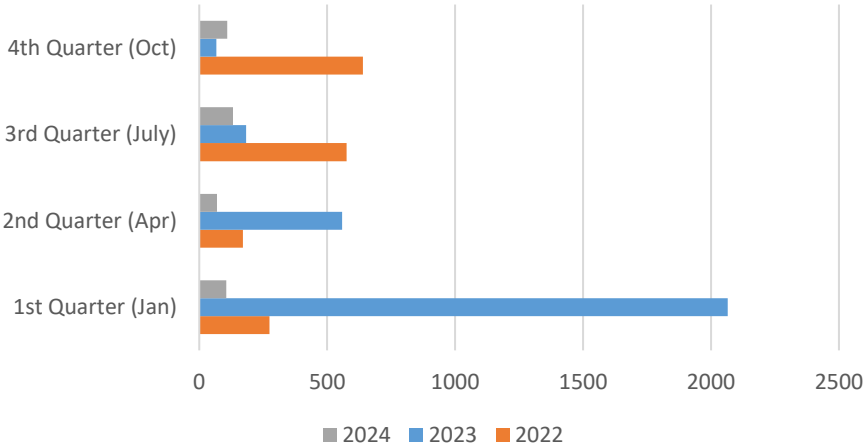
**Summary:**

Reporting on TDHCA activities by the news media totaled 44 references in December 2024. References related to development projects across Texas financed through TDHCA’s Housing Tax Credit Programs dominated the news cycle, including a broadcast news story that ran multiple times during a two-day period. The story was related to a San Antonio development that did not receive HTCs.

News mentions during the month were higher than December 2023 (23 total).


The following table illustrates the number of news mentions during each month or quarter of 2024 compared to 2023 and 2022. For the fourth quarter of 2024 (October-December), total news mentions tracked higher (109 total) compared to the number of mentions during the same timeframe of 2023 (67 total), but lower than 2022 (639 total). Please note, some pandemic-related programs for which TDHCA had oversight were still operating and accepting applications the previous two years. For 2024, total news mentions equaled 416.

TDHCA News Trends




### Social media:

Through December 2024, TDHCA has 3,671 followers to its X (formerly known as Twitter) account and 7,648 fans to its Facebook page. TDHCA's YouTube channel had 3,705 views in December. The following is a summary analysis of TDHCA's efforts to inform stakeholders and the public on federal and state resources, initiatives, and programs.

					
Month/Yr	Posts	Clicks	Engagements	Shared posts	Reactions
January 2024	13	19	27	3	20
February 2024	50	0	29	3	23
March 2024	51	7	14	3	11
April 2024	67	8	5	2	75
May 2024	48	14	Approx. 136	43	93
June 2024	66	0	Approx. 109	12	97
July 2024	112	0 (no longer supported)*	Approx. 347	137	191
August 2024	16	0 (no longer supported)*	Approx. 32	4	23
Sept. 2024	53	0 (no longer supported)*	Approx. 61	1	58
Oct. 2024	70	0 (no longer supported)*	Approx. 96	5	85
Nov. 2024	71	0 (no longer supported)*	Approx. 78	1	76
Dec. 2024	68	0 (no longer supported)*	Approx. 59	0	57

\* Clicks = number of times an individual clicked on a link provided in a post; however, FB only tracks clicks for posts that reach a minimum engagement level of 30. Engagements = any action a person takes on our post including shares, comments and reactions.

					
Month/Yr	Tweets	Clicks	Engagements	Retweets	Liked posts
January 2024	15	8	14	5	7
February 2024	52	12	15	2	10
March 2024	52	3	14	1	9
April 2024	67	1	14	2	11
May 2024	49	16	18	5	12
June 2024	63	0	58	57	1
July 2024	114	3	48	9	32
August 2024	17	0	7	0	3
Sept. 2024	53	16	5	2	2
Oct. 2024	79	0	40	7	26

Nov. 2024	71	10	4	0	3
Dec. 2024	68	0	11	3	8

\* Clicks = number of times an individual clicked on a link provided in a post. Engagements = any action a person takes on our post




























Month	Views	Watch time (hours)	Avg. view duration	Avg. % viewed	Unique viewers
January 2024	9,988	909.4	5:27	14.9%	8,076
February 2024	7,234	572.3	4:44	14.8%	5,849
March 2024	6,733	490.1	4:22	13.4%	5,598
April 2024	6,058	500.4	4:57	16.0%	5,047
May 2024	5,720	440.5	4:37	14.1%	4,700
June 2024	5,426	439.5	4:51	15.1%	4,415
July 2024	5,754	470.1	4:54	16.3%	4,798
August 2024	7,395	664.9	5:23	17.4%	6,095
Sept. 2024	5,639	473.9	5:02	15.7%	4,565
Oct. 2024	6,706	536.2	4:47	16.0%	5,552
Nov. 2024	4,065	364.8	5:23	15.4%	3,339
Dec. 2024	3,705	372.6	6:02	19.5%	3,087

#### Understanding the YouTube Analytics

- **Views:** number of times your videos were viewed
- **Watch Time:** total number of hours your videos were watched by viewers
- **Average View Duration:** total watch time of your video divided by the total number of video plays, including replays. This metric measures your video's ability to engage viewers. The higher the view duration, the more engaging the videos.
- **Average Pct Viewed:** the percent of each video the average viewer watched. It measures your video's ability to hold viewers' attention for its entirety. YouTube generally rewards videos that can hold people's attention with higher search and recommendation rankings.
- **Unique viewers:** the estimated number of individuals who watch your videos over a certain period of time. It helps determine the size of our audience.

## Top 25 videos for December 2024

Content		Views ↓	Watch time (hours)	Average view duration	Average percentage viewed	Unique viewers
Duration	Publish date					
<input type="checkbox"/> <b>Total</b>		<b>3,705</b>	<b>372.6</b>	<b>6:02</b>	<b>19.5%</b>	<b>3,087</b>
<input type="checkbox"/>  3:24	Help for Texans (English)	2,170 58.6%	60.8 16.3%	1:40	49.5%	2,047 66.3%
<input type="checkbox"/>  0:52	Texas Homebuyer Program introduction	374 10.1%	4.6 1.2%	0:44	85.6%	365 11.8%
<input type="checkbox"/>  19:17	TEMAP Monthly Reporting Webinar for Part C Program...	93 2.5%	1.4 0.4%	0:52	4.5%	81 2.6%
<input type="checkbox"/>  1:42:56	Reasonable Accommodations and Accessibility – Fair ...	87 2.4%	7.4 2.0%	5:05	5.0%	82 2.7%
<input type="checkbox"/>  5:43:58	Income Determination Training Webinar - Jan. 4, 2024	58 1.6%	61.8 16.6%	1:03:53	18.6%	27 0.9%
<input type="checkbox"/>  7:07	Accessing Texas Department of Aging and Disability S...	54 1.5%	2.5 0.7%	2:44	38.5%	46 1.5%
<input type="checkbox"/>  1:47:05	Assets and the Changes from HOTMA	46 1.2%	6.5 1.8%	8:30	8.0%	41 1.3%
<input type="checkbox"/>  1:07:13	2024 Emergency Solutions Grants (ESG) Application S...	37 1.0%	4.8 1.3%	7:43	11.5%	35 1.1%
<input type="checkbox"/>  1:36:31	New Monitor Review Questionnaire / Office Hours	34 0.9%	8.3 2.2%	14:38	15.2%	31 1.0%
<input type="checkbox"/>  1:25:16	Acquisition and Rehab Funding Requirements, Office H...	28 0.8%	6.7 1.8%	14:18	16.8%	25 0.8%
<input type="checkbox"/>  2:38:56	Updated HOTMA Training - Oct. 13, 2023	28 0.8%	29.0 7.8%	1:02:13	39.2%	14 0.5%
<input type="checkbox"/>  1:35:29	Housing Opportunity Through Modernization Act of 20...	27 0.7%	8.7 2.3%	19:16	20.2%	20 0.7%
<input type="checkbox"/>  1:11:53	Fair Housing Special Topics: How to Create an Affirmat...	22 0.6%	3.7 1.0%	10:00	13.9%	19 0.6%
<input type="checkbox"/>  21:39	Improving your CEAP Process	21 0.6%	2.7 0.7%	7:34	35.0%	17 0.6%
<input type="checkbox"/>  51:36	2024 Emergency Solutions Grants (ESG) Implementati...	21 0.6%	2.0 0.6%	5:48	11.3%	16 0.5%
<input type="checkbox"/>  1:04:27	Frequently Asked Questions about Utility Allowances	21 0.6%	2.1 0.6%	5:58	9.3%	20 0.7%
<input type="checkbox"/>  2:46:29	Tax Exempt Bond Program (BOND) Training	20 0.5%	12.7 3.4%	38:12	23.0%	11 0.4%
<input type="checkbox"/>  49:00	2024 Emergency Solutions Grants ESG Implementatio...	19 0.5%	2.8 0.8%	8:52	18.1%	11 0.4%
<input type="checkbox"/>  1:34:35	Assistance Animals in Housing – Fair Housing Month ...	19 0.5%	6.1 1.6%	19:20	20.4%	18 0.6%
<input type="checkbox"/>  1:58:46	Multifamily Compliance: Online Reporting, USR and AO...	19 0.5%	2.8 0.8%	8:46	7.4%	13 0.4%
<input type="checkbox"/>  1:32:18	Let's Talk About Forms	18 0.5%	7.0 1.9%	23:22	25.3%	13 0.4%
<input type="checkbox"/>  1:25:24	Adjusted Income Webinar - Jan. 12, 2024	18 0.5%	12.5 3.4%	41:41	48.8%	8 0.3%
<input type="checkbox"/>  3:06	Fair Housing in Texas	16 0.4%	0.5 0.1%	1:54	61.4%	13 0.4%
<input type="checkbox"/>  1:45:18	Fair Housing 101: The Basics of Fair Housing in Texas	16 0.4%	3.2 0.9%	12:05	11.5%	12 0.4%
<input type="checkbox"/>  3:07	Fair Housing in Texas	16 0.4%	0.4 0.1%	1:23	44.5%	13 0.4%

### TDHCA Outreach December 2024

A compilation of outreach activities such as meetings, trainings and webinars.

<b>Department</b>	<b>Meeting Date</b>	<b>Meeting Title</b>	<b>Attendees (includes organizer)</b>
Compliance	Dec. 4	Virtual National Association of Homebuilders (NAHB) webinar for HCCP holders	159
Community Affairs/WAP	Dec. 4	In-person Procurement Training/TACAA	30
Compliance	Dec. 5	In-Person Income Determination Training	15
Community Affairs/WAP	Dec. 10	Quarterly call/Network	70
Compliance	Dec. 13	Office Hours and Monitoring Review Questionnaire Revisions training	134
Community Affairs/CEAP	Dec. 17	Virtual Training Session/ 5 subs	14
Community Affairs/CEAP	Dec. 17	Virtual Training Session/ 4 subs	10



## Texas Department of Housing and Community Affairs

### Governing Board

### Board Action Request

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**File #: 917**

**Agenda Date: 2/6/2025**

**Agenda #: 9.**

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Report on the Department's 1st Quarter Investment Report in accordance with the Public Funds Investment Act

### **BACKGROUND**

The Department's investment portfolio consists of two distinct parts. One part is related to bond funds under trust indentures that are not subject to the Public Funds Investment Act (PFIA), and the remaining portion is related to accounts excluded from the indentures but covered by the PFIA. The Department's total investment portfolio is \$3,754,381,024 of which \$3,673,628,485 is not subject to the PFIA. This report addresses the remaining \$80,752,539 (see page 1 of the Internal Management Report) in investments covered by the PFIA. These investments are deposited in the General Fund, Housing Trust Fund, Compliance, and Housing Initiative accounts, which are all held at the Texas Treasury Safekeeping Trust Company (TTSTC), primarily in the form of overnight repurchase agreements. These investments are fully collateralized and secured by U.S. Government Securities. A repurchase agreement is the daily purchase of a security with an agreement to repurchase that security at a specific price and date, which in this case was December 2, 2024, with an effective interest rate of 4.54%. These investments safeguard principal while maintaining liquidity. The overnight repurchase agreements, subject to the PFIA, earned \$957,850 in interest during the quarter.

**Below is a description of each fund group and its corresponding accounts.**

- The **General Fund** accounts maintain funds for administrative purposes to fund expenses related to the Department's ongoing operations. These accounts contain balances related to bond residuals, fee income generated from the Mortgage Credit Certificate (MCC) Program, escrow funds, single family and multifamily bond administration fees, and balances associated with the Below Market Interest Rate (BMIR) Program.
- The **State Housing Trust Fund** accounts maintain funds related to programs set forth by the Housing Trust Fund funding plan. The Housing Trust Fund provides loans and grants to finance, acquire, rehabilitate, and develop decent and safe affordable housing.
- The **Compliance** accounts maintain funds from compliance monitoring fees and asset management fees collected from multifamily developers. The number of low income units and authority to collect these fees is outlined in the individual Land Use Restriction Agreements (LURAs) that are issued to each Developer. These fees are generated for the purpose of offsetting expenses incurred by the Department related to the monitoring and administration of these properties.



- The **Housing Initiative** accounts maintain funds from fees collected from Developers in connection with the Department's Housing Tax Credit Program. The majority of fees collected are application fees and commitment fees. The authority for the collection of these fees is outlined in the Department's Multifamily Rules. These fees are generated for the purpose of offsetting expenses incurred by the Department related to the administration of the Tax Credit Program.
- The **Ending Homelessness Trust Fund** account maintains funds from donations collected from individuals through the Texas Department of Motor Vehicles in connection with the Department's Ending Homelessness Program. The authority for the collection of these donations is outlined in Tex. Transp. Code §502.415. These donations are collected and disbursed for the purpose of providing grants to counties and municipalities to combat homelessness.

This report is in the format required by the Public Funds Investment Act. It shows in detail the types of investments, their maturities, their carrying (face amount) values, and fair values at the beginning and end of the quarter. The detail for investment activity is on Pages 1 and 2.

During the 1<sup>st</sup> Quarter, as it relates to the investments covered by the PFIA, the carrying value increased by \$3,400,024 (see page 1) for an ending balance of \$80,752,539. The change is described below by fund groups.

**General Fund:** The General Fund decreased by \$862,237. This consists primarily of \$622,316 received in multifamily bond fees, \$62,657 in MCC Fees, offset by disbursements including \$1,663,784 to fund the operating budget.

**The State Housing Trust Fund:** The Housing Trust Fund increased by \$1,855,552. This consists primarily of \$1,101,598 received in loan repayments and interest earnings, \$2,087,326 from General Revenue Appropriations, offset by disbursements including \$1,280,013 for loans, grants, and escrow payments.

**Compliance:** Compliance funds decreased by \$755,825. This consists primarily of \$2,133,139 received in compliance fees offset by disbursements of \$3,049,458 transferred to fund the operating budget.

**Housing Initiative:** Housing Initiative funds increased by \$3,249,655. This consists primarily of \$5,911,042 received in fees and interest earnings related to tax credit activities offset by disbursements of \$2,667,259 transferred to fund the operating budget.

**Ending Homelessness Fund:** Ending Homelessness funds decreased by \$87,121. This consists of \$57,005 donations and interest earnings on current investment balances, offset by disbursements of \$144,064 for grants.

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
HOUSING FINANCE DIVISION**

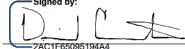
**PUBLIC FUNDS INVESTMENT ACT  
INTERNAL MANAGEMENT REPORT (SEC. 2256.023)  
QUARTER ENDING NOVEMBER 30, 2024**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
HOUSING FINANCE DIVISION  
PUBLIC FUNDS INVESTMENT ACT  
Internal Management Report (Sec. 2256.023)  
Quarter Ending November 30, 2024


		FAIR VALUE (MARKET) @ 8/31/2024	CARRYING VALUE @ 8/31/2024	ACCRETION / PURCHASES	AMORTIZATION/ SALES	MATURITIES	TRANSFERS	CARRYING VALUE @ 11/30/2024	FAIR VALUE (MARKET) @ 11/30/2024	CHANGE IN FAIR VALUE (MARKET)	ACCRUED INT RECVBL GAIN	RECOGNIZED GAIN
Investment Type												
NON-INDENTURE RELATED:												
General Fund	Repurchase Agreements	9,515,785.92	9,515,785.92	280,725.44	(1,142,962.66)	-	-	8,653,548.70	8,653,548.70	-	2,182.61	-
Housing Trust Fund	Repurchase Agreements	18,944,038.59	18,944,038.59	6,311,734.40	(4,456,181.96)	-	-	20,799,591.03	20,799,591.03	-	5,246.38	-
Compliance	Repurchase Agreements	16,254,025.73	16,254,025.73	-	(755,824.66)	-	-	15,498,201.07	15,498,201.07	-	3,908.99	-
Housing Initiatives	Repurchase Agreements	31,979,910.37	31,979,910.37	3,401,970.11	(152,315.37)	-	-	35,229,565.11	35,229,565.11	-	8,885.88	-
Ending Homelessness Trust Fund	Repurchase Agreements	658,754.47	658,754.47	-	(87,121.00)	-	-	571,633.47	571,633.47	-	144.18	-
NON-INDENTURE RELATED TOTAL		77,352,515.08	77,352,515.08	9,994,429.95	(6,594,405.65)	0.00	0.00	80,752,539.38	80,752,539.38	0.00	20,368.04	0.00

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

Per Section 2256.007(d) of the Texas Government Code, the Public Funds Investment Act:  
David Cervantes completed 5.0 hrs. of training on the Texas Public Funds Investment Act on November 13 and 14, 2023  
Scott Fletcher completed 5.0 hrs. of training on the Texas Public Funds Investment Act on June 27, 2024

Signed by:  
  
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David Cervantes  
Director of Administration

Date: January 22, 2025

DocuSigned by:  
  
01FD8B8838154AE...  
Scott Fletcher  
Director of Bond Finance

Date: January 22, 2025

Texas Department of Housing and Community Affairs  
Non-Indenture Investment Summary  
For Period Ending November 30, 2024

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 8/31/2024	Beginning Market Value 8/31/2024	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/2024	Ending Market Value 11/30/2024	Change In Market Value	Recognized Gain
Repo Agmt	General Fund	4.54	11/29/2024	12/2/2024	1,600,688.30	1,600,688.30	195,475.88	-	-	-	1,796,164.18	1,796,164.18	-	-
Repo Agmt	General Fund	4.54	11/29/2024	12/2/2024	0.02	0.02	-	-	-	-	0.02	0.02	-	-
Repo Agmt	General Fund	4.54	11/29/2024	12/2/2024	24,816.27	24,816.27	59,609.50	-	-	-	84,425.77	84,425.77	-	-
Repo Agmt	General Fund	4.54	11/29/2024	12/2/2024	1,614,054.73	1,614,054.73	-	(965,050.60)	-	-	649,004.13	649,004.13	-	-
Repo Agmt	General Fund	4.54	11/29/2024	12/2/2024	4,179,061.74	4,179,061.74	-	(177,912.06)	-	-	4,001,149.68	4,001,149.68	-	-
Repo Agmt	General Fund	4.54	11/29/2024	12/2/2024	458,587.20	458,587.20	5,599.99	-	-	-	464,187.19	464,187.19	-	-
Repo Agmt	General Fund	4.54	11/29/2024	12/2/2024	845,212.67	845,212.67	10,306.94	-	-	-	855,519.61	855,519.61	-	-
Repo Agmt	General Fund	4.54	11/29/2024	12/2/2024	792,228.73	792,228.73	9,729.34	-	-	-	801,958.07	801,958.07	-	-
Repo Agmt	General Fund	4.54	11/29/2024	12/2/2024	1,136.26	1,136.26	3.79	-	-	-	1,140.05	1,140.05	-	-
<b>General Fund Total</b>					<b>9,515,785.92</b>	<b>9,515,785.92</b>	<b>280,725.44</b>	<b>(1,142,962.66)</b>	-	-	<b>8,653,548.70</b>	<b>8,653,548.70</b>	-	-
Repo Agmt	Housing Trust Fund	4.54	11/29/2024	12/2/2024	63,619.83	63,619.83	7,698.04	-	-	-	71,317.87	71,317.87	-	-
Repo Agmt	Housing Trust Fund	4.54	11/29/2024	12/2/2024	351,177.95	351,177.95	39,055.06	-	-	-	390,233.01	390,233.01	-	-
Repo Agmt	Housing Trust Fund	4.54	11/29/2024	12/2/2024	555,490.01	555,490.01	32,368.63	-	-	-	587,858.64	587,858.64	-	-
Repo Agmt	General Revenue Appn	4.54	11/29/2024	12/2/2024	906,780.39	906,780.39	-	(195,379.81)	-	-	711,400.58	711,400.58	-	-
Repo Agmt	General Revenue Appn	4.54	11/29/2024	12/2/2024	399,861.32	399,861.32	74,685.63	-	-	-	474,546.95	474,546.95	-	-
Repo Agmt	General Revenue Appn	4.54	11/29/2024	12/2/2024	1,177,993.66	1,177,993.66	646,449.55	-	-	-	1,824,443.21	1,824,443.21	-	-
Repo Agmt	General Revenue Appn	4.54	11/29/2024	12/2/2024	751,792.92	751,792.92	-	(130,992.89)	-	-	620,800.03	620,800.03	-	-
Repo Agmt	General Revenue Appn	4.54	11/29/2024	12/2/2024	228,497.90	228,497.90	-	-	-	-	228,497.90	228,497.90	-	-
Repo Agmt	Housing Trust Fund-GR	5.28	8/30/2024	9/3/2024	234,873.75	234,873.75	-	(234,873.75)	-	-	-	-	-	-
Repo Agmt	Housing Trust Fund-GR	4.54	11/29/2024	12/2/2024	2,684,944.83	2,684,944.83	-	(490,332.23)	-	-	2,194,612.60	2,194,612.60	-	-
Repo Agmt	Housing Trust Fund-GR	4.54	11/29/2024	12/2/2024	1,466,618.00	1,466,618.00	424,418.28	-	-	-	1,891,036.28	1,891,036.28	-	-
Repo Agmt	Housing Trust Fund-GR	4.54	11/29/2024	12/2/2024	-	-	1,227,899.00	-	-	-	1,227,899.00	1,227,899.00	-	-
Repo Agmt	Bootstrap -GR	5.28	8/30/2024	9/3/2024	3,404,603.28	3,404,603.28	-	(3,404,603.28)	-	-	-	-	-	-
Repo Agmt	Bootstrap -GR	4.54	11/29/2024	12/2/2024	3,965,284.75	3,965,284.75	-	-	-	-	3,965,284.75	3,965,284.75	-	-
Repo Agmt	Bootstrap -GR	4.54	11/29/2024	12/2/2024	2,752,500.00	2,752,500.00	3,159,160.21	-	-	-	5,911,660.21	5,911,660.21	-	-
Repo Agmt	Bootstrap -GR	4.54	11/29/2024	12/2/2024	-	-	700,000.00	-	-	-	700,000.00	700,000.00	-	-
<b>Housing Trust Fund Total</b>					<b>18,944,038.59</b>	<b>18,944,038.59</b>	<b>6,311,734.40</b>	<b>(4,456,181.96)</b>	-	-	<b>20,799,591.03</b>	<b>20,799,591.03</b>	-	-
Repo Agmt	Multi Family	4.54	11/29/2024	12/2/2024	1,176,446.80	1,176,446.80	-	(58,012.91)	-	-	1,118,433.89	1,118,433.89	-	-
Repo Agmt	Multi Family	4.54	11/29/2024	12/2/2024	1,149,701.75	1,149,701.75	-	(187,314.07)	-	-	962,387.68	962,387.68	-	-
Repo Agmt	Low Income Tax Credit Prog.	4.54	11/29/2024	12/2/2024	13,927,877.18	13,927,877.18	-	(510,497.68)	-	-	13,417,379.50	13,417,379.50	-	-
<b>Compliance Total</b>					<b>16,254,025.73</b>	<b>16,254,025.73</b>	-	<b>(755,824.66)</b>	-	-	<b>15,498,201.07</b>	<b>15,498,201.07</b>	-	-
Repo Agmt	Asset Management	4.54	11/29/2024	12/2/2024	2,623,850.76	2,623,850.76	20,021.57	-	-	-	2,643,872.33	2,643,872.33	-	-
Repo Agmt	Low Income Tax Credit Prog.	4.54	11/29/2024	12/2/2024	30,000.00	30,000.00	-	-	-	-	30,000.00	30,000.00	-	-
Repo Agmt	Low Income Tax Credit Prog.	4.54	11/29/2024	12/2/2024	2,836,672.83	2,836,672.83	-	(152,315.37)	-	-	2,684,357.46	2,684,357.46	-	-
Repo Agmt	Low Income Tax Credit Prog.	4.54	11/29/2024	12/2/2024	26,112,613.62	26,112,613.62	3,377,370.73	-	-	-	29,489,984.35	29,489,984.35	-	-
Repo Agmt	Low Income Tax Credit Prog.	4.54	11/29/2024	12/2/2024	376,773.16	376,773.16	4,577.81	-	-	-	381,350.97	381,350.97	-	-
<b>Housing Initiatives Total</b>					<b>31,979,910.37</b>	<b>31,979,910.37</b>	<b>3,401,970.11</b>	<b>(152,315.37)</b>	-	-	<b>35,229,565.11</b>	<b>35,229,565.11</b>	-	-
Repo Agmt	Homelessness - HB4102	4.54	11/29/2024	12/2/2024	658,754.47	658,754.47	-	(87,121.00)	-	-	571,633.47	571,633.47	-	-
<b>Homelessness - HB4102 Total</b>					<b>658,754.47</b>	<b>658,754.47</b>	-	<b>(87,121.00)</b>	-	-	<b>571,633.47</b>	<b>571,633.47</b>	-	-
<b>Total Non-Indenture Related Investment Summary</b>					<b>77,352,515.08</b>	<b>77,352,515.08</b>	<b>9,994,429.95</b>	<b>(6,594,405.65)</b>	-	-	<b>80,752,539.38</b>	<b>80,752,539.38</b>	-	-



## Texas Department of Housing and Community Affairs

### Governing Board

### Board Action Request

**File #: 919**

**Agenda Date: 2/6/2025**

**Agenda #: 10.**

Report on the Department's 1st Quarter Investment Report relating to funds held under Bond Trust Indentures

#### **BACKGROUND**

The Department's Investment Policy excludes funds invested under a bond trust indenture for the benefit of bond holders because the trustee for each trust indenture controls the authorized investments in accordance with the requirements of that indenture. Management of assets within an indenture is the responsibility of the Trustee. This internal management report is for informational purposes only and, while not required under the Public Funds Investment Act, it is consistent with the prescribed format and detail as required by the Public Funds Investment Act. It details the types of investments, maturity dates, carrying (face amount) values, and fair market values at the beginning and end of the quarter.

Overall, the portfolio carrying value decreased by approximately \$36.7 million (see page 3), resulting in an end of quarter balance of \$3,673,628,485.

The portfolio consists of those investments described in the attached Bond Trust Indentures Supplemental Management Report.

	Beginning Quarter	Ending Quarter
Mortgage Back Securities (MBS)	82%	85%
Guaranteed Investment Contracts / Investment Agreements	1%	1%
Repurchase Agreements (Cash Equivalents)	12%	9%
Account Control Agreements (Cash Equivalents)	0%	0%
Commercial Paper	0%	0%
Municipal Bonds	0%	0%
Treasury Backed Mutual / Funds	2%	1%
Treasury Notes / Bonds / SLGs	3%	4%

The increase in percentage of MBS is due to the pooling of mortgage loans under the RMRB bond indenture. The decrease of Repurchase Agreements is due to the origination of mortgage loans and the temporary reinvestment of mortgage repayments until funds are utilized for bond debt service.

**Portfolio activity for the quarter:**

The MBS purchases this quarter were approximately \$114.1 million, due to the issuance of RMRB and multifamily bonds and the investment of proceeds in MBS.

The maturities in MBS were approximately \$28.2 million, which represent loan repayments or payoffs.

The table below shows the trend in MBS activity.

	1 <sup>st</sup> Qtr Fy24	2 <sup>nd</sup> Qtr Fy24	3 <sup>rd</sup> Qtr Fy24	4 <sup>th</sup> Qtr Fy24	1 <sup>st</sup> Qtr Fy25	Total
Purchases	\$277,050,951	\$378,233,466	\$145,860,302	\$181,385,590	\$114,144,979	\$1,096,675,288
Sales						
Maturities	\$23,898,674	\$22,728,554	\$25,521,843	\$29,322,589	\$28,275,216	\$129,746,876
Transfers						

The process of valuing investments at fair market value identifies unrealized gains and losses. These gains or losses do not impact the overall portfolio because the Department typically holds MBS investments until maturity.

The fair market value (the amount at which a financial instrument could be exchanged in a current transaction between willing parties) increased \$64.5 million (see pages 3 and 4), with fair market value less than the carrying value. The national average for a 30-year fixed rate mortgage, as reported by the Freddie Mac Primary Mortgage Market Survey as of November 27, 2024 was 6.81%, up from 6.35% at the end of August 2024. Various factors affect the fair market value of these investments, but there is a correlation between the prevailing mortgage interest rates and the change in market value.

Given the current financial environment, this change in market value is to be expected.

The ability of the Department's investments to provide the appropriate cash flow to pay debt service and eventually retire the related bond debt is of more importance than the assessed relative value in the bond market as a whole.

The more relevant measures of indenture parity are reported on page 5 in the Bond Trust Indenture Parity Comparison. This report shows parity (ratio of assets to liabilities) by indenture with assets greater than liabilities in a range from 103.19% to 104.36%, which would indicate the Department has sufficient assets to meet its obligations.

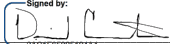
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
HOUSING FINANCE DIVISION  
PUBLIC FUNDS INVESTMENT ACT  
Internal Management Report (Sec. 2256.023)  
Quarter Ending November 30, 2024

Investment Type	FAIR VALUE (MARKET) @ 8/31/2024	CARRYING VALUE @ 8/31/2024	ACCRETION / PURCHASES	AMORTIZATION/ SALES	MATURITIES	TRANSFERS	CARRYING VALUE @ 11/30/2024	FAIR VALUE (MARKET) @ 11/30/2024	CHANGE IN FAIR VALUE (MARKET)	ACCRUED INT RECVBL GAIN	RECOGNIZED GAIN
INDENTURE RELATED:											
Single Family	1,528,446,704.15	1,552,342,115.59	10,835,695.10	(29,622,651.32)	(16,465,249.65)	-	1,517,089,909.72	1,479,017,196.45	(14,177,301.83)	6,417,190.56	-
RMRB	1,572,754,017.93	1,586,436,285.80	141,201,230.62	(120,092,305.90)	(10,141,002.70)	-	1,597,404,207.82	1,574,111,495.00	(9,610,444.95)	5,799,121.30	-
Taxable Mortgage Program	7,617,342.15	8,257,907.35	330,978.42	-	(143,964.35)	-	8,444,921.42	7,730,112.74	(74,243.48)	823,542.85	-
Multi Family	512,643,428.25	563,340,871.63	37,135,513.83	(48,261,940.98)	(1,524,998.92)	-	550,689,445.56	496,091,507.19	(3,900,494.99)	2,123,604.35	-
	3,621,461,492.48	3,710,377,180.37	189,503,417.97	(197,976,898.20)	(28,275,215.62)	0.00	3,673,628,484.52	3,556,950,311.38	(27,762,485.25)	15,163,459.06	0.00

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

Per Section 2256.007(d) of the Texas Government Code, the Public Funds Investment Act:  
David Cervantes completed 5.0 hrs. of training on the Texas Public Funds Investment Act on November 13 and 14, 2023  
Scott Fletcher completed 5.0 hrs. of training on the Texas Public Funds Investment Act on June 27, 2024


Signed by:



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24C17C0B2B74-135F-4AF7-B1D7-563CF08D0762  
David Cervantes  
Director of Administration

Date: 01/22/2025

DocuSigned by:



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D7C17C0B2B74-135F-4AF7-B1D7-563CF08D0762  
Scott Fletcher  
Director of Bond Finance

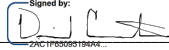

Date: 01/22/2025

**BOND FINANCE DIVISION  
BOND TRUST INDENTURES  
Supplemental Management Report  
Quarter Ending November 30, 2024**

INVESTMENT TYPE	FAIR VALUE (MARKET) @ 8/31/2024	CARRYING VALUE @ 8/31/2024	ACCRETION / PURCHASES	AMORTIZATION/ SALES	MATURITIES	TRANSFERS	CARRYING VALUE @ 11/30/2024	FAIR VALUE (MARKET) @ 11/30/2024	CHANGE IN FAIR VALUE (MARKET)	RECOGNIZED GAIN
<b>INDENTURE RELATED:</b>										
Mortgage-Backed Securities	2,941,491,473.79	3,030,149,763.33	114,144,978.65	-	(28,275,215.62)	-	3,116,019,526.36	2,999,341,353.22	(28,019,883.60)	-
Guaranteed Inv Contracts	42,841,440.85	42,841,440.85	7,437,000.00	(25,000.00)	-	-	50,253,440.85	50,253,440.85	-	-
Investment Agreements	255,000.00	255,000.00	322,000.00	-	-	-	577,000.00	577,000.00	-	-
Treasury-Backed Mutual Funds	78,419,579.87	78,419,579.87	1,591,484.48	(47,569,931.96)	-	-	32,441,132.39	32,441,132.39	-	-
Account Control Agreements	711,274.16	711,274.16	-	(662,102.42)	-	-	49,171.74	49,171.74	-	-
Repurchase Agreements	436,228,160.91	436,228,160.91	30,463,925.49	(149,689,957.22)	-	-	317,002,129.18	317,002,129.18	-	-
SLG Securities	95,038,396.00	95,038,396.00	35,511,000.00	(13,312.00)	-	-	130,536,084.00	130,536,084.00	-	-
Treasury Notes / Bonds	26,476,166.90	26,733,565.25	33,029.35	(16,594.60)	-	-	26,750,000.00	26,750,000.00	257,398.35	0.00
	<b>3,621,461,492.48</b>	<b>3,710,377,180.37</b>	<b>189,503,417.97</b>	<b>(197,976,898.20)</b>	<b>(28,275,215.62)</b>	<b>0.00</b>	<b>3,673,628,484.52</b>	<b>3,556,950,311.38</b>	<b>(27,762,485.25)</b>	<b>0.00</b>

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

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Signed by:	
	Date <u>01/22/2025</u>
David Cervantes Director of Administration	
DocuSigned by:	
	Date <u>01/22/2025</u>
Scott Fletcher Director of Bond Finance	





Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

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**File #: 918**

**Agenda Date: 2/6/2025**

**Agenda #: 11.**

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Executive Director's Report

**ORAL PRESENTATION**



Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

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**File #: 921**

**Agenda Date: 2/6/2025**

**Agenda #: 12.**

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Presentation, discussion, and possible action on the election of Governing Board Officers for the upcoming biennium pursuant to Tex. Gov't Code §2306.030

**ORAL PRESENTATION**



Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

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**File #: 920**

**Agenda Date: 2/6/2025**

**Agenda #: 13.**

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Presentation, discussion, and possible action on State Fiscal Year 2025 Youth and Young Adult Homeless Program Awards, including a request to waive 10 TAC §7.6(a)

**RECOMMENDED ACTION**

**WHEREAS**, the Youth and Young Adult Homeless Program (YYAHP) was created by the 88<sup>th</sup> Texas Legislature to be administered by the Texas Department of Housing and Community Affairs (the Department) to fund homeless services for youth and young adults in Fort Bend County;

**WHEREAS**, the Texas Legislature has, through the enactment of Senate Bill 30 (88<sup>th</sup> Legislature), provided General Revenue funds of \$1,000,000 for the biennium for YYAHP;

**WHEREAS**, the Board authorized the release of a Notice of Funding (NOFA) for the YYAHP totaling \$1,000,000 on April 11, 2024;

**WHEREAS**, the Department has received and evaluated two Applications from eligible organizations in response to the NOFA, with requests totaling \$2,000,000;

**WHEREAS**, the Previous Participation Review and Approval Process (PPRAP) included a review of the awards and compliance history and recommends the 2025 YYAHP awards to Building Up the Community, Inc. and Resources Inspiring Success and Empowerment (RISE) with no conditions; and

**WHEREAS**, the Board authorizes waivers and alternative requirements of certain provisions of 10 TAC Chapter 7 as described herein;

**NOW, therefore, it is hereby**

**RESOLVED**, that the Executive Director and his designees, be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to take any and all such actions as they or any of them may deem necessary or advisable to effectuate the award of not less than \$800,000 in SFY2025 YYAHP funds, in the amounts reflected in Attachment A, as recommended by PPRAP; and

**FURTHER RESOLVED**, that the Board authorizes the waiver for these two awardees of 10 TAC

§7.6(a) which requires that data on all persons served is entered into HMIS or an HMIS comparable database.

### **BACKGROUND**

During the Regular Session of the 88<sup>th</sup> Texas Legislature, SB 30 (the Supplemental Appropriations Bill) was passed. Article VII, Section 7.05 of SB 30 outlines the supplemental appropriation to Department Programs, as well as specific instructions for legislature for various high-priority items. SB 30 appropriates \$1,000,000 from general revenue to the Department to fund the creation of a program for the provision of youth and young adult homeless housing and services in Fort Bend County.

Allowable activities include, but are not limited to, providing homeless youth and young adult housing and other services designed to prevent homelessness. Specific uses of funds will be proposed by the organization, allowing flexibility to provide innovative services and means of support for the target demographic.

On April 11, 2024, the Board authorized the release of the Youth and Young Adult Homeless Program (YYAHP) NOFA; in response to the NOFA the Department received Applications from Building Up the Community, Inc. and Resources Inspiring Success and Empowerment (RISE). The Department evaluated the proposals and funding requested against the requirements set forth in the NOFA, some of which include experience in serving homeless youth, providing emergency shelter services, transitional housing, counseling services, and/or educational and vocational services. The first Applicant, Building Up the Community, Inc., plans to use the funding to provide Transitional Housing and wraparound services for homeless youth, particularly those aging out of foster care. They requested \$1,000,000 for their application. While the organization is new to managing state or federal grants, staff have assessed the potential community impact and determined that the organization's capacity makes this a viable project, justifying a funding allocation of \$500,000. The second Applicant, RISE, plans to use the funding for a Rapid Re-housing program and potentially for shelter construction. They also requested \$1,000,000. RISE has extensive experience managing both State and Federal funds, having provided services under TDHCA's Homeless Housing and Services Program (HHSP) as a subgrantee of City of Fort Worth's allocation, as well as administering a Continuum of Care (COC) Rapid Re-Housing program with HUD funding. However, because undertaking the construction of a shelter is a lengthy process and these funds have a nearing expiration date which would preclude construction as a viable activity, the award for RISE was reduced; based on RISE's experience in managing a federally funded Rapid Rehousing program with a similar budget, Staff recommends a funding allocation of \$300,000. Staff recommends, with Applicant agreement, that both proposed projects be funded, totaling \$800,000 as detailed in Attachment A. The Department is in the process of evaluating a third Applicant, therefore \$200,000 will be held until the evaluation of the third Application is complete.

The Previous Participation Rule at 10 TAC §1.302 includes a review of entities prior to Board

award recommendation. The review is completed for both Applicants and are recommended for approval with no conditions. The initial effective Contract Term will be for twelve-months. The effective Contract Term will be March 1, 2025, through February 28, 2026, unless a different term is requested by the Subrecipient and agreed to by the Department, but in no case will the initial Contract Term start after May 1, 2025.

Requirements for this program will be subject to the Department's rules governing Homeless Programs under Title 10, Part 1, Chapter 1, Administration; Chapter 2, Enforcement; and Chapter 7, Homeless Programs, Subchapter A, General Policies and Procedures. Awardees must also administer the funds in accordance with the Texas Grant Management Standards (TxGMS).

In addition to the request to authorize the awards, Staff requests a waiver of 10 TAC Chapter 7, Subchapter A, General Policies and Procedures for Homelessness Programs, 10 TAC §7.6(a). The Board is authorized to provide such waivers by 10 TAC §7.12, Waivers. The waiver of 10 TAC §7.6(a) is requested because that section requires that data on all persons served is entered into HMIS or an HMIS comparable database. However, this program is limited in scope, and obtaining a license to utilize the HMIS database for these organizations may be cost prohibitive.

Attachment A

**Youth and Young Adult Homeless Program Award Log**

Applicant	Total Award
Building Up the Community, Inc	\$500,000.00
Resources Inspiring Success and Empowerment (RISE)	\$300,000.00
<b>TOTAL</b>	<b>\$800,000.00</b>



Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

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**File #: 927**

**Agenda Date: 2/6/2025**

**Agenda #: 14**

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Presentation, discussion, and possible action on a loan approval and a request for return and reallocation of tax credits under 10 TAC §11.6(5) related to Credit Returns Resulting from Force Majeure Events for Riverview Manor

**PULLED FROM  
THE AGENDA**



Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

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**File #: 928**

**Agenda Date: 2/6/2025**

**Agenda #: 15**

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Presentation, discussion, and possible action on a loan approval and a request for return and reallocation of tax credits under 10 TAC §11.6(5) related to Credit Returns Resulting from Force Majeure Events for Trailside Estates

**PULLED FROM  
THE AGENDA**





Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

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**File #: 929**

**Agenda Date: 2/6/2025**

**Agenda #: 16.**

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Presentation, discussion, and possible action on a loan approval and a request for return and reallocation of tax credits under 10 TAC §11.6(5) related to Credit Returns Resulting from Force Majeure Events for Parkside on Carrier

**RECOMMENDED ACTION**

**WHEREAS**, the above listed development was awarded 9% housing tax credits during the 2021 competitive Application round;

**WHEREAS**, the Developer applied for additional funds under the Department's 2024-3 TCAP-RF Notice of Funding Availability, which was released last year specifically for the purpose of addressing funding gaps in previously-awarded Developments;

**WHEREAS**, the Department is now recommending approval of a loan in the amount of \$5,000,000 to address this funding gap, with proposed loan terms and details concerning the Development's financials outlined below;

**WHEREAS**, staff initially executed a Carryover Allocation Agreement with the Development Owner, which included certifications from the Development Owner that each building for which the allocation was made would be placed in service by December 31, 2023;

**WHEREAS**, the Board previously approved an allocation of supplemental housing tax credits for the Development in 2023, which extended the deadline to be placed in service to December 31, 2025;

**WHEREAS**, the Department received a request from the Development Owner to extend the placement-in-service deadline under the provisions of 10 TAC §11.6(5) related to Credit Returns Resulting from Force Majeure Events;

**WHEREAS**, other than in situations covered by force majeure, the Department lacks authority to extend federal deadlines for placement in service; and

**WHEREAS**, the Development Owner has presented evidence that relief under force majeure is appropriate.

**NOW, therefore, it is hereby**

**RESOLVED**, that the that loan of \$5,000,000 of TCAP-RF funds to Parkside on Carrier is approved, subject to conditions that may be applicable as found in the Real Estate Analysis Underwriting Report posted to the Department's website and as described within this Board Action Request; and

**FURTHER RESOLVED**, the request for treatment under an application of the force majeure rule are approved, with the 2021 Qualified Allocation Plan and Uniform Multifamily Rules, and the 2025 Program Calendar applicable to the Development.

**BACKGROUND****LOAN APPROVAL**

*Development Information:* Parkside on Carrier is to be located in Grand Prairie, Dallas County, and proposes the new construction of 38 units that will serve an elderly population. The Development will serve households with incomes at or below 30%, 50%, and 60% of Area Median Family Income (AMFI).

*Financial Information:* The Department's \$5,000,000 TCAP-RF loan is to be structured as fully repayable at 2.00% interest and is in first-lien position.

The Development initially received \$782,000 in housing tax credits in 2022, and then received a supplemental allocation of \$117,300 in 2023. Since the last underwriting, total building costs have increased by \$2.7 million, and total development costs have increased by \$4 million. The brings the total housing development cost to approximately \$13.85 million.

The Department's loan is proposed to replace most of the permanent loan from Sterling Bank, which was originally underwritten at 5.00% interest, with \$800k of that loan remaining in place at 7.5% interest. Replacing most of this loan with the Department's loan allows the deal to remain financially feasible despite the increase in costs.

**FORCE MAJEURE REQUEST**

An award of Competitive (9%) Housing Tax Credits was approved by the Board for the above-listed development in 2021. Staff executed a Carryover Allocation Agreement with the Development Owner which included a certification from the Development Owner that documentation for the 10% Test would be submitted by a set date, and, in order to satisfy the requirements of §42 of the Internal Revenue Code, each building for which the allocations were made would be placed in service by December 31, 2023. The Department received a request from the Development Owner to extend the placement-in-service deadline under the provisions of 10 TAC §11.6(5) related to Credits Returns Resulting from Force Majeure Events. Staff determined that this effective "extension" of the 10% Test deadline due to Force Majeure events was appropriate under these circumstances.

Per 10 TAC §11.6(5) of the Qualified Allocation Plan (QAP), related to Credits Returns Resulting from Force Majeure Events, a Development Owner is allowed to return issued credits within three years of award, and have those credits re-allocated to the Development outside of the usual regional allocation system if all of the requirements of the subsection are met. Per 10 TAC §11.6(5), the Department's Governing Board may approve the execution of a current program year Carryover Allocation Agreement regarding the returned credits with the Development Owner that returned such credits only if:

- (A) The credits were returned as a result of "Force Majeure" events that occurred before issuance of Forms 8609. Force Majeure events are the following sudden and unforeseen circumstances outside the control of the Development Owner: acts of God such as fire, tornado, flooding, significant and unusual rainfall or subfreezing temperatures, or loss of access to necessary water or utilities as a direct result of significant weather events; explosion; vandalism; orders or acts of military authority; unrelated party litigation; changes in law, rules, or regulations; national emergency or

insurrection; riot; acts of terrorism; supplier failures; or materials or labor shortages. If a Force Majeure event is also a presidentially declared disaster, the Department may treat the matter under the applicable federal provisions. Force Majeure events must make construction activity impossible or materially impede its progress.

The Development Owner has communicated to staff the specific challenges that impacted construction timelines and their ability to meet the 10% test and Placed-in-Service deadlines.

Parkside on Carrier is a 38-unit Development to be completed in Grand Prairie. The project was awarded Housing Tax Credits in 2021 and received supplemental credits in 2023, the approval of which extended the placed-in-service deadline to December 31, 2025. Since the award of Housing Tax Credits, the project has been impacted by significant cost increases, supply chain issues, and labor shortages that as a whole have created funding gaps and delayed the start of construction of the Development. To address these issues, the developer has applied for a Department Multifamily Direct Loan. While this will allow the project to move forward, the expected lead time on closing the loan of TCAP-RF funds puts the 10% Test and placed-in-service deadlines in severe jeopardy of being achieved.

Staff has determined there is sufficient evidence of “sudden and unforeseen circumstances outside the control of the Development Owner . . . [regarding] supplier failures; or materials or labor shortages,” as described in 10 TAC §11.6(5), for the Department to treat the Development under an application of the force majeure rule. If the Board approves the request to consider these force majeure events, the Development Owner will return the awarded credits and execution of a 2025 Carryover Allocation Agreement will result in a new award and a new placed-in-service deadline of December 31, 2027, for the Development, with a new 10% Test deadline of July 1, 2026. The 2021 Qualified Allocation Plan and Uniform Multifamily Rules will be applicable to the Development for the purposes of the force majeure event.

If the Board denies the requests regarding the force majeure events, the date by which the denied Development must be placed in service will remain as previously agreed. Because the Development Owner had anticipated not meeting the placed-in-service deadline, the credits are expected to be returned. If the Development Owner returns the credits, the credits would first be made available in the subregions from which they were originally awarded, pursuant to 10 TAC §11.6(2), related to returned credits. If there are pending Applications on the 2025 (depending on when the credits are returned) waiting list from the relevant subregions, the next Application would be awarded, assuming there are enough credits to make the award. If there are not enough credits in the subregion to make an award, the credits will go into the statewide collapse and contribute the next award

Staff recommends the Board approve the requests for treatment under an application of the force majeure rule for the Development. Approval of this request does not change any federal or state deadlines for MFDL.

**Real Estate Analysis Division**

January 31, 2025

**Addendum to Underwriting Report**TDHCA Application #: **24509\_23920\_21093** Program(s): **9% HTC/MDL****Parkside on Carrier**Address/Location: **1217 S. Carrier Parkway**City: **Grand Prairie** County: **Dallas** Zip: **75051**

	APPLICATION HISTORY
Report Date	PURPOSE
<b>01/31/25</b>	<b>MDL 2024-3 NOFA TCAP RF Award Memo</b>
02/21/23	Supplemental Credit Memo
07/14/21	Initial Underwriting Report

**ALLOCATION**

	Previous Allocation				RECOMMENDATION				
TDHCA Program	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	Lien
MF Direct Loan Const. to Perm. (Repayable)	N/A	N/A	N/A	N/A	\$5,000,000	2.00%	40	40	1
LIHTC (9% Credit)	\$899,300				\$899,300				

**CONDITIONS STATUS****1 Receipt and acceptance by Commitment:**

- Certification that if the site is in the 100-year floodplain when it places in service, the finished ground floor elevation of the buildings will be at least one foot above the floodplain and that all drives and parking will be no more than 6 inches below the floodplain; and that the Owner will provide flood insurance coverage for the buildings and for the residents' personal property as long as the site remains a designated floodplain.

For any buildings remaining in the floodplain, documentation that flood insurance is in place at the property owner's expense covering both the buildings and the residents' personal property; and certification from the owner that flood insurance for the buildings and for the residents' personal property will remain in force as long as the site remains a designated floodplain.

**Status: Condition satisfied.** Applicant provided a Flood Plain Certification in their 21093 HTC Commitment Package.

## 2 Receipt and acceptance before Direct Loan Contract

- Documentation confirming that the change in ownership structure is approved with Grand Prairie HFC being the GP in order to facilitate a full property tax exemption.

## 3 Receipt and acceptance before Direct Loan Closing

- a: Updated application exhibits: Rent Schedule, Utility Allowance, Operating Expenses, Long-Term Pro Forma, Development Cost Schedule, Schedule of Sources; and documentation necessary to support any changes from previous underwriting.
- b: Substantially final construction contract with Schedule of Values.
- c: Updated term sheets with substantially final terms from all lenders
- d: Substantially final draft of limited partnership agreement stating the Deferred Developer Fee is the first waterfall cash payment before any ground lease payment.
- e: Documentation identifying any required matching funds, and confirming that the source is eligible to be counted as matching funds under HUD and TDHCA requirements.
- f: Certification that if the site is in the 100-year floodplain when it places in service, the finished ground floor elevation of the buildings will be at least one foot above the floodplain and that amenities, parking and drive areas will be no more than 6 inches below the floodplain; and that the Owner will provide flood insurance coverage for the buildings and for the residents' personal property as long as the buildings remain in the floodplain.
- g: Substantially final ground lease.
- 4 Receipt and acceptance by Cost Certification:

- a: Certification that testing for asbestos and lead-based paint was performed on the existing structure prior to demolition, and if necessary, a certification that any appropriate abatement procedures were implemented.
- b: Architect or engineer certification that the finished ground floor elevation for each building is at least one foot above the floodplain and that all drives and parking areas are not more than 6 inches below the floodplain; or certification (including a Letter of Map Amendment or Revision ("LOMA / LOMR-F") if applicable, documenting that the development is not within the 100 year floodplain.

For any buildings remaining in the floodplain, documentation that flood insurance is in place at the property owner's expense covering both the buildings and the residents' personal property; and certification from the owner that flood insurance for the buildings and for the residents' personal property will remain in force as long as the site remains a designated floodplain.

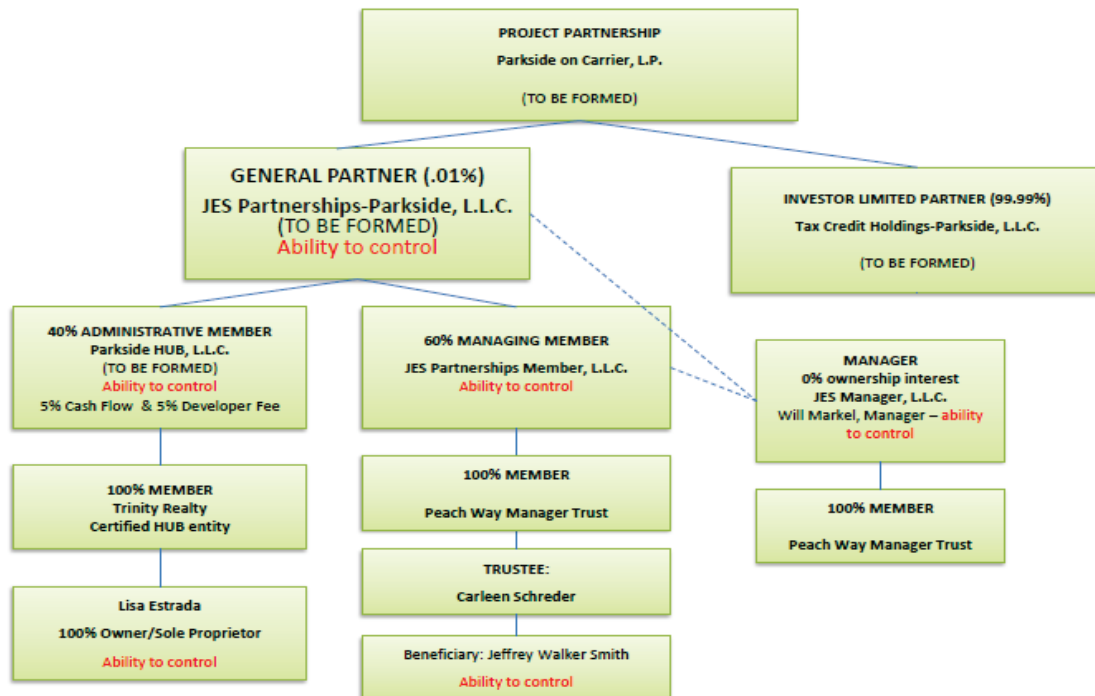
Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

## SET-ASIDES

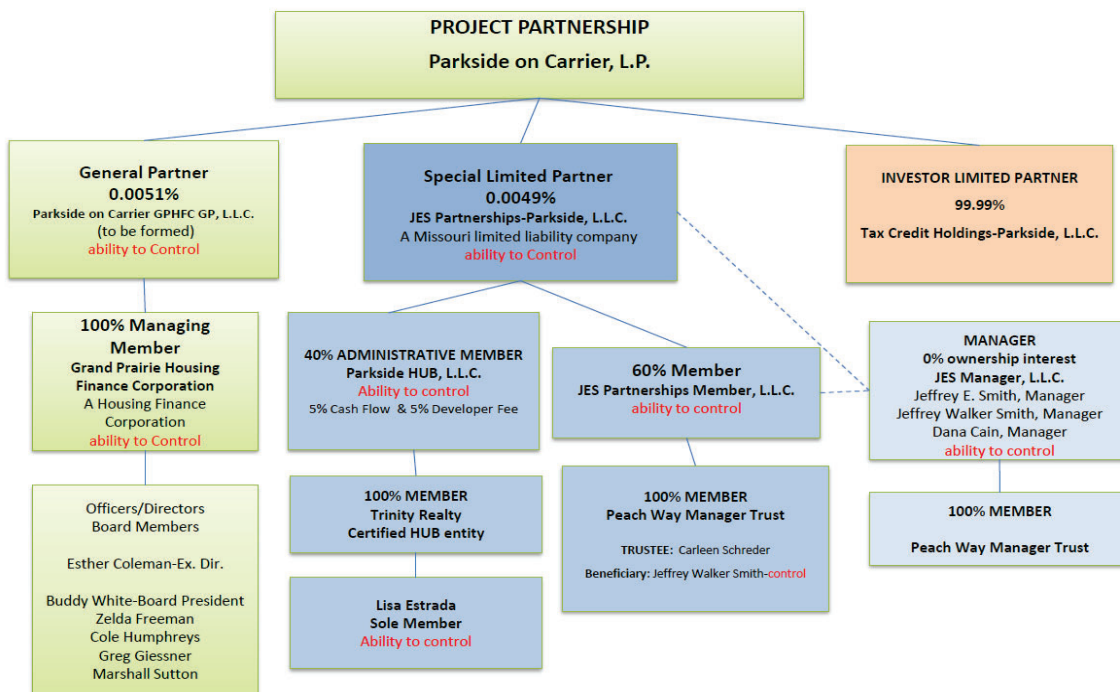
TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	16
60% of AMI	60% of AMI	18

TDHCA SET-ASIDES for DIRECT LOAN LURA		
Income Limit	Rent Limit	Number of Units
50% of AMFI	Low HOME	20
60% of AMFI	High HOME	6

## PREVIOUS OWNERSHIP STRUCTURE



## NEW OWNERSHIP STRUCTURE



## ANALYSIS

The Development received a 9% HTC allocation of \$782,000 in 2021 and a supplemental credit allocation of \$117,300 in 2023 for a total 9% HTC allocation of \$899,300. Applicant is now requesting \$5M in HOME-TCAP RF funds in their response to the 2024-3 NOFA and New Construction Funding to cover increases in construction costs.

### **Operating Pro Forma**

Income increased \$110k primarily as a result of updating to 2024 Program Rents. 60% AMI rents on 2BRs was limited to Market Analyst market rents. Operating expenses decreased \$45k with anticipated property tax exemption. Net Operating Income increased \$155k or 90%.

As underwritten, the DCR is 1.35 with \$1,454,922 in residual 15-year cash flow after deferred developer fee is repaid in year 5.

### **Development Cost**

Building costs and amenities increased \$2.7M or 77%. The revised building costs is \$163k/unit or \$194/SF versus the 2021 costs of \$93k/unit or \$111/SF, a 75% increase.

Overall development costs increased \$4M or 41%. The increase in development costs includes the building costs increased by \$2.7M, closing costs of \$221k was added, and site work increased by \$190k, Soft Costs by \$231k, and Financing Costs by \$313k

### **Sources of Funds**

TDHCA is now the first lien with a Direct Loan Construction to Perm of \$5,000,000 at 0% interest rate during construction and 2% during the permanent phase at a 40-year term / 40-year amortization. Application was submitted with MDL construction interest of 2% - per Multifamily Direct Loan rule 13.8(b)(2) "No interest will accrue during the construction term." Therefore, Underwriter adjusted construction interest from 2% to <sup>now</sup>

Sterling Bank will now be in a second lien position. Their construction financing decreased from \$7,413,623 to \$6,300,000 and the interest rate increased from 5.25% to 8.5% . Their permanent financing decreased from \$2,515,000 to \$800,000 and the interest rate increased from 5.0% to 7.5% per Lender's current loan term sheet. Applicant inadvertently reflected Sterling Bank's second lien permanent loan rate as being 8.5% and calculated their debt service based on that rate. However, Underwriter adjusted that rate to 7.5% rate as reflected in the loan term sheet with debt service calculated accordingly.

Since original underwriting in 2021, the equity contribution from Affordable Equity Partners, Inc., has increased by \$684k (from \$6.95M to \$7.64M), while the equity price was reduced from \$0.89 to \$0.85.

Additionally, deferred developer fee was increased by \$42.7K (from \$367K to \$409K). Total Developer Fee earned did not increase from the previous underwriting as required by Rule.

### **Recommendation**

Underwriter recommends a first lien Multifamily Direct Loan in the amount of \$5,000,000 at a 2% interest rate for a 40 year term with payments based on a 40 year amortization. Under these terms, the annualized monthly debt service payment is \$181,695. The construction term is assumed at 24 months. The MDL funding is TCAP-RF.

Furthermore, an annual 9% tax credit allocation of \$899,300 is still being recommended.

Underwriter:	<u>Eric Weiner</u>
Manager of Real Estate Analysis:	<u>Gregg Kazak</u>
Director of Real Estate Analysis:	<u>Jeanna Adams</u>

UNIT MIX/RENT SCHEDULE

Parkside on Carrier, Grand Prairie, 9% HTC #24509\_23920\_21093

LOCATION DATA

	CITY:
	COUNTY:
	Area Median Income
	PROGRAM REGION:
	PROGRAM RENT YEAR:

UNIT DISTRIBUTION

# Beds	# Units	% Total	MDL Match	MDL
Eff	-	0.0%	0	0
1	12	31.6%	3	9
2	26	68.4%	7	17
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
TOTAL	38	100.0%	10	26

Pro Forma ASSUMPTIONS

Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	839 sf

53%	Income	20%	30%	40%	50%	60%	70%	80%	MR	TOTAL
Average	# Units	-	4	-	16	18	-	-	-	38
Income	% Total	0.0%	10.5%	0.0%	42.1%	47.4%	0.0%	0.0%	0.0%	100.0%

UNIT MIX / MONTHLY RENT SCHEDULE

HTC		TDHCA Direct Loan Program		MDL Match		UNIT MIX			APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	Gross Rent	MDL Match	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent to Max	Delta to Max	Underwritten	Mrkt Analyst	
TC 30%	\$621	LH/50%	\$1,035		1	1	1	750	\$621	\$58	\$563	\$0	\$0.75	\$563	\$563	\$563	\$1	\$0	\$0	\$1,240	\$1.65	
TC 50%	\$1,035	LH/50%	\$1,035		5	1	1	750	\$1,035	\$58	\$977	\$0	\$1.30	\$977	\$4,885	\$4,885	\$977	\$1	\$0	\$1,240	\$1.65	
TC 60%	\$1,242	HH/60%	\$1,325		3	1	1	750	\$1,242	\$58	\$1,184	\$0	\$1.58	\$1,184	\$3,552	\$3,552	\$1,184	\$2	\$0	\$1,240	\$1.65	
TC 60%	\$1,242			3	3	1	1	750	\$1,242	\$58	\$1,184	\$0	\$1.58	\$1,184	\$3,552	\$3,552	\$1,184	\$2	\$0	\$1,240	\$1.65	
TC 30%	\$744	LH/50%	\$1,241		3	2	1	880	\$744	\$75	\$669	\$0	\$0.76	\$669	\$2,007	\$2,007	\$669	\$1	\$0	\$1,385	\$1.57	
TC 50%	\$1,241	LH/50%	\$1,241		11	2	1	880	\$1,241	\$75	\$1,166	\$0	\$1.33	\$1,166	\$12,826	\$12,826	\$1,166	\$1	\$0	\$1,385	\$1.57	
TC 60%	\$1,489	HH/60%	\$1,592		3	2	1	880	\$1,489	\$75	\$1,414	\$0	\$1.61	\$1,414	\$4,242	\$4,155	\$1,385	\$2	(\$29)	\$1,385	\$1.57	
TC 60%	\$1,489			7	9	2	1	880	\$1,489	\$75	\$1,414	\$0	\$1.61	\$1,414	\$12,726	\$12,465	\$1,385	\$2	(\$29)	\$1,385	\$1.57	
TOTALS/AVERAGES:					38			31,880				\$0	\$1.39	\$1,167	\$44,353	\$44,005	\$1,168	\$1.38	(\$9)	\$1,339	\$1.60	

ANNUAL POTENTIAL GROSS RENT:

\$532,236

\$528,060



STABILIZED PRO FORMA

Parkside on Carrier, Grand Prairie, 9% HTC #24509\_23920\_21093

STABILIZED FIRST YEAR PRO FORMA													
COMPARABLES				APPLICANT			PRIOR REPORT		TDHCA			VARIANCE	
Database	Senior Comps	% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI	%	\$
POTENTIAL GROSS RENT													
Late Rent, Forfeited Deposits, App fees, ve			\$1.39	\$1,167	\$532,236	\$408,996	\$408,996	\$528,060	\$1,158	\$1.38		0.8%	\$4,176
Total Secondary Income				\$20.00	\$9,120	9,120							
POTENTIAL GROSS INCOME				\$20.00	\$541,356	\$418,116	\$418,116	\$537,180	\$20.00			0.0%	\$0
Vacancy & Collection Loss				7.5% PGI	(40,602)	(31,359)	(31,359)	(40,289)	7.5% PGI			0.8%	\$4,176
EFFECTIVE GROSS INCOME					\$500,754	\$386,757	\$386,757	\$496,892				0.8%	\$3,863
General & Administrative	\$17,711	\$466/Unit	\$519	\$19,711	\$17,700	\$15,850	\$17,711	\$19,711	\$519	\$0.62	3.97%	-10.2%	(2,011)
Management	\$17,850	5.9% EGI	\$458	\$17,420	\$18,664	\$18,240	\$19,338	\$19,876	\$523	\$0.62	4.00%	-6.1%	(1,212)
Payroll & Payroll Tax	\$33,752	\$888/Unit	\$1,143	\$43,435	\$45,760	\$43,472	\$43,435	\$43,435	\$1,143	\$1.36	8.74%	5.4%	2,325
Repairs & Maintenance	\$27,907	\$734/Unit	\$985	\$37,439	\$24,700	\$26,100	\$24,700	\$24,700	\$650	\$0.77	4.97%	0.0%	-
Electric/Gas	\$9,292	\$245/Unit	\$204	\$7,767	\$8,000	\$8,000	\$7,767	\$7,767	\$204	\$0.24	1.56%	3.0%	233
Water, Sewer, & Trash	\$27,701	\$729/Unit	\$559	\$21,260	\$22,000	\$22,000	\$21,260	\$21,260	\$559	\$0.67	4.28%	3.5%	740
Property Insurance	\$14,972	\$0.47 /sf	\$374	\$14,229	\$18,150	\$18,150	\$18,150	\$18,150	\$478	\$0.57	3.65%	0.0%	-
Property Tax (@ 0%)	\$24,170	\$636/Unit	\$1	\$24,604	\$0	\$47,500	\$48,866	\$0	\$0	\$0.00	0.00%	0.0%	-
Reserve for Replacements					\$9,500	\$9,500	\$9,500	\$9,500	\$250	\$0.30	1.91%	0.0%	-
Cable TV					\$600	\$600	\$600	\$600	\$16	\$0.02	0.12%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)					\$1,520	\$1,520	\$1,520	\$1,520	\$40	\$0.05	0.31%	0.0%	-
Security					\$600	\$600	\$600	\$600	\$16	\$0.02	0.12%	0.0%	-
TOTAL EXPENSES					\$167,942	\$211,532	\$213,447	\$168,003	\$4,421	\$5.27	33.81%	0.0%	(61)
NET OPERATING INCOME ("NOI")					\$332,812	\$175,225	\$173,311	\$328,888	\$8,655	\$10.32	66.19%	1.2%	3,924

CONTROLLABLE EXPENSES	\$3,109/Unit	\$3,076/Unit
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CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Parkside on Carrier, Grand Prairie, 9% HTC #24509\_23920\_21093

CREDIT CALCULATION ON QUALIFIED BASIS				
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction
ADJUSTED BASIS				
Deduction of Federal Grants	\$0	\$11,481,928	\$0	\$11,481,928
	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$11,481,928	\$0	\$11,481,928
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$14,926,507	\$0	\$14,926,507
Applicable Fraction	100.00%	100.00%	100%	100%
TOTAL QUALIFIED BASIS	\$0	\$14,926,507	\$0	\$14,926,507
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
ANNUAL CREDIT ON BASIS	0	\$1,343,386	\$0	\$1,343,386
CREDITS ON QUALIFIED BASIS	\$1,343,386		\$1,343,386	

	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS			FINAL ANNUAL LIHTC ALLOCATION		
	Annual Credits	Proceeds		Credit Price	\$0.8498	Variance to Request
Eligible Basis	\$1,343,386	\$11,416,494		Credit Allocation		Proceeds
Needed to Fill Gap	\$947,465	\$8,051,839		****		****
Applicant Request	\$899,300	\$7,642,521		****		****
				\$899,300		\$0
						\$0

BUILDING COST ESTIMATE				
CATEGORY	FACTOR	UNITS/SF	PER SF	
Base Cost	Elevator Served	31,880 SF	\$78.32	2,496,856
Adjustments				
Exterior Wall Finish	3.60%		2.82	\$89,887
Elderly	3.00%		2.35	74,906
9-Ft. Ceilings	3.45%		2.70	86,142
Roof Adjustment(s)			1.19	38,000
Subfloor			0.22	7,093
Floor Cover			2.56	81,613
Enclosed Corridors	\$69.87	6,650	14.57	464,638
Balconies	\$0.00	0	0.00	0
Plumbing Fixtures	\$1,080	78	2.64	84,240
Rough-ins	\$530	76	1.26	40,280
Built-In Appliances	\$1,830	38	2.18	69,540
Exterior Stairs	\$2,460	6	0.46	14,760
Heating/Cooling			2.34	74,599
Storage Space	\$69.87	0	0.00	0
Carports	\$12.25	0	0.00	0
Garages		0	0.00	0
Common/Support Area	\$103.12	2,520	8.15	259,858
Elevators	\$120,000	1	3.76	120,000
Other:			0.00	0
Fire Sprinklers	\$2.88	41,050	3.71	118,224
SUBTOTAL			129.25	4,120,636
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	1.00		0.00	0
Reserved				0
TOTAL BUILDING COSTS				129.25
Plans, specs, survey, bldg permits				3.30%
Contractor's OH & Profit				11.50%
NET BUILDING COSTS				\$92,389/unit \$110.12/sf \$3,510,782

# Long-Term Pro Forma

Parkside on Carrier, Grand Prairie, 9% HTC #24509 23920 21093

Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35	Year 40
EFFECTIVE GROSS INCOME	\$500,754	\$510,769	\$520,985	\$531,404	\$542,033	\$598,448	\$660,735	\$729,504	\$805,432	\$889,262	\$981,817	\$1,084,005
TOTAL EXPENSES	\$167,942	\$172,794	\$177,787	\$182,926	\$188,216	\$217,079	\$250,423	\$288,950	\$333,471	\$384,928	\$444,407	\$513,170
NET OPERATING INCOME ("NOI")	\$332,812	\$337,976	\$343,198	\$348,478	\$353,816	\$381,369	\$410,312	\$440,555	\$471,961	\$504,334	\$537,410	\$570,835
EXPENSE/INCOME RATIO	33.5%	33.8%	34.1%	34.4%	34.7%	36.3%	37.9%	39.6%	41.4%	43.3%	45.3%	47.3%
<b>MUST -PAY DEBT SERVICE</b>												
TDHCA	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695
Sterling Bank	\$64,727	\$64,727	\$64,727	\$64,727	\$64,727	\$64,727	\$64,727	\$64,727	\$64,727	\$64,727	\$64,727	\$64,727
TOTAL DEBT SERVICE	\$246,423	\$246,423	\$246,423	\$246,423	\$246,423	\$246,423	\$246,423	\$246,423	\$246,423	\$246,423	\$246,423	\$246,423
DEBT COVERAGE RATIO	1.35	1.37	1.39	1.41	1.44	1.55	1.67	1.79	1.92	2.05	2.18	2.32
<b>ANNUAL CASH FLOW</b>												
	\$86,390	\$91,553	\$96,775	\$102,055	\$107,394	\$134,946	\$163,889	\$194,132	\$225,538	\$257,911	\$290,987	\$324,412
Deferred Developer Fee Balance	\$322,929	\$231,376	\$134,601	\$32,545	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW	\$0	\$0	\$0	\$0	\$74,848	\$693,904	\$1,454,922	\$2,364,599	\$3,429,046	\$4,653,516	\$6,042,082	\$7,597,236

September 13, 2024

VIA EMAIL DELIVERY

Cody Campbell  
Connor Jones  
Texas Department of Housing and Community Affairs  
221 East 11th Street  
Austin, Texas 78701-2410

Re: Request for an Extension of the Placed in Service date for Parkside on Carrier (the "Development"), TDHCA Nos. 21093, 23920

Greetings:

We represent Parkside on Carrier, L.P. ("Owner"), which applied for and received \$782,000 in Housing Tax Credits in 2021 for a 38-unit senior development in Grand Prairie, Texas. The Development also applied for and received Supplemental Credits in the amount of \$117,300 under the 2023 QAP. As part of that QAP, TDHCA's Board made a finding of Force Majeure and extended the Placed in Service Date to December 31, 2025.

### **Background**

At the time of Application, total costs were projected to be \$9,840,102. The permanent loan rate was assumed to be 5.00%, credits were priced at \$0.89, and a Deferred Developer Fee of \$366,584, was projected. Since the Housing Tax Credits were awarded, costs have increased significantly and, based on the current set or permit plans, are now expected to be \$12,888,248, a 30% increase. Actions by the Federal Reserve to increase interest rates have the projected interest rate for this transaction now at 8.5% and credit pricing has dropped to closer to \$0.83. The Development now has a Deferred Developer Fee of \$425,441 assuming a TCAP allocation and a tax exemption. It is anticipated that the Federal Reserve will reduce interest rates soon but it is difficult to predict the specific effect any rate cut will have on the interest rate or credit pricing until the market settles down and shakes out.

This development has applied for MFDL funds and appears to be in line for an award at the November 7, 2024 TDHCA board meeting. Assuming this Placed-in-Service extension is granted, the Development will quickly move forward to closing in February of 2025 and begin construction in February or March of 2025.

The Owner has continued to push forward with the development to bring needed affordable housing to Texas residents, hoping that market conditions would change or some other means of achieving financial feasibility would be found. It has proceeded with the Development expended considerable funds to accomplish the following:

- Acquisition of the land
- Completion of most environmental and remediation work
- Completion of architectural and engineering plans
- Application for building permits



All of these efforts have been undertaken in good faith with full intent to complete the project.

The Development has applied for TCAP funds through the Multifamily Direct Loan Program NOFA 2024-3. These funds are intended, at least in part, to assist past recipients of 9% credits. It appears that the Development is in line to receive an award of funds which will make the development financially feasible and allow the development to close on financing and begin construction. However, the process of reviewing, underwriting, and documenting the application for TCAP funds is not expected to be complete until October of 2024 and the TDHCA Board is expected to address the funding request at its meeting on November 7, 2024. We are asking that this Placed-in-Service extension request be heard at the November 7th board meeting also. The extension will be required prior to closing to assure investors and lenders that there will be enough time to meet the Placed-in-Service deadline. This would place the anticipated closing in February of 2025 and the beginning of construction in February or March of 2025.

Accordingly, the Development is requesting that the Board continue its finding that this development meets the requirements of the Force Majeure provisions on Section 11.6(5) of the QAP and extend the Placed in Service Deadline to December 31, 2026.

### **Support for Force Majeure Conditions**

Pursuant to Section 11.6(5) of the QAP, a Force Majeure event includes Acts of God; changes in law, rules, or regulations; and supplier failures or materials or labor shortages that make construction activity impossible or materially impede its progress. TDHCA is aware of the general construction market conditions that have changed dramatically since Applications were submitted in the first quarter of 2021. The disruptions that started with the pandemic have not eased or only eased marginally. While certain materials costs have stabilized, other materials and labor costs have accelerated. The CBRE Producer Price Index for Construction Materials saw increases of almost 19% in 2021, 14% in 2022, and 5% in 2023. Although inflation has slowed, the cumulative impact of the past three years of inflation cannot be understated. The Federal Reserve has increased interest rates to levels that have not been seen in decades. The interest rate hikes have been compounded by decreases in credit pricing as investors demand higher returns. The combination of these factors establishes grounds for continuing the Board's finding of Force Majeure and accompanying relief. The owner was not able to anticipate or control the factors that have made the Development financially infeasible.

### **Factors for Consideration**

In accordance with Section 11.6(5) of the QAP, we believe Owner meets TDHCA's requirements for the relief sought, in that:

1. Owner has proven up delays resulting from force majeure events, including supplier failures and materials and labor shortages that continue after origination during the COVID-19 pandemic, along with the interest rate changes imposed by the Federal Reserve. The delays materially impede Owner's ability to engage in construction activity.
2. When Owner submitted its Tax Credit Application in early 2021, it had no way of knowing what was to come with market conditions that are now commonly referred to as "unprecedented."

3. Owner has endeavored to mitigate the delays by acquiring the land and commencing predevelopment activity.

We believe Owner has satisfied TDHCA's requirements for a reallocation of Tax Credits under Section 11.6(5) of the QAP and requests that this matter be considered at the next available Board meeting with a recommendation for approval. We greatly appreciate TDHCA's commitment of these resources to assist affordable housing and developments awarded tax credits in 2021 and 2022. We respectfully request the extension of the Placed in Service date to allow us to take advantage of those funds and get this shovel-ready development closed and under construction. If any additional information is required, please feel free to contact us.

Sincerely,

A handwritten signature in blue ink, appearing to read "BKimes", is written over the word "Sincerely,".

Brian H. Kimes  
Senior Vice President

# EXHIBIT A-TIMELINE

March 2021	Housing Tax Credit application submitted
July 2021	TDHCA approves award of housing tax credits
March 2021-March 2023	Working with lenders, investors, general contractors, engineers, and architects to try and address financial gaps caused by COVID's impact on the economy
February 2022	Closed on land
March 2023	Application for supplemental credits submitted
March 2023	TDHCA (QAP) extended Placed in Service date to December 31, 2025
June 2022-June 2023	Worked with legislature to create state tax credit to close financial gaps
February-September 2024	Discussions with Grand Prairie HFC re: potential partnership
April 2023-September 2024	Worked through flood plain review with City of Grand Prairie and CLOMR process with FEMA
April 2024	Application for MFDL funds submitted
April 2024	Submitted application for FHLB AHP funds-likely to be unsuccessful
May-October 2024	TDHCA MFDL application review and underwriting
September 2024	Memorandum of understanding entered into with Grand Prairie HFC
September 2024	Letter of support for tax exemption from city received
November 2024	Anticipated approval of MFDL funding by TDHCA Board
February 2025	Anticipated closing
February or March 2025	Anticipated start of construction
December 2025	Current Placed in Service deadline
October 2026	Construction completion assuming an 18-month construction period
December 31, 2026	Requested Placed in Service Extension





## Texas Department of Housing and Community Affairs

### Governing Board

### Board Action Request

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**File #:** 930

**Agenda Date:** 2/6/2025

**Agenda #:** 17.

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Presentation, discussion, and possible action on a loan approval for Sweetwater Station

### **RECOMMENDED ACTION**

**WHEREAS**, the above listed development was awarded 9% housing tax credits during the 2021 competitive Application round;

**WHEREAS**, the Developer applied for additional funds under the Department's 2024-2 HOME Notice of Funding Availability, which was released last year specifically for the purpose of addressing funding gaps in previously-awarded Developments; and

**WHEREAS**, the Department is now recommending approval of a loan in the amount of \$5,000,000 to address this funding gap, with proposed loan terms and details concerning the Development's financials outlined below;

**NOW, therefore, it is hereby**

**RESOLVED**, that the that loan of \$5,000,000 of HOME funds to Sweetwater Station is approved, subject to conditions that may be applicable as found in the Real Estate Analysis Underwriting Report posted to the Department's website and as described within this Board Action Request.

### **BACKGROUND**

*Development Information:* Sweetwater Station is to be located in Sweetwater, Nolan County, and proposes the new construction of 52 units that will serve the elderly population. The Development will serve households with incomes at or below 30%, 50%, and 60% of Area Median Family Income (AMFI).

*Financial Information:* The Department's \$5,000,000 HOME loan is to be structured as fully repayable at 2.00% interest and is in first-lien position.

The Development initially received \$900,000 housing tax credits in 2021, and a supplemental allocation of \$135,000 in 2023. Since the last underwriting, total building costs have increased by \$2.81 million, and total development costs have increased by \$3.67 million. The brings current total housing development cost to approximately \$13.7 million.

To fill the gap created by these increases, the Department's loan is proposed to replace a loan from Sterling Bank that was initially proposed to be \$1.95 million and was originally underwritten at 5.00% interest. Replacing this loan with the Department's loan allows the deal

to remain financially feasible despite the increase in development costs.

These changes will result in the Department's loan and the tax credit equity comprising the substantial bulk of the development's financing.



Real Estate Analysis Division

January 30, 2025

Addendum to Underwriting Report

TDHCA Application #: 24504\_23927\_21116 Program(s): 9% HTC / MDL

Sweetwater Station

Address/Location: 1105 E. Broadway Ave. & 212 Bawcom Street

City: Sweetwater County: Nolan Zip: 79556

	APPLICATION HISTORY
Report Date	PURPOSE
01/30/25	MDL Award - 2024-2 NOFA - HOME Funding
02/28/23	Supplemental Credit Memo
03/23/21	Initial Underwriting Report

ALLOCATION

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
MF Direct Loan Const. to Perm. (Repayable)					\$5,000,000	2.00%	40	40	1
LIHTC (9% Credit)	\$1,035,000				\$1,035,000				

\* Multifamily Direct Loan Terms:

\* Pursuant to 10 TAC §13.8(a), the term of a Multifamily Direct Loan should match the term of any superior loan (within 6 months).

\* Lien position after conversion to permanent. The Department's lien position during construction may vary.

## CONDITIONS STATUS

### 1 Receipt and acceptance before Direct Loan Contract:

- The Department needs certification that all ground water contamination requirements have been met or resolved prior to HOME contract execution.

**Status:** To be cleared by program staff.

### 2 Receipt and acceptance before Direct Loan Closing:

a: Updated application exhibits: Rent Schedule, Utility Allowance, Operating Expenses, Long-Term Pro Forma, Development Cost Schedule, Schedule of Sources; and documentation necessary to support any changes from previous underwriting.

b: Substantially final construction contract with Schedule of Values.

c: Updated term sheets with substantially final terms from all lenders.

d: Substantially final draft of limited partnership agreement **stating the Deferred Developer Fee is the first waterfall cash payment before any ground lease payment.**

e: Substantially final ground lease.

### 3 Receipt and acceptance by 10% test:

- Documentation that a noise study has been completed, and Architect certification that all recommendations from the noise study are incorporated into the development plans.

**Status:** Cleared: 1/24/25 by REA.

Terracon performed a noise assessment on October 15, 2021. The roadway and airport noise contributions were lower compared to the railway noise. Accordingly, the noise levels would be greatest at the southern portion of the site and decrease with distance from the railway. Selection of appropriate noise attenuating exterior wall construction methods and materials can lower the interior noise levels to the HUD indoor noise criteria.

The applicant provided a letter dated January 17, 2025 from Rosemann & Associates, P.C., certifying that all recommendations from the Noise Assessment, dated October 15, 2021, are incorporated, or will be incorporated into the development plans as required.

### 4 Receipt and acceptance by Cost Certification:

a: Certification that testing for asbestos and lead-based paint was performed on the existing structure(s) prior to demolition, and if necessary, a certification that any appropriate abatement procedures were implemented.

b: Certification that subsurface environmental investigation was performed as specified in the ESA, and if necessary, that any recommended mitigation measures were fully implemented.

c: Architect certification that all noise assessment recommendations were implemented and the Development is compliant with HUD noise guidelines.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

## SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	11
60% of AMI	60% of AMI	37

TDHCA SET-ASIDES for DIRECT LOAN LURA		
Income Limit	Rent Limit	Number of Units
50% of AMFI	Low HOME	15
60% of AMFI	High HOME	20

## ANALYSIS

The development originally received an annual 9% HTC allocation of \$900,000 in June 2021. In February 2023, supplemental credits of \$135,000 (a 15% increase) were awarded, resulting in a total annual allocation of \$1,035,000.

The applicant is now applying for a MDL 2024-2 HOME loan of \$5M to substitute for the prior \$1,950,000 in conventional debt and to help cover a \$3.7M increase in building costs. The MDL loan will have a lower interest rate of 2% and longer amortization period of 40 years allowing this Project to be feasible under DCR requirements.

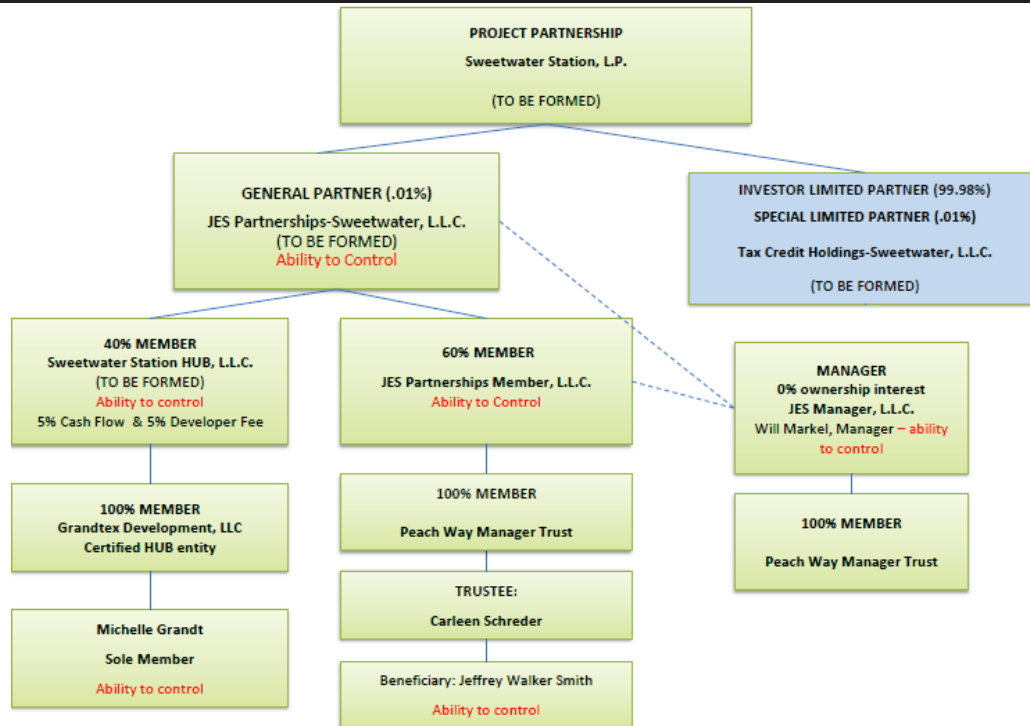
The organizational structure changed from previous underwriting. The applicant replaced the originally proposed general partner, JES Partnerships-Sweetwater, L.L.C., currently owned by Sweetwater Station HUB, L.L.C. and JES Partnerships Member, L.L.C., with a to-be-formed entity named THF Sweetwater Station GP, LLC, whose sole managing member is the THF Housing Development Corporation (THFHDC). THFHDC is a nonprofit corporation and an instrumentality of the Texas Housing Foundation (THF).

As a result of including the nonprofit in the organizational structure, the Applicant will be eligible for 100% property tax exemption.

The organizational structure changes were approved by TDHCA Asset Management. The deal, as presented at current underwriting is not feasible without the assumed 100% property tax exemption.

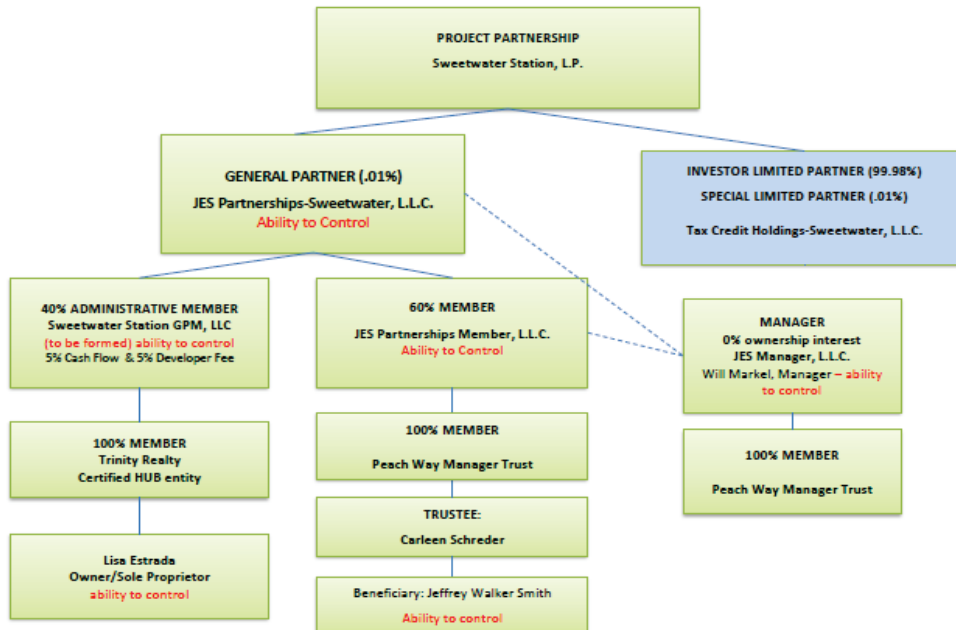
The property is identified as 1.55 acres in the survey, the portion of the site currently showing in the 3rd Street roadway will be deeded to the City with development of Sweetwater Station. The size of this area is estimated to reduce the overall site size to 1.48 acres. The LURA will encumber the entire 1.48 acres.

## Previous Ownership Structure



## New Ownership Structure

### Sweetwater Station Organizational Structure – Owner/Partnership



### Operating Pro Forma

Rents were updated to the most current 2024 limits.

The Utility Allowances (2024) for the one bedroom units increased by \$42 and the two bedroom units increased by \$42 from previous underwriting.

Effective Gross Income increased by \$53,957, Total Expenses decreased by \$24,691 and as a result, Net Operating Income (NOI) increased by \$78,648. Expense per unit decreased from \$4,980 to \$4,506.

A 99-year ground lease is contemplated with the Texas Housing Foundation (THF), who will be serving as the GP on this development. The initial Ground Lease payment will tie to the \$187K land price. The Ground Lessor shall be entitled to receive an annual lease payment under the Ground Lease on each January 1, commencing January 1, 2040 in the initial amount of \$20,000 and increasing by 3% annually.

The Application was submitted without the annual \$20,000 ground lease payment since it is contemplated to be paid from cash flow. The Applicant stated the annual lease payment shall be payable as the first item in the cash flow waterfall under the Partnership Agreement; however, the specific terms for the Development are still being negotiated.

The current underwriting does not include the \$20,000 annual cash flow payment; if it did, the DCR would be 1.10, and the deal would be financially infeasible. **At closing, the LPA must state that the Deferred Developer Fee is in first waterfall position, before any ground lease payment; otherwise we cannot show the deferred fee being repaid with the required 15 years.**

The contemplated ownership structure is expected to generate an ad valorem tax exemption for the Project. Feasibility is dependent on the tax exemption.

### Development Cost

The applicant's Building Costs have increased by \$2,811,476 and Total Housing Development Costs have increased by \$3,678,495.

There was no change to Developer Fee from previous underwriting.

### Sources of Funds

The construction loan lender did not change (Sterling Bank) but are now second lien. Construction loan decreased from \$7,456,973 to \$5,800,000 and the interest increased from 5.25% to 8.50%.

Application was submitted with MDL construction interest of 2% - per Multifamily Direct Loan rule 13.8(b)(2) "No interest will accrue during the construction term;"

Underwriter adjusted construction interest from 2% to 0%.

Applicant is now including \$5M MDL HOME loan construction to permanent loan 0% during construction and 2% in the permanent period.

The permanent loan amount increased from \$1,950,000 (Sterling Bank) to \$5M (TDHCA) and the interest rate decreased from 5.00% to 2.00% .

The Equity Investor is still Affordable Equity Partners, Inc. (AEP). The capital contribution increased by \$566,887 and the credit price decreased from \$0.88 to \$0.82.

The Deferred Developer Fee increased by \$61,608 and pays off in 6 years.

**Recommendation**

Underwriter recommends a first lien, fully amortized Multifamily Direct Loan of \$5,000,000 at 2.00% interest, 40 year term, and a 40 year amortization period. Under these terms, the annualized monthly debt service payment is \$181,695. The construction term is assumed at 24 months. The MDL funding is HOME funds.

In addition, Underwriter recommends that the 9% LIHTC allocation of \$1,035,000 remains the same.

Underwriter:	<u>Mario Castellanos</u>
Manager of Real Estate Analysis:	<u>Robert Castillo</u>
Director of Real Estate Analysis:	<u>Jeanna Adams</u>



# UNIT MIX/RENT SCHEDULE

Sweetwater Station, Sweetwater, 9% HTC / MDL #24504\_23927\_21116

## LOCATION DATA

CITY:	Sweetwater
COUNTY:	Nolan
Area Median Income	\$62,900
PROGRAM REGION:	2
PROGRAM RENT YEAR:	2024

## UNIT DISTRIBUTION

# Beds	# Units	% Total	MDL Match	MDL
Eff	-	0.0%	0	0
1	16	30.8%	2	11
2	36	69.2%	2	24
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
<b>TOTAL</b>	<b>52</b>	<b>100.0%</b>	<b>4</b>	<b>35</b>

## Pro Forma ASSUMPTIONS

Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	840 sf

<b>56%</b>	Income	20%	30%	40%	50%	60%	70%	80%	MR	<b>TOTAL</b>
<b>Average</b>	<b># Units</b>	-	4	-	11	37	-	-	-	<b>52</b>
<b>Income</b>	<b>% Total</b>	0.0%	7.7%	0.0%	21.2%	71.2%	0.0%	0.0%	0.0%	<b>100.0%</b>

## UNIT MIX / MONTHLY RENT SCHEDULE

HTC		TDHCA Direct Loan Program (HOME)		MDL Match	UNIT MIX			APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	Gross Rent		# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten	Mrkt Analyst
TC 30%	\$435	LH/50%	\$703	0	1	1	1	750	\$435	\$86	\$349	\$0	\$0.47	\$349	\$349	\$349	\$349	\$0	\$0	\$985	\$985
TC 50%	\$726	LH/50%	\$703	0	3	1	1	750	\$703	\$86	\$617	\$0	\$0.82	\$617	\$1,851	\$1,851	\$617	\$1	\$0	\$985	\$985
TC 60%	\$871	HH/60%	\$750	0	7	1	1	750	\$750	\$86	\$664	\$0	\$0.89	\$664	\$4,648	\$4,648	\$664	\$1	\$0	\$985	\$985
TC 60%	\$871			2	5	1	1	750	\$871	\$86	\$785	\$0	\$1.05	\$785	\$3,925	\$3,925	\$785	\$1	\$0	\$985	\$985
TC 30%	\$522	LH/50%	\$843	0	3	2	1	880	\$522	\$113	\$409	\$0	\$0.46	\$409	\$1,227	\$1,227	\$409	\$0	\$0	\$1,125	\$1,125
TC 50%	\$871	LH/50%	\$843	0	8	2	1	880	\$843	\$113	\$730	\$0	\$0.83	\$730	\$5,840	\$5,840	\$730	\$1	\$0	\$1,125	\$1,125
TC 60%	\$1,045	HH/60%	\$942	0	13	2	1	880	\$942	\$113	\$829	\$0	\$0.94	\$829	\$10,777	\$10,777	\$829	\$1	\$0	\$1,125	\$1,125
TC 60%	\$1,045			2	12	2	1	880	\$1,045	\$113	\$932	\$0	\$1.06	\$932	\$11,184	\$11,184	\$932	\$1	\$0	\$1,125	\$1,125
TOTALS/AVERAGES:					52			43,680				\$0	\$0.91	\$765	\$39,801	\$39,801	\$765	\$0.91	\$0	\$1,082	\$1,082

## ANNUAL POTENTIAL GROSS RENT:

\$477,612	\$477,612
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STABILIZED PRO FORMA	
	Sweetwater Station, Sweetwater, 9% HTC / MDL #24504_23927_21116

**Sweetwater Station, Sweetwater, 9% HTC / MDL #24504\_23927\_21116**

STABILIZED FIRST YEAR PRO FORMA														
COMPARABLES			APPLICANT				PRIOR REPORT			TDHCA			VARIANCE	
Database	Taylor, Wichita counties	% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI			
POTENTIAL GROSS RENT			\$0.91	\$765	\$477,612	\$419,280	\$419,280	\$477,612	\$765	\$0.91		0.0%	\$0	
Late rent, forfeited deposits, app fees, vending														
Total Secondary Income				\$20.00	\$12,480	12,480								
POTENTIAL GROSS INCOME									\$20.00			0.0%	\$0	
Vacancy & Collection Loss					\$490,092	\$431,760	\$431,760	\$490,092				0.0%	\$0	
Rental Concessions				7.5% PGI	(36,757)	(32,382)	(32,382)	(36,757)	7.5% PGI			0.0%	-	
EFFECTIVE GROSS INCOME					-			-				0.0%	-	
					\$453,335	\$399,378	\$399,378	\$453,335				0.0%	\$0	

General & Administrative	\$33,114	\$637/Unit	\$25,701	\$494	5.88%	\$0.61	\$513	\$26,650	\$21,150	\$27,584	\$25,701	\$494	\$0.59	5.67%	3.7%	949
Management	\$18,747	5.9% EGI	\$18,026	\$347	5.51%	\$0.57	\$480	\$24,960	\$24,960	\$24,961	\$24,960	\$480	\$0.57	5.51%	0.0%	-
Payroll & Payroll Tax	\$54,373	\$1,046/Unit	\$68,212	\$1,312	15.07%	\$1.56	\$1,313	\$68,297	\$59,488	\$59,488	\$68,297	\$1,313	\$1.56	15.07%	0.0%	-
Repairs & Maintenance	\$28,331	\$545/Unit	\$34,205	\$658	7.46%	\$0.77	\$650	\$33,800	\$33,800	\$33,800	\$33,800	\$650	\$0.77	7.46%	0.0%	-
Electric/Gas	\$13,919	\$288/Unit	\$9,056	\$174	2.43%	\$0.25	\$212	\$11,000	\$11,000	\$10,356	\$13,919	\$288	\$0.32	3.07%	-21.0%	(2,919)
Water, Sewer, & Trash	\$25,671	\$494/Unit	\$27,950	\$537	6.62%	\$0.69	\$577	\$30,000	\$30,000	\$25,305	\$27,950	\$537	\$0.64	6.17%	7.3%	2,050
Property Insurance	\$18,552	\$0.42 /sf	\$30,763	\$592	5.10%	\$0.53	\$444	\$23,100	\$23,100	\$23,100	\$23,100	\$444	\$0.53	5.10%	0.0%	-
Property Tax (@ 0%)	\$25,936	\$499/Unit	\$28,795	\$554	0.00%	\$0.00	\$0	\$0	\$39,000	\$30,990	\$0	\$0	\$0.00	0.00%	0.0%	-
Reserve for Replacements					2.87%	\$0.30	\$250	\$13,000	\$13,000	\$13,000	\$13,000	\$250	\$0.30	2.87%	0.0%	-
Cable TV					0.18%	\$0.02	\$15	\$800			\$800	\$15	\$0.02	0.18%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)					0.46%	\$0.05	\$40	\$2,080	\$2,080	\$2,080	\$2,080	\$40	\$0.05	0.46%	0.0%	-
Security					0.13%	\$0.01	\$12	\$600	\$600	\$600	\$600	\$12	\$0.01	0.13%	0.0%	-
TOTAL EXPENSES																\$ 80
NET OPERATING INCOME ("NOI")																\$ (80)

CONTROLLABLE EXPENSES		\$3,264/Unit	\$3,263/Unit
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CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS  
Sweetwater Station, Sweetwater, 9% HTC / MDL #24504\_23927\_21116

DEBT / GRANT SOURCES												
APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE					AS UNDERWRITTEN DEBT/GRANT STRUCTURE							
DEBT (Must Pay)	Fee	Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Prior Underwriting			
		UW	App						Applicant	TDHCA	TDHCA	Cumulative
TDHCA MDL HOME		1.21	1.21	181,695	2.00%	40	40	\$5,000,000	\$1,950,000	\$1,950,000	\$5,000,000	36.5%
CASH FLOW DEBT / GRANTS												
City of Sweetwater - Fee Waiver		1.21	1.21		0.00%	0	0	\$0	\$250	\$250	\$0	0.0%
JES Partnerships-Sweetwater, LLC - Owner Equity		1.21	1.21		0.00%	0	0	\$0	\$110	\$110	\$0	0.0%
TOTAL DEBT / GRANT SOURCES									\$1,950,360	\$1,950,360	\$5,000,000	36.5%
TOTAL DEBT / GRANT SERVICE									\$181,695			
NET CASH FLOW		\$37,433	\$37,353	APPLICANT NET OPERATING INCOME					\$219,048		\$37,353	NET CASH FLOW

EQUITY SOURCES												
APPLICANT'S PROPOSED EQUITY STRUCTURE					AS UNDERWRITTEN EQUITY STRUCTURE							
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Prior Underwriting		Annual Credit	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method
						Applicant	TDHCA					
Affordable Equity Partners, Inc. (AEP)	LIHTC Equity	61.9%	\$1,035,000	0.82	\$8,485,303	\$7,918,416	\$7,918,416	\$1,035,000	\$1,035,000	61.9%	\$19,904	Previous Allocation
JES Partnerships-Sweetwater, LLC	Equity Contribution	0.0%			\$110					0.0%		
JES Dev Co, Inc.	Deferred Developer Fees	1.7%	(19% Deferred)		\$226,683	\$166,075	\$164,825	(19% Deferred)		1.7%	Total Developer Fee:	\$1,222,347
Additional (Excess) Funds Req'd		0.0%			\$0		\$0			0.0%		
TOTAL EQUITY SOURCES					\$8,712,096	\$8,083,491	\$8,083,241			63.5%		
TOTAL CAPITALIZATION					\$13,712,096	\$10,033,851	\$10,033,601				15-Yr Cash Flow after Deferred Fee:	\$562,701

DEVELOPMENT COST / ITEMIZED BASIS												
APPLICANT COST / BASIS ITEMS					TDHCA COST / BASIS ITEMS					COST VARIANCE		
Eligible Basis	Acquisition	New Const. Rehab	Total Costs		Eligible Basis	New Const. Rehab	Total Costs		Acquisition	%	\$	
Land Acquisition	\$0		\$3,596 / Unit	\$187,000			\$187,000	\$3,596 / Unit			\$0	0.0%
Building Acquisition			\$ / Unit	\$0			\$0	\$ / Unit			\$0	0.0%
Off-Sites			\$ / Unit	\$0			\$0	\$ / Unit			\$0	0.0%
Site Work			\$21,398 / Unit	\$1,112,687			\$1,112,687	\$21,398 / Unit			\$1,007,653	0.0%
Site Amenities			\$2,380 / Unit	\$123,750			\$123,750	\$2,380 / Unit			\$123,750	0.0%
Building Cost			\$176,12 /sf	\$7,692,812			\$7,692,812	\$147,939/Unit			\$176,12 /sf	0.0%
Contingency			5.10%	\$450,000			\$450,000	5.04%			\$450,000	0.0%
Contractor Fees			13.32%	\$1,250,092			\$1,250,092	13.33%			\$1,235,388	0.0%
Soft Costs			\$17,351 / Unit	\$902,276			\$902,276	\$17,351 / Unit			\$677,276	0.0%
Financing			\$12,888 / Unit	\$670,182			\$670,182	\$12,888 / Unit			\$555,576	0.0%
Developer Fee			10.41%	\$1,222,347			\$1,222,347	10.32%			\$1,222,347	0.0%
Reserves			3 Months	\$100,950			\$84,778	3 Months				0.0%
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)					\$13,712,096					\$12,964,802		
Acquisition Cost	\$0			\$10,033,601			\$10,414,863	\$263,694 / Unit			\$0	0.0%
Contingency		\$0		\$0								
Contractor's Fee		\$0		\$0								
Financing Cost		\$0		\$0								
Developer Fee		\$0		\$0								
Reserves		\$0		\$0								
ADJUSTED BASIS / COST					\$13,712,096					\$12,964,802		
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):					\$13,712,096					\$0		

## CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Sweetwater Station, Sweetwater, 9% HTC / MDL #24504\_23927\_21116

CREDIT CALCULATION ON QUALIFIED BASIS				
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction
ADJUSTED BASIS	\$0	\$12,964,802	\$0	\$12,964,802
Deduction of Federal Grants	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$12,964,802	\$0	\$12,964,802
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$16,854,243	\$0	\$16,854,243
Applicable Fraction	100.00%	100.00%	100%	100%
TOTAL QUALIFIED BASIS	\$0	\$16,854,243	\$0	\$16,854,243
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
ANNUAL CREDIT ON BASIS	0	\$1,516,882	\$0	\$1,516,882
CREDITS ON QUALIFIED BASIS		\$1,516,882		\$1,516,882

ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS				FINAL ANNUAL LIHTC ALLOCATION		
Method	ON APPLICANT BASIS		Credit Price	\$0.8198	Variance to Request	
	Annual Credits	Proceeds			Credits	Proceeds
Eligible Basis	\$1,516,882	\$12,435,944				
Needed to Fill Gap	\$1,062,650	\$8,711,986				
Previous Allocation	\$1,035,000	\$8,485,303				
					\$0	\$0

# Long-Term Pro Forma

Sweetwater Station, Sweetwater, 9% HTC / MDL #24504\_23927\_21116

Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
EFFECTIVE GROSS INCOME	\$453,335	\$462,402	\$471,650	\$481,083	\$490,704	\$500,519	\$510,529	\$520,740	\$531,154	\$541,777	\$598,166	\$660,424	\$729,161	\$805,053	\$888,643	\$906,620	\$924,753	\$943,248	\$962,113	\$981,355
TOTAL EXPENSES	\$234,287	\$241,066	\$248,043	\$255,225	\$262,617	\$270,225	\$278,056	\$286,117	\$294,414	\$302,954	\$349,560	\$403,418	\$465,665	\$537,618	\$620,800	\$638,935	\$657,603	\$676,822	\$696,608	\$716,976
NET OPERATING INCOME ("NOI")	\$219,048	\$221,336	\$223,606	\$225,858	\$228,088	\$230,293	\$232,473	\$234,623	\$236,741	\$238,824	\$248,606	\$257,005	\$263,496	\$267,435	\$268,043	\$267,686	\$267,149	\$266,425	\$265,505	\$264,378
EXPENSE/INCOME RATIO	51.7%	52.1%	52.6%	53.1%	53.5%	54.0%	54.5%	54.9%	55.4%	55.9%	58.4%	61.1%	63.9%	66.8%	68.8%	70.5%	71.1%	71.8%	72.4%	73.1%
MUST-PAY/DEBT SERVICE																				
TOTAL DEBT SERVICE	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695	\$181,695
DEBT COVERAGE RATIO	1.21	1.22	1.23	1.24	1.26	1.27	1.28	1.29	1.30	1.31	1.37	1.41	1.45	1.47	1.48	1.47	1.47	1.47	1.46	1.46
ANNUAL CASH FLOW																				
Deferred Developer Fee Balance	\$37,353	\$39,640	\$41,911	\$44,162	\$46,392	\$48,698	\$50,777	\$52,927	\$55,045	\$57,128	\$66,911	\$75,310	\$81,800	\$85,739	\$86,348	\$85,990	\$85,454	\$84,730	\$83,809	\$82,683
CUMULATIVE NET CASH FLOW	\$0	\$0	\$0	\$0	\$0	\$31,374	\$82,151	\$135,078	\$190,123	\$247,252	\$562,701	\$823,103	\$1,320,007	\$1,741,691	\$2,174,022	\$2,260,012	\$2,345,466	\$2,430,195	\$2,514,005	\$2,596,688

**Real Estate Analysis Division**

February 28, 2023

**Addendum to Underwriting Report**TDHCA Application #: **23927\_21116** Program(s): **9% HTC****Sweetwater Station**Address/Location: **1105 E. Broadway Ave. & 212 Bawcom Street**City: **Sweetwater** County: **Nolan** Zip: **79556**

	APPLICATION HISTORY
Report Date	PURPOSE
<b>02/28/23</b>	<b>Supplemental Credit Memo</b>
03/23/21	Initial Underwriting Report

**ALLOCATION**

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
<b>LIHTC (9% Credit)</b>	\$900,000				<b>\$1,035,000</b>				

**CONDITIONS STATUS**

- 1 Receipt and acceptance by 10% test:
  - Documentation that a noise study has been completed, and Architect certification that all recommendations from the noise study are incorporated into the development plans.
- 2 Receipt and acceptance by Cost Certification:
  - a: Certification that testing for asbestos and lead-based paint was performed on the existing structure(s) prior to demolition, and if necessary, a certification that any appropriate abatement procedures were implemented.
  - b: Certification that subsurface environmental investigation was performed as specified in the ESA, and if necessary, that any recommended mitigation measures were fully implemented.
  - c: Architect certification that all noise assessment recommendations were implemented and the Development is compliant with HUD noise guidelines.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

**SET-ASIDES**

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	11
60% of AMI	60% of AMI	37

**ANALYSIS**

The Development received a 9% HTC allocation in 2021 and is requesting a 15% increase in annual tax credit allocation consistent with the 2023 QAP Subchapter F, Supplement Housing Tax Credits. Tax credits will be calculated at cost certification based on actual eligible costs incurred. For Developments with previously awarded Multifamily Direct Loans (MDL's), tax credits and the MDL will be re-underwritten at MDL closing.

Per SubChapter F, the developer fee cannot increase from the previously published underwriting report, and the deferred developer fee cannot decrease from the previously published underwriting report.

The underwriter recommends a total annual credit allocation of \$1,035,000.

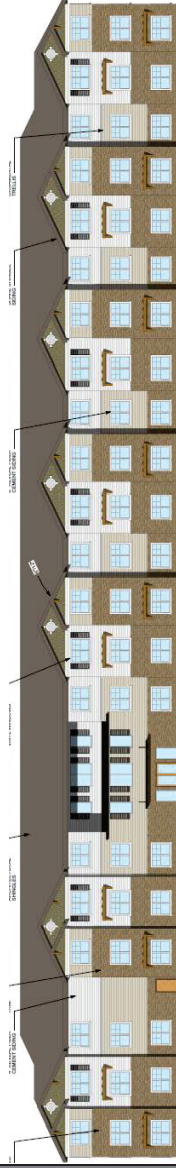
Underwriter:	<u>Robert Castillo</u>
Manager of Real Estate Analysis:	<u>Diamond Unique Thompson</u>
Director of Real Estate Analysis:	<u>Jeanna Adams</u>

## 21116 Sweetwater Station - Application Summary

**REAL ESTATE ANALYSIS DIVISION**  
**June 23 2021**

PROPERTY IDENTIFICATION		RECOMMENDATION		
Application #	21116	TDHCA Program	Request	Recommended
Development	Sweetwater Station	LIHTC (9% Credit)	\$900,000	\$17,308/Unit
City / County	Sweetwater / Nolan			\$0.88
Region/Area	2 / Rural			
Population	Elderly Limitation			
Set-Aside	General			
Activity	New Construction			

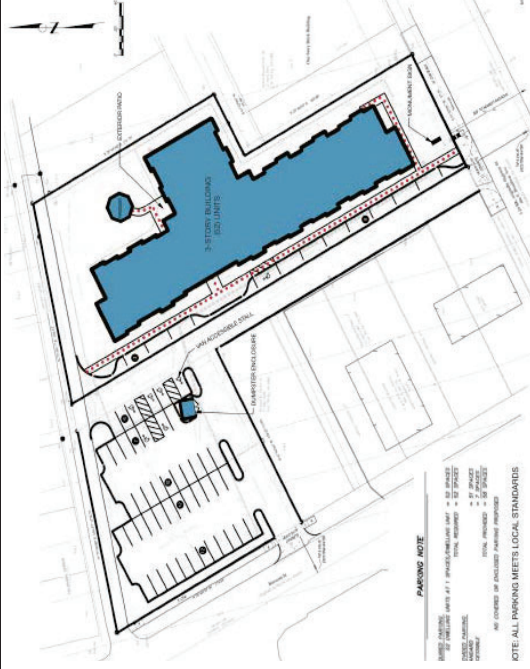
## TYPICAL BUILDING ELEVATION/PHOTO



PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	1.19	Expense Ratio	64.8%
Breakeven Occ.	87.3%	Breakeven Rent	\$633
Average Rent	\$672	B/E Rent Margin	\$39
Property Taxes	\$750/unit	Exemption/PILOT	0%
Total Expense	\$4,980/unit	Controllable	\$2,989/unit

MARKET FEASIBILITY INDICATORS				
Gross Capture Rate (10% Maximum)	<div><div></div></div> 12%	2 BR/50%	<div><div></div></div> 3.1%	
Highest Unit Capture Rate	<div><div></div></div> 8%	2 BR/60%	8	
Dominant Unit Cap. Rate	<div><div></div></div> #DIV/0!		25	
Premiums (>60% Rents)	#DIV/0!		#DIV/0!	
Rent Assisted Units	N/A			
DEVELOPMENT COST SUMMARY				
Costs Underwritten		Applicant's Costs		
Avg. Unit Size	840 SF	Density	35.1/cracker	
Acquisition		\$04K/unit	\$187K	
Building Cost	\$111.75/SF	\$94K/unit	\$4,881K	
Hard Cost		\$122K/unit	\$6,329K	
Total Cost		\$193K/unit	\$10,034K	
Developer Fee	\$1,222K	(13% Deferred)		Paid Year: 8: Yes
Contractor Fee	\$886K	30% Boost		Yes

## SITE PLAN









### DEVELOPMENT IDENTIFICATION

TDHCA Application #: **21116** Program(s): **9% HTC**

**Sweetwater Station**

Address/Location: 1105 E. Broadway Ave. & 212 Bawcom Street

City: Sweetwater County: Nolan Zip: 79556

Population: Elderly Limitation Program Set-Aside: General Area: Rural

Activity: New Construction Building Type: Elevator Served Region: 2

Analysis Purpose: New Application - Initial Underwriting

### ALLOCATION

TDHCA Program	REQUEST				RECOMMENDATION				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	Lien
LIHTC (9% Credit)	\$900,000				\$900,000				

### CONDITIONS

- Receipt and acceptance by 10% test:
  - Documentation that a noise study has been completed, and Architect certification that all recommendations from the noise study are incorporated into the development plans.
- Receipt and acceptance by Cost Certification:
  - a: Certification that testing for asbestos and lead-based paint was performed on the existing structure(s) prior to demolition, and if necessary, a certification that any appropriate abatement procedures were implemented.
  - b: Certification that subsurface environmental investigation was performed as specified in the ESA, and if necessary, that any recommended mitigation measures were fully implemented.
  - c: Architect certification that all noise assessment recommendations were implemented and the Development is compliant with HUD noise guidelines.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

### SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	11
60% of AMI	60% of AMI	37

## DEVELOPMENT SUMMARY

New construction of 52 units, targeting the elderly population aged 55+. One 3-story elevator-served building, and a 3,400 s.f. community building. The unit mix is 31% one bedroom units with the other 69% being 2-bedrooms.

## RISK PROFILE

STRENGTHS/MITIGATING FACTORS		WEAKNESSES/RISKS	
▫	Good visibility	▫	69% of units are 2 BR
▫	Experienced Developer	▫	Potential increased cost due to unknown asbestos conditions
▫	Attractive Design	▫	Inconvenient parking layout

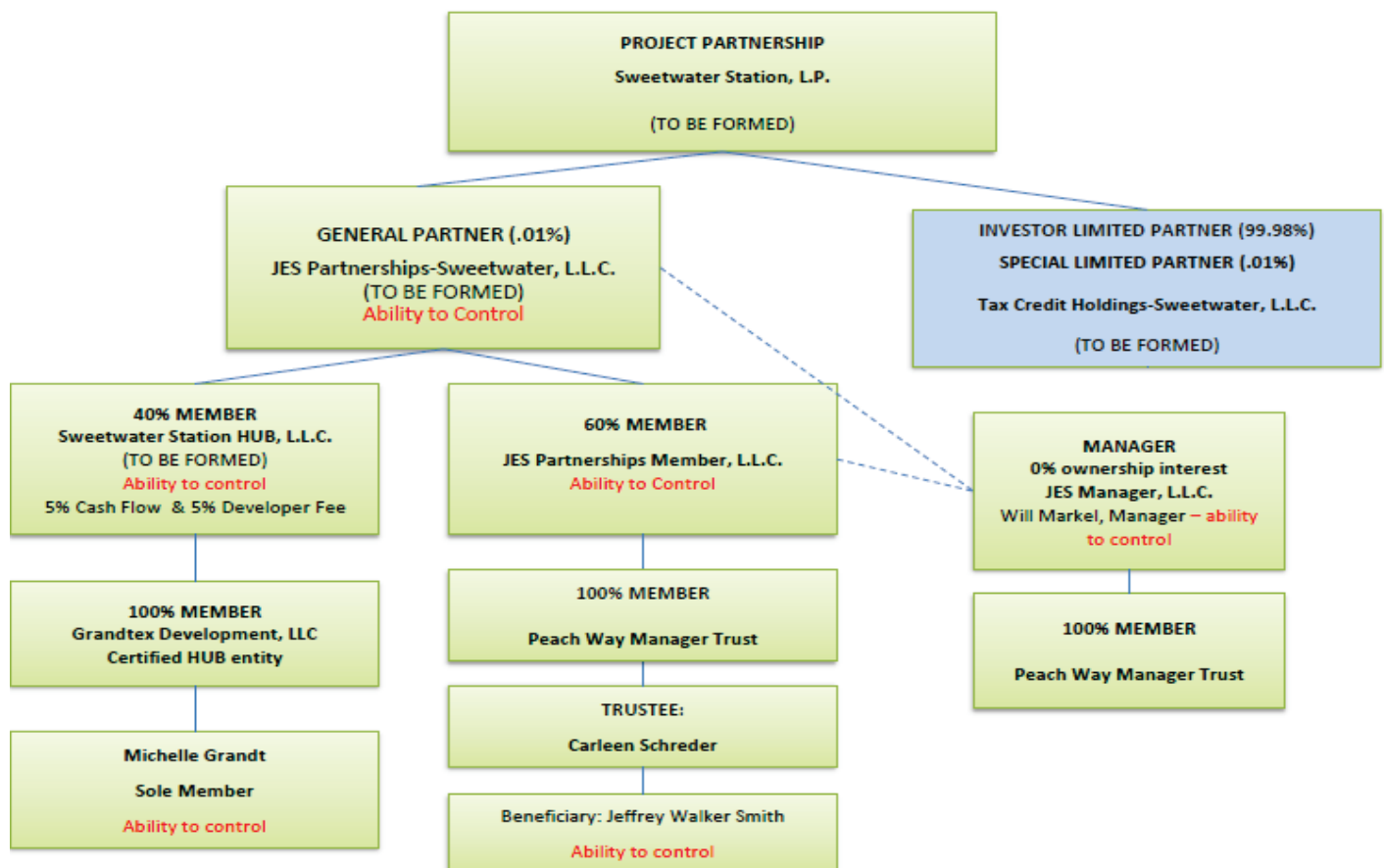
## DEVELOPMENT TEAM

### PRIMARY CONTACTS

Name: Brian Kimes  
 Phone: (573) 443-2021  
 Relationship: Developer

Name: Jim Markel  
 Phone: (404) 841-2227  
 Relationship: Developer

## OWNERSHIP STRUCTURE

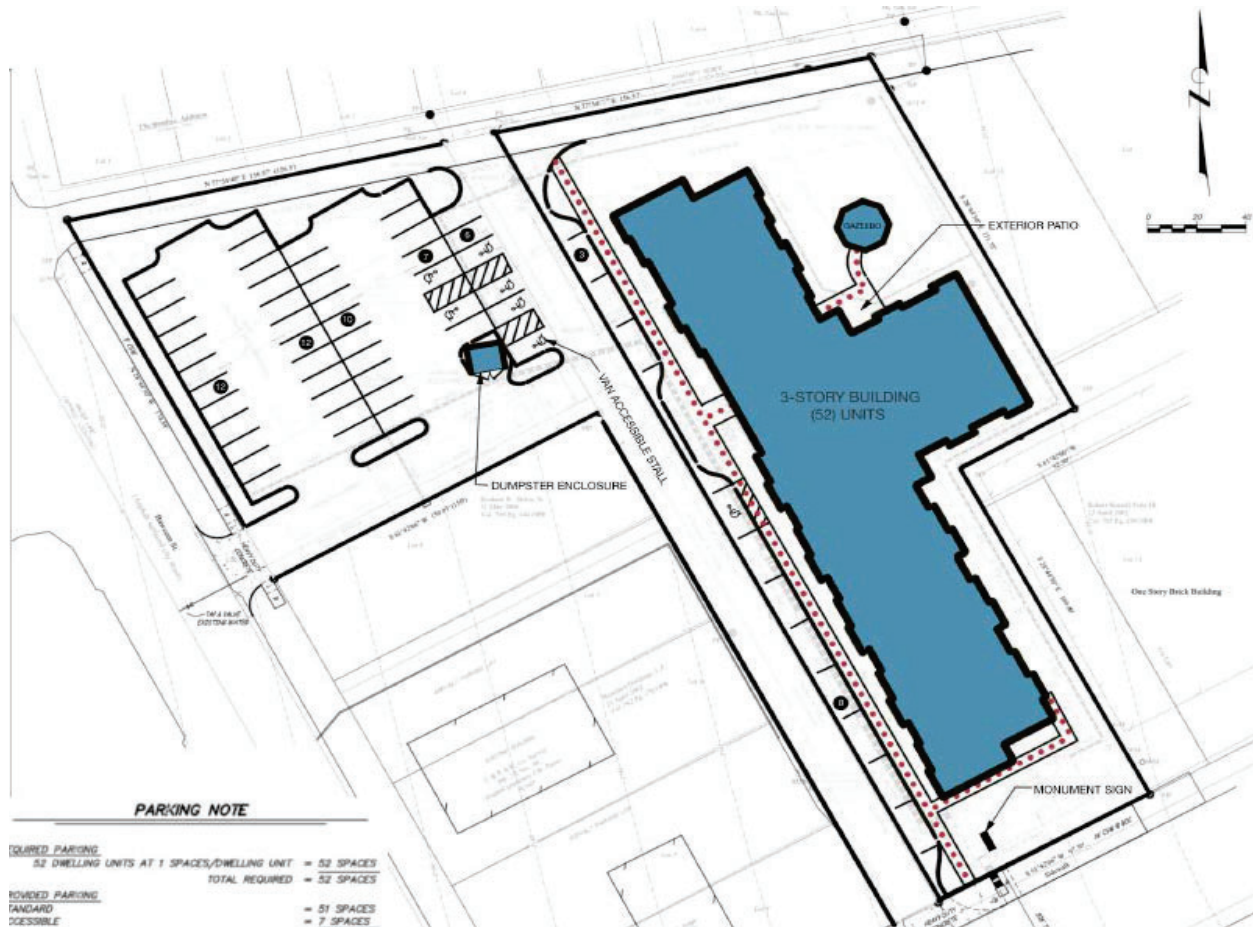
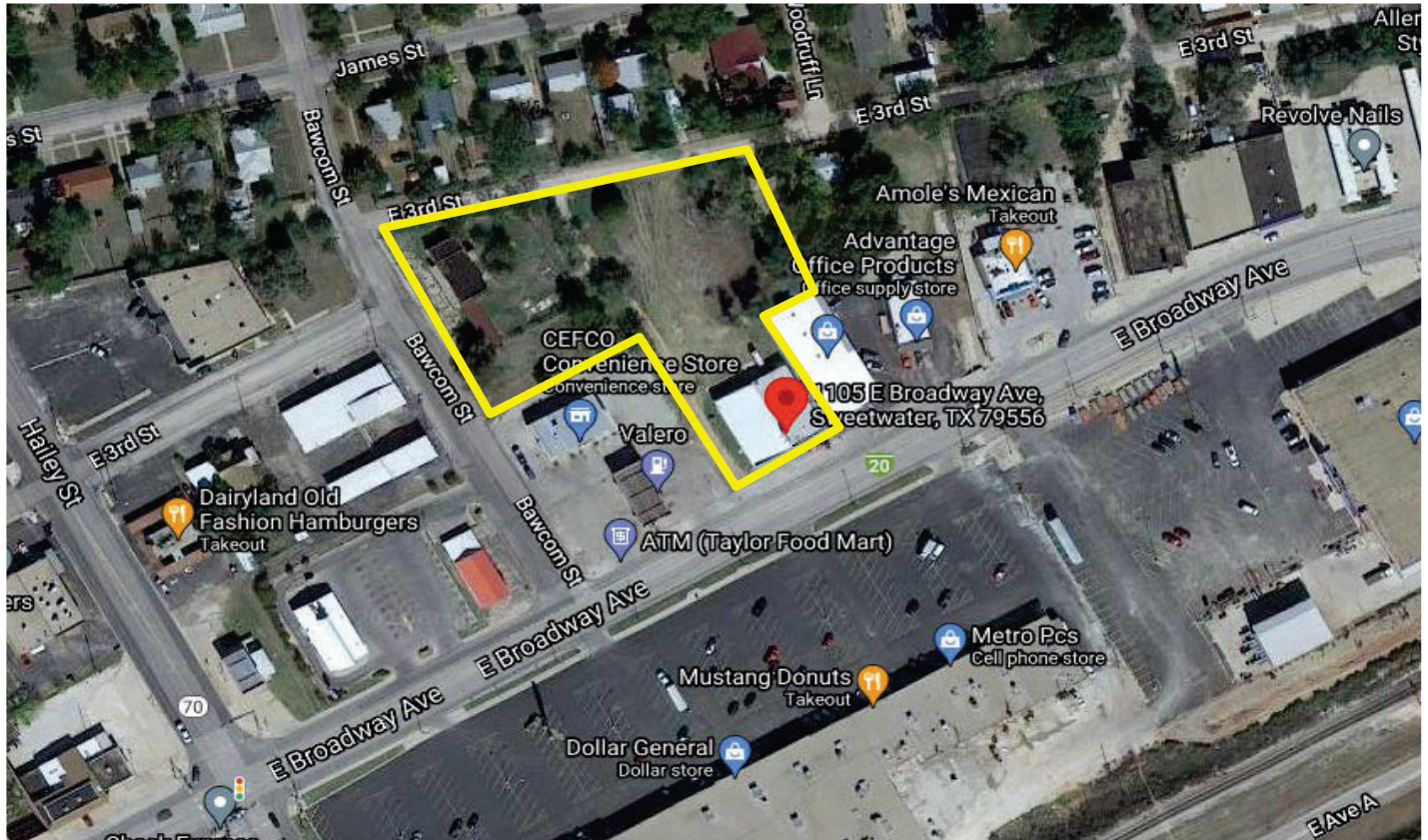


- Experienced Developer with 6 other LIHTC projects in Texas. Applicant has an in-house General Contracting and Property Management Company that will build and manage this property.



# DEVELOPMENT SUMMARY

## SITE PLAN



Comments:

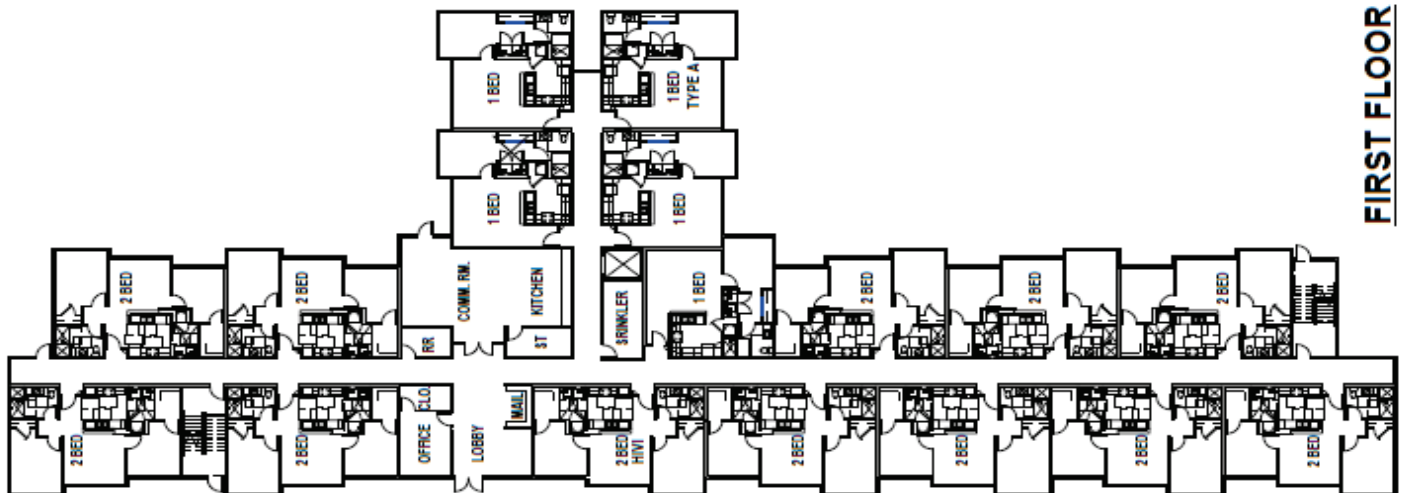
The site consists of two contiguous parcels of land located at 212 Bawcom Street and 1105 East Broadway Street. The 212 Bawcom Street consists of 0.53 acres of land developed with an approximate 2,000-sf vacant office/retail building with an approximate 800-sf covered parking area. The 1105 East Broadway Street consists of 1.02-acres of land developed with an approximate 6,278-sf office/retail building currently occupied by Hytorc, which sells, rents, and repairs hydraulic torque wrenches and pumps. The site is also developed with asphalt- and concrete-paved parking areas, a soil alleyway, remnant concrete pads, fencing, and utilities.

Applicant plans to dedicate 10 feet of right of way on 3rd Street (0.07 acres of the total 1.55 acre parcel) as an alley to the City. The final total site area will be 1.48-acres.

Access to the site will be provided by two full access driveways. A single driveway will front E. Broadway Ave and a second drive will from Bawcom Street.

Fifty-two parking spaces are required, 58 uncovered spaces will be provided free for tenant use.

BUILDING PLAN (Typical)



Comments:

Standard rectangular units with some articulation, multiple plumbing runs throughout the building, 9 foot ceilings and walk-in showers only in all units.

BUILDING ELEVATION



Comments:

A single 3-story, elevator-served building with 9ft ceilings, 6:12 roof pitches, conditioned corridors, above average articulation and 45% masonry exteriors.



## BUILDING CONFIGURATION

Building Type	3-Story												Total Buildings	
Floors/Stories	3													
Number of Bldgs	1													1
Units per Bldg	52													
Total Units	52													52
Avg. Unit Size (SF)	840 sf	Total NRA (SF)				43,680	Common Area (SF)*				11,165			

\*Common Area Square Footage as specified on Architect Certification

## SITE CONTROL INFO

**Site Acreage:** Development Site: 1.48 acres Density: 35.1 units/acre

**Site Control:** 1.55      **Site Plan:** 1.55      **Appraisal:** n/a      **ESA:** 1.55

**Feasibility Report Survey:** 1.55 **Feasibility Report Engineer's Plan:** 1.48

Control Type: Commercial Contract &amp; Option Agreement

Tract 1:	<u>1.02</u>	acres	Cost:	<u>\$127,000</u>	Seller:	<u>Jay Jay Holding Corporation</u>
Tract 2:	<u>0.53</u>	acres	Cost:	<u>\$60,000</u>	Seller:	<u>Joseph M. Hantman Revocable Trust</u>

Total Acquisition: 1.55 acres

Development Site: 1.48 acres      Cost: \$187,000      \$3,596 per unit

Seller: Jay Jay Holding Corp & Joseph M. Hantman Trust

Buyer: JES Dev Co, Inc

Related-Party Seller/Identity of Interest: No

Comments:

Although the property is identified as 1.55 acres in the survey, the portion of the site currently showing in the 3rd Street roadway will be deeded to the City with development of Sweetwater Station. The size of this area is estimated to reduce the overall site size to 1.48 acres.

## SITE INFORMATION

Flood Zone:	<u>X</u>	Scattered Site?	<u>No</u>
Zoning:	<u>G Zoning District</u>	Within 100-yr floodplain?	<u>No</u>
Re-Zoning Required?	<u>No</u>	Utilities at Site?	<u>Yes</u>
Year Constructed:	<u>N/A</u>	Title Issues?	<u>No</u>

### Current Uses of Subject Site:

The site consists of two contiguous parcels of land developed with an approximate 2,000-sf vacant office/retail building and an approximate 800-sf covered parking area, and an approximate 6,278-sf office/retail building currently occupied by Hytorc (a commercial business & related party entity to the Seller). The site is also developed with asphalt- and concrete-paved parking areas, a soil alleyway, remnant concrete pads, fencing, and utilities.

### Surrounding Uses:

**North:** E 3rd Street and residential  
**East:** commercial and residential  
**South:** E Broadway Street, a retail shopping center  
**West:** Bawcom Street and commercial

## HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Date: 2/26/2021

### Recognized Environmental Conditions (RECs) and Other Concerns:

- In accordance with U.S. Department of Housing and Urban Development guidelines, based on the proximity of the significant roads, railroad, and airports to the site, Terracon recommends that a noise study be conducted.
- Based on the age of the buildings, 1960s and 1970s, and the debris apparent from a previous structure, it is likely that the on-site buildings contain asbestos containing materials. Terracon recommends a thorough asbestos survey meeting current TDSHS and Environmental Protection Agency standards be conducted prior to renovation or demolition of these structures.
- Since the buildings were constructed in 1960s and 1970s, it is possible that lead-based paint is present in these materials. Terracon recommends a lead-based paint survey prior to demolition or renovation of the on-site buildings.
- Terracon recommends conducting additional investigation to evaluate subsurface conditions associated with the identified recognized environmental conditions (RECs):
  - Former on-site laundry facility (212 Bawcom Street)
  - Former welding and radiator facility located south of the site
  - Former Bell Service Station located south of the site
  - Former Taylor Food Mart 2046/current CEFCO gas station located to the adjacent southwest

## MARKET ANALYSIS

Provider: Novogradac  
 Contact: John Overath

Date: 3/22/2021  
 Phone: 469-329-5214

Primary Market Area (PMA): 1,821 sq. miles 24 mile equivalent radius

"The PMA consists of 7 census tracts around Sweetwater and encompasses approximately 1,821 square miles and radiates less than 37 miles from the Subject property. We believe that given the target tenancy, limited availability of affordable housing in the region, and rural nature of the central Texas region the size of the PMA is reasonable....

The PMA comprises the entirety of Fisher (\$66,000 AMI) and Nolan Counties (\$60,400). Nolan County, the Subject's county, has the lower 2020 AMI; however, the AMI's for both counties are very similar. As such, we believe the difference in income levels among the counties will not have a significant effect on demand (p. 14)

ELIGIBLE HOUSEHOLDS BY INCOME								
Nolan County Income Limits								
HH Size		1	2	3	4	5	6	7+
30% AMGI	Min	\$8,400	\$8,400	\$10,080	\$10,080	---	---	---
	Max	\$13,080	\$14,940	\$16,830	\$18,690	---	---	---
50% AMGI	Min	\$13,992	\$13,992	\$16,824	\$16,824	---	---	---
	Max	\$21,800	\$24,900	\$28,050	\$31,150	---	---	---
60% AMGI	Min	\$16,800	\$16,800	\$20,184	\$20,184	---	---	---
	Max	\$26,160	\$29,880	\$33,660	\$37,380	---	---	---

AFFORDABLE HOUSING INVENTORY						
Competitive Supply (Proposed, Under Construction, and Unstabilized)						
File #	Development	In PMA?	Type	Target Population	Comp Units	Total Units
	None					
Other Affordable Developments in PMA since 2016						
	None					
Stabilized Affordable Developments in PMA			Total Units			80
			Total Developments			1
			Average Occupancy			100%



OVERALL DEMAND ANALYSIS				
		Market Analyst		
		HTC	Assisted	
Total Households in the Primary Market Area		7,469		
Senior Households in the Primary Market Area		3,867		
Potential Demand from the Primary Market Area		1,509		
10% External Demand		151		
Potential Demand from Other Sources				
<b>GROSS DEMAND</b>		1,660		
Subject Affordable Units		52		52
Unstabilized Competitive Units		0		
<b>RELEVANT SUPPLY</b>		52		
<b>Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE</b>		<b>3.1%</b>		

<b>Population:</b>	<b>Elderly Limitation</b>	<b>Market Area:</b>	<b>Rural</b>	<b>Maximum Gross Capture Rate:</b>	<b>10%</b>
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UNDERWRITING ANALYSIS of PMA DEMAND by AMGI BAND									
AMGI Band	Market Analyst								
	Demand	10% Ext	Subject Units	Comp Units	AMGI Band Capture Rate				
30% AMGI	258	26	4	0	1%				
50% AMGI	319	32	11	0	3%				
60% AMGI	932	93	37	0	4%				

#### Demand Analysis:

Minimum eligible income is calculated at 50% rent to income for Elderly developments. Gross demand includes all household sizes and both renter and owner households. Elderly is assumed age 55 and up.

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE									
Unit Type	Market Analyst								
	Demand	10% Ext	Subject Units	Comp Units	Unit Capture Rate				
1 BR/30%	140	14	1	0	1%				
1 BR/50%	94	9	3	0	3%				
1 BR/60%	349	35	12	0	3%				
2 BR/30%	87	9	3	0	3%				
2 BR/50%	59	6	8	0	12%				
2 BR/60%	277	28	25	0	8%				

#### Market Analyst Comments:

The PMA experienced declining population growth between 2000 and 2010, and lagged behind the surrounding MSA, which also experienced declining population growth. Both geographic areas experienced population growth rates beneath the overall nation. Population in the PMA continue to decline between 2010 and 2020, similar to the MSA. According to ESRI demographic projections, population in the PMA is expected to continue to declines by 0.4 percent through the date of market entry and 2025, similar to the MSA and below the nation. (p. 23)

Although the number of senior households is projected to slightly decrease through 2025, there is still a significant number of senior households in the PMA, some of which will need affordable housing such as the Subject. (p. 24)

Approximately 37.6 percent of the renter population in the PMA earned less than \$40,000 in 2020. By 2025, the renter population earning less than \$40,000 in the PMA is expected to decrease to 36.7 percent, which is still a significant percentage of low-income renter households. This data provides strong support for affordable rental housing in the Subject's PMA. (p. 29)

#### Underwriter Comments:

Affordable properties still monitored in the PMA average 100% occupancy.

### OPERATING PRO FORMA

SUMMARY- AS UNDERWRITTEN (Applicant's Pro Forma)					
NOI:	\$140,400	Avg. Rent:	\$672	Expense Ratio:	64.8%
Debt Service:	\$118,097	B/E Rent:	\$633	Controllable Expenses:	\$2,989
Net Cash Flow:	\$22,303	UW Occupancy:	92.5%	Property Taxes/Unit:	\$750
Aggregate DCR:	1.19	B/E Occupancy:	87.3%	Program Rent Year:	2020

All units are projected at maximum HTC program rents.

In-house management company estimates a fee of 6.25%, which is consistent with their other currently managed properties.

Underwriter's property tax estimate (\$596/unit) based on similar properties in the region.

Breakeven occupancy occurs with 6 units vacant (underwritten at 3).

Pro Forma exhibits feasibility throughout the 35-year term. NOI can support a 25 basis point increase in the permanent loan rate (up to 5.25% vs. projected rate of 5%) before going below 1.15 DCR threshold.

As presented, 15 year residual cash flow is \$186K with a deferral of 14% of the developer fee.

Despite the difference in property tax estimates described above, Applicant's pro forma varies less than 5% from the Underwriter's estimates. Therefore, feasibility will be determined by Applicant's pro forma.

## DEVELOPMENT COST EVALUATION

SUMMARY- AS UNDERWRITTEN (Applicant's Costs)					
Acquisition	\$126,351/ac	\$3,596/unit	<b>\$187,000</b>	Contractor Fee	<b>\$886,064</b>
Off-site + Site Work		\$21,608/unit	<b>\$1,123,605</b>	Soft Cost + Financing	<b>\$1,324,377</b>
Building Cost	\$111.75/sf	\$93,872/unit	<b>\$4,881,336</b>	Developer Fee	<b>\$1,222,347</b>
Contingency	5.40%	\$6,233/unit	<b>\$324,094</b>	Reserves	<b>\$84,778</b>
<b>Total Development Cost</b>		<b>\$192,954/unit</b>	<b>\$10,033,601</b>	<b>Rehabilitation Cost</b>	<b>N/A</b>
<b>Qualified for 30% Basis Boost?</b>		Rural [9% only]			

### Site Work:

Certified \$945K (\$18K/unit) for demolition and asbestos abatement, grading, paving, concrete and utility costs. Storm water management is anticipated to include underground storm water conveyance to an underground detention basin located in the southeast corner of the site. Amenity cost of \$178K (\$3K/unit) was not included in certification, but is comprised of \$165K for landscaping, \$13K for trash enclosures and signage.

### Building Cost:

Applicant's Building Cost is \$4.88M (\$111.75/sf, \$94K/unit) is \$381K (7.2%) less than the Underwriter's estimate of Building Cost of \$5.26M (\$120.48/sf, \$101K/unit). Very high building cost per square foot is in part due to lower number of units 52.

Underwriter's cost estimate based on Marshall & Swift good quality multifamily cost.

Applicant limited eligible basis by \$1.2M for scoring purposes.

### Comments:

Applicant's total cost is 3.7% lower than Underwriter's estimate. Recommended capital structure is based on Applicant's cost schedule.

### Credit Allocation Supported by Costs:

Total Development Cost	Adjusted Eligible Cost	Credit Allocation Supported by Eligible Basis
<b>\$10,033,601</b>	<b>\$7,790,050</b>	<b>\$911,436</b>

## UNDERWRITTEN CAPITALIZATION

### INTERIM SOURCES

Funding Source	Description	Amount	Rate	LTC
Sterling Bank	Conventional Loan	\$7,456,973	5.25%	82%
Affordable Equity Partners, Inc.	HTC	\$1,583,684	\$0.88	18%
JES Partnerships-Sweetwater, LLC	Owner Equity	\$110		0%
		<b>\$9,040,767</b>	<b>Total Sources</b>	

### PERMANENT SOURCES

Debt Source	PROPOSED				UNDERWRITTEN				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	LTC
Sterling Bank	\$1,950,000	5.00%	35	18	\$1,950,000	5.00%	35	18	19%
City of Sweetwater	\$250	Fee Waiver			\$250	Fee Waiver			0%
JES Partnerships-Sweetwater, LLC	\$110	Owner Equity			\$110	Owner Equity			0%
<b>Total</b>	<b>\$1,950,360</b>				<b>\$1,950,360</b>				

Comments:

Underwriter included the \$250 in fee waivers from The City of Sweetwater as a source of funds.

	PROPOSED			UNDERWRITTEN			
Equity & Deferred Fees	Amount	Rate	% Def	Amount	Rate	% TC	% Def
Affordable Equity Partners, Inc.	\$7,918,416	\$0.88		\$7,918,416	\$0.88	79%	
JES Dev Co, Inc.	\$165,075		14%	\$164,825		2%	13%
	Total	\$8,083,491		\$8,083,241			
				\$10,033,601	Total Sources		

### Credit Price Sensitivity based on current capital structure

<b>\$0.898</b>	Maximum Credit Price before the Development is oversourced and allocation is limited
<b>\$0.859</b>	Minimum Credit Price below which the Development would be characterized as infeasible

## CONCLUSIONS

### Recommended Financing Structure:

Gap Analysis:	
Total Development Cost	\$10,033,601
Permanent Sources (debt + non-HTC equity)	\$1,950,360
<b>Gap in Permanent Financing</b>	<b>\$8,083,241</b>

Possible Tax Credit Allocations:	Equity Proceeds	Annual Credits
Determined by Eligible Basis	\$8,019,031	\$911,436
Needed to Balance Sources & Uses	\$8,083,241	\$918,734
Requested by Applicant	\$7,918,416	\$900,000

	RECOMMENDATION	
	Equity Proceeds	Annual Credits
<b>Tax Credit Allocation</b>	<b>\$7,918,416</b>	<b>\$900,000</b>

<b>Deferred Developer Fee</b>	<b>\$164,825</b>	<b>( 13% deferred)</b>
<b>Repayable in</b>	<b>8 years</b>	

### Comments:

Recommended credit allocation is \$900,000 as requested by the Applicant.

Underwriter:	<u>Diamond Unique Thompson</u>
Manager of Real Estate Analysis:	<u>Jeanna Adams</u>
Director of Real Estate Analysis:	<u>Thomas Cavanagh</u>

UNIT MIX/RENT SCHEDULE

Sweetwater Station, Sweetwater, 9% HTC #21116

LOCATION DATA	
CITY:	Sweetwater
COUNTY:	Nolan
Area Median Income	\$60,400
PROGRAM REGION:	2
PROGRAM RENT YEAR:	2020

UNIT DISTRIBUTION				
# Beds	# Units	% Total	Assisted	MDL
Eff	-	0.0%	0	0
1	16	30.8%	0	0
2	36	69.2%	0	0
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
TOTAL	52	100.0%	-	-

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	840 sf

56%	Income	20%	30%	40%	50%	60%	70%	80%	MR	TOTAL
Average	# Units	-	4	-	11	37	-	-	-	52
Income	% Total	0.0%	7.7%	0.0%	21.2%	71.2%	0.0%	0.0%	0.0%	100.0%

UNIT MIX / MONTHLY RENT SCHEDULE																			
HTC		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten	Mrkt Analyst	
TC 30%	\$350	1	1	1	750	\$350	\$56	\$294	\$0	\$0.39	\$294	\$294	\$294	\$294	\$0	\$0	\$865	\$1.15	\$865
TC 50%	\$583	3	1	1	750	\$583	\$56	\$527	\$0	\$0.70	\$527	\$1,581	\$1,581	\$527	\$1	\$0	\$865	\$1.15	\$865
TC 60%	\$700	12	1	1	750	\$700	\$56	\$644	\$0	\$0.86	\$644	\$7,728	\$7,728	\$644	\$1	\$0	\$865	\$1.15	\$865
TC 30%	\$420	3	2	1	880	\$420	\$71	\$349	\$0	\$0.40	\$349	\$1,047	\$1,047	\$349	\$0	\$0	\$985	\$1.12	\$985
TC 50%	\$701	8	2	1	880	\$701	\$71	\$630	\$0	\$0.72	\$630	\$5,040	\$5,040	\$630	\$1	\$0	\$985	\$1.12	\$985
TC 60%	\$841	25	2	1	880	\$841	\$71	\$770	\$0	\$0.88	\$770	\$19,250	\$19,250	\$770	\$1	\$0	\$985	\$1.12	\$985
TOTALS/AVERAGES:		52			43,680				\$0	\$0.80	\$672	\$34,940	\$34,940	\$672	\$0.80	\$0	\$948	\$1.13	\$948

ANNUAL POTENTIAL GROSS RENT:		\$419,280	\$419,280
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STABILIZED PRO FORMA									
Sweetwater Station, Sweetwater, 9% HTC #21116									

STABILIZED FIRST YEAR PRO FORMA									
COMPARABLES			APPLICANT			TDHCA			VARIANCE
Database	Region Comps		% EGI	Per SF	Per Unit	Amount	Per Unit	Per SF	% EGI
POTENTIAL GROSS RENT									
Late rent, forfeited deposits, app fees, vend				\$0.80	\$672	\$419,280	\$672	\$0.80	0.0%
Total Secondary Income				\$20.00		\$12,480			
POTENTIAL GROSS INCOME				\$20.00		\$431,760	\$20.00		0.0%
Vacancy & Collection Loss						\$431,760			0.0%
Rental Concessions				7.5% PGI		(32,382)	7.5% PGI		0.0%
EFFECTIVE GROSS INCOME						-	-		0.0%
						\$399,378	\$399,378		0.0%

General & Administrative	\$33,114	\$637/Unit	\$27,584	\$530	5.30%	\$0.48	\$407	\$21,150	\$27,584	\$530	\$0.63	6.91%	-23.3%	(6,434)
Management	\$18,747	5.9% EGI	\$15,034	\$289	6.25%	\$0.57	\$480	\$24,960	\$24,961	\$480	\$0.57	6.25%	0.0%	(1)
Payroll & Payroll Tax	\$54,373	\$1,046/Unit	\$60,619	\$1,166	14.90%	\$1.36	\$1,144	\$59,488	\$59,488	\$1,144	\$1.36	14.90%	0.0%	-
Repairs & Maintenance	\$28,331	\$545/Unit	\$34,567	\$665	8.46%	\$0.77	\$650	\$33,800	\$33,800	\$650	\$0.77	8.46%	0.0%	-
Electric/Gas	\$13,919	\$268/Unit	\$24,278	\$467	2.75%	\$0.25	\$212	\$11,000	\$10,356	\$199	\$0.24	2.59%	6.2%	644
Water, Sewer, & Trash	\$25,671	\$494/Unit	\$25,305	\$487	7.51%	\$0.69	\$577	\$30,000	\$25,305	\$487	\$0.58	6.34%	18.6%	4,695
Property Insurance	\$18,552	\$0.42 /sf	\$18,406	\$354	5.78%	\$0.53	\$444	\$23,100	\$23,100	\$444	\$0.53	5.78%	0.0%	-
Property Tax (@ 100%)	\$25,936	\$499/Unit	\$30,990	\$596	9.77%	\$0.89	\$750	\$39,000	\$30,990	\$596	\$0.71	7.76%	25.8%	8,010
Reserve for Replacements					3.26%	\$0.30	\$250	\$13,000	\$13,000	\$250	\$0.30	3.26%	0.0%	-
Supportive Services					0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)					0.52%	\$0.05	\$40	\$2,080	\$2,080	\$40	\$0.05	0.52%	0.0%	-
Security					0.15%	\$0.01	\$12	\$600	\$600	\$12	\$0.01	0.15%	0.0%	-
TOTAL EXPENSES					64.85%	\$5.93	\$4,980	\$ 258,978	\$252,064	\$4,847	\$5.77	63.11%	2.7%	\$ 6,914
NET OPERATING INCOME ("NOI")					35.15%	\$3.21	\$2,700	\$140,400	\$147,314	\$2,833	\$3.37	36.89%	-4.7%	\$ (6,914)

CONTROLLABLE EXPENSES		\$2,989/Unit		\$3,010/Unit
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CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Sweetwater Station, Sweetwater, 9% HTC #21116

DEBT / GRANT SOURCES															
APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE					AS UNDERWRITTEN DEBT/GRANT STRUCTURE										
DEBT (Must Pay)	Fee	Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Principal	Term	Amort	Rate	Pmt	Cumulative	
		UW	App											DCR	LTC
Sterling Bank		1.25	1.19	118,097	5.00%	35	18	\$1,950,000	\$1,950,000	18	35	5.00%	\$118,097	1.19	19.4%
CASH FLOW DEBT / GRANTS															
City of Sweetwater		1.25	1.19		0.00%	0	0	\$250	\$250	0	0	0.00%		1.19	0.0%
JES Partnerships-Sweetwater, LLC		1.25	1.19		0.00%	0	0	\$110	\$110	0	0	0.00%		1.19	0.0%
				\$118,097	TOTAL DEBT / GRANT SOURCES		\$1,950,360		TOTAL DEBT / GRANT SOURCES		TOTAL DEBT SERVICE		\$118,097	1.19	19.4%
NET CASH FLOW		\$29,217	\$22,303			APPLICANT		NET OPERATING INCOME		\$140,400		\$22,303		NET CASH FLOW	

EQUITY SOURCES													
APPLICANT'S PROPOSED EQUITY STRUCTURE						AS UNDERWRITTEN EQUITY STRUCTURE							
EQUITY / DEFERRED FEES		DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method	
												Applicant Request	Developer Fee
Affordable Equity Partners, Inc.		LHFC Equity	78.9%	\$900,000	0.88	\$7,918,416	\$7,918,416	\$0.8798	\$900,000	78.9%	\$17,308		
JES Dev Co. Inc.		Deferred Developer Fees	1.6%		(14% Deferred)	\$165,075	\$164,825			1.6%			\$1,222,347
Additional (Excess) Funds Req'd			0.0%				\$0			0.0%			
TOTAL EQUITY SOURCES			80.6%			\$8,083,491	\$8,083,241			80.6%			
TOTAL CAPITALIZATION						\$10,033,851	\$10,033,601					15-Yr Cash Flow after Deferred Fee:	\$186,207

DEVELOPMENT COST / ITEMIZED BASIS												
APPLICANT COST / BASIS ITEMS				TDHCA COST / BASIS ITEMS				COST VARIANCE				
Eligible Basis	Acquisition	New Const. Rehab	Total Costs	Eligible Basis	New Const. Rehab	Acquisition	%	\$				
Land Acquisition	\$0		\$3,596 / Unit	\$187,000		\$3,596 / Unit					0.0%	\$0
Building Acquisition			\$ / Unit	\$0		\$ / Unit			\$0		0.0%	\$0
Off-Sites			\$ / Unit	\$0		\$ / Unit					0.0%	\$0
Site Work			\$18,185 / Unit	\$945,628		\$18,185 / Unit		\$767,532			0.0%	\$0
Site Amenities			\$3,423 / Unit	\$177,977		\$3,423 / Unit		\$177,977			0.0%	\$0
Building Cost			\$93,872/Unit	\$4,881,336		\$120.48 /sf		\$3,684,408			-7.2%	(\$381,262)
Contingency			5.40%	\$324,094		5.07%		\$324,094			0.0%	\$0
Contractor Fees			14.00%	\$886,064		14.20%		\$693,560			0.0%	\$0
Soft Costs	\$0		\$14,069 / Unit	\$731,611		\$14,069 / Unit		\$671,611			0.0%	\$0
Financing	\$0		\$11,399 / Unit	\$592,766		\$11,399 / Unit		\$454,775			0.0%	\$0
Developer Fee	\$0		15.00%	\$1,222,347		15.00%		\$1,016,093			0.0%	\$0
Reserves			3 Months	\$84,778		3 Months					0.0%	\$0
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)				\$7,790,050		\$192,954 / Unit		\$7,990,050			-3.7%	(\$381,262)
Acquisition Cost	\$0			\$0								
Contingency		\$0		\$0								
Contractor's Fee		\$0		\$0								
Financing Cost		\$0		\$0								
Developer Fee	\$0			\$0								
Reserves				\$0								
ADJUSTED BASIS / COST				\$0		\$192,954/unit		\$7,990,050			-3.7%	(\$381,262)
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):				\$10,033,601								



**CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS**

Sweetwater Station, Sweetwater, 9% HTC #21116

CREDIT CALCULATION ON QUALIFIED BASIS				
Applicant				
	Acquisition	Construction Rehabilitation	Acquisition	Construction
ADJUSTED BASIS	\$0	\$7,790,050	\$0	\$7,790,050
Deduction of Federal Grants	\$0	\$0	\$0	\$0
<b>TOTAL ELIGIBLE BASIS</b>	\$0	\$7,790,050	\$0	\$7,790,050
High Cost Area Adjustment		130%		130%
<b>TOTAL ADJUSTED BASIS</b>	\$0	\$10,127,065	\$0	\$10,127,065
Applicable Fraction	100.00%	100.00%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>	\$0	\$10,127,065	\$0	\$10,127,065
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
<b>ANNUAL CREDIT ON BASIS</b>	0	\$911,436	\$0	\$911,436
<b>CREDITS ON QUALIFIED BASIS</b>	\$911,436		\$911,436	

	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS			FINAL ANNUAL LIHTC ALLOCATION	
	Annual Credits	Proceeds	Credit Price	Credit Allocation	Variance to Request
Eligible Basis	\$911,436	\$8,019,031			
Needed to Fill Gap	\$918,734	\$8,083,241			
<b>Applicant Request</b>	\$900,000	\$7,918,416	<b>\$900,000</b>		<b>\$0</b>

BUILDING COST ESTIMATE				
CATEGORY	FACTOR	UNITS/SF	PER SF	
Base Cost:	Elevator Served	43,680 SF	\$95.83	4,185,712
Adjustments				
Exterior Wall Finish	3.60%		3.45	\$150,686
Elderly	3.00%		2.87	125,571
9-Ft. Ceilings	3.45%		3.31	144,407
Roof Adjustment(s)			1.19	52,000
Subfloor			(0.16)	(6,989)
Floor Cover			2.56	111,821
Enclosed Corridors	\$87.38	7,700	15.40	672,801
Balconies	\$0.00	0	0.00	0
Plumbing Fixtures	\$1,080	0	0.00	0
Rough-ins	\$530	104	1.26	55,120
Built-In Appliances	\$1,830	52	2.18	95,160
Exterior Stairs	\$2,460	4	0.23	9,840
Heating/Cooling			2.34	102,211
Storage Space	\$87.38	0	0.00	0
Carports	\$12.25	0	0.00	0
Garages		0	0.00	0
Common/Support Area	\$69.98	3,465	5.55	242,470
Elevators	\$93,900	1	2.15	93,900
<b>Other:</b>			0.00	0
Fire Sprinklers	\$2.59	54,845	3.25	142,049
<b>SUBTOTAL</b>			<b>141.41</b>	<b>6,176,789</b>
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	1.00		0.00	0
Reserved				0
<b>TOTAL BUILDING COSTS</b>				<b>141.41</b>
Plans, specs survey, bldg permits	3.30%		(4.67)	(\$203,833)
Contractor's OH & Profit	11.50%		(16.26)	(710,327)
<b>NET BUILDING COSTS</b>		\$101,204/unit	\$120.49/sf	\$5,262,598

# Long-Term Pro Forma

Sweetwater Station, Sweetwater, 9% HTC #21116

Growth Rate		Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35
EFFECTIVE GROSS INCOME	2.00%	\$399,378	\$407,366	\$415,513	\$423,823	\$432,300	\$477,294	\$526,971	\$581,818	\$642,374	\$709,233	\$783,051
	3.00%	\$258,978	\$266,498	\$274,238	\$282,206	\$290,407	\$335,170	\$386,907	\$446,714	\$515,857	\$595,804	\$688,253
NET OPERATING INCOME ("NOI")		\$140,400	\$140,868	\$141,275	\$141,618	\$141,893	\$142,124	\$140,063	\$135,104	\$126,517	\$113,429	\$94,797
EXPENSE/INCOME RATIO		64.8%	65.4%	66.0%	66.6%	67.2%	70.2%	73.4%	76.8%	80.3%	84.0%	87.9%

## MUST -PAY DEBT SERVICE

TOTAL DEBT SERVICE	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097	\$118,097
DEBT COVERAGE RATIO	1.19	1.19	1.20	1.20	1.20	1.20	1.20	1.19	1.14	1.07	0.96	0.80

ANNUAL CASH FLOW	\$22,303	\$22,771	\$23,178	\$23,521	\$23,796	\$24,027	\$24,207	\$21,966	\$17,007	\$8,421	(\$4,667)	(\$23,300)
Deferred Developer Fee Balance	\$142,522	\$119,751	\$96,573	\$73,052	\$49,257	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW	\$0	\$0	\$0	\$0	\$0	\$71,224	\$186,207	\$282,458	\$343,349	\$348,183	\$271,400	

# 21116 Sweetwater Station PMA Map



Disclaimer: This map is not a survey. Boundaries, distance and scale are approximate only.



## Texas Department of Housing and Community Affairs

### Governing Board

### Board Action Request

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**File #: 931**

**Agenda Date: 2/6/2025**

**Agenda #: 18.**

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Presentation, discussion, and possible action on a loan approval for Estacado Estates

### **RECOMMENDED ACTION**

**WHEREAS**, the above listed development was awarded 9% housing tax credits during the 2022 competitive Application round;

**WHEREAS**, the Developer applied for additional funds under the Department's 2024-3 TCAP-RF Notice of Funding Availability, which was released last year specifically for the purpose of addressing funding gaps in previously-awarded Developments; and

**WHEREAS**, the Department is now recommending approval of a loan in the amount of \$ 2,863,511 to address this funding gap, with proposed loan terms and details concerning the Development's financials outlined below;

**NOW, therefore, it is hereby**

**RESOLVED**, that the that loan of \$ 2,863,511 of TCAP-RF funds to Estacado Estates is approved, subject to conditions that may be applicable as found in the Real Estate Analysis Underwriting Report posted to the Department's website and as described within this Board Action Request.

### **BACKGROUND**

*Development Information:* Estacado Estates is to be located in Amarillo, Randall County, and proposes the new construction of 46 units that will serve the elderly population. The Development will serve households with incomes at or below 30%, 50%, and 60% of Area Median Family Income (AMFI).

*Financial Information:* The Department's \$2,863,511 TCAP-RF loan is to be structured as fully repayable at 2.00% interest and is in first-lien position.

The Development initially received \$913,000 housing tax credits in 2022. Since the last underwriting, total building costs have increased by \$1.5 million, and total development costs have increased by \$2.1 million. The brings current total housing development cost to approximately \$12.4 million.

To fill the gap created by these increases, the Department's loan is proposed to replace most of the senior loan from Sterling Bank that was initially proposed to be \$2.1 million and was originally underwritten at 5.75% interest; \$1.2 million of that loan will remain in place and has

been underwritten at 8.5% interest. Replacing most of this loan with the Department's loan allows the deal to remain financially feasible despite the increase in development costs.



## Addendum to Underwriting Report

TDHCA Application #: **24510\_22153** Program(s): **9% HTC****Estacado Estates**

Address/Location: Northwest corner of SW 58th Ave &amp; S Washington St

City: Amarillo County: Randall Zip: 79110

	APPLICATION HISTORY
Report Date	PURPOSE
01/31/25	MDL 2024-3 NOFA TCAP-RF Award Memo
06/10/22	New Application-Initial Underwriting

## ALLOCATION

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
MF DL TCAP-RF					\$2,863,511	2.00%	40	40	1
LIHTC (9% Credit)	\$913,000				\$913,000				

\* Multifamily Direct Loan Terms:

\* Pursuant to 10 TAC §13.8(a), the term of a Multifamily Direct Loan should match the term of any superior loan (within 6 months).

\* Lien position after conversion to permanent. The Department's lien position during construction may vary.

## CONDITIONS STATUS

## 1 Receipt and acceptance before Direct Loan Contract:

- Documentation that a current noise study has been completed, and certification from the Architect that all recommendations for mitigation from the noise study are incorporated into the development plans.

## 2 Receipt and acceptance before Direct Loan Closing

- a: Updated application exhibits: Rent Schedule, Utility Allowance, Operating Expenses, Long-Term Pro Forma, Development Cost Schedule, Schedule of Sources; and documentation necessary to support any changes from previous underwriting.
- b: Substantially final construction contract with Schedule of Values.
- c: Updated term sheets with substantially final terms from all lenders.
- d: Substantially final draft of limited partnership agreement stating the Deferred Developer Fee is the first waterfall cash payment before any ground lease payment.
- e: Substantially final ground lease.

## 3 Receipt and acceptance by Cost Certification:

- a: Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.
- b: Architect certification that buildings were tested for the presence of radon and any recommended mitigation measures were implemented.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

## SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	5
50% of AMI	50% of AMI	10
60% of AMI	60% of AMI	31

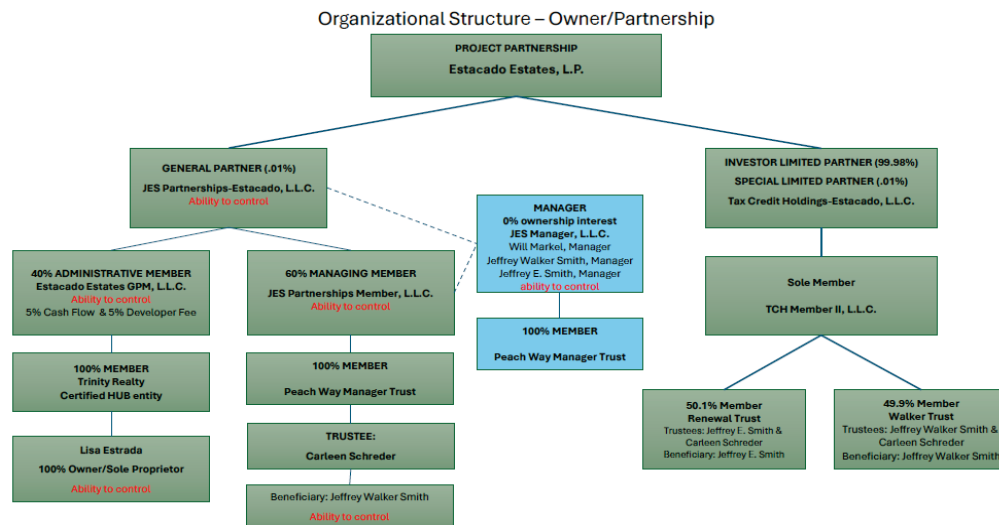
TDHCA SET-ASIDES for DIRECT LOAN LURA		
Income Limit	Rent Limit	Number of Units
50% of AMFI	Low HOME	15
60% of AMFI	High HOME	2

## ANALYSIS

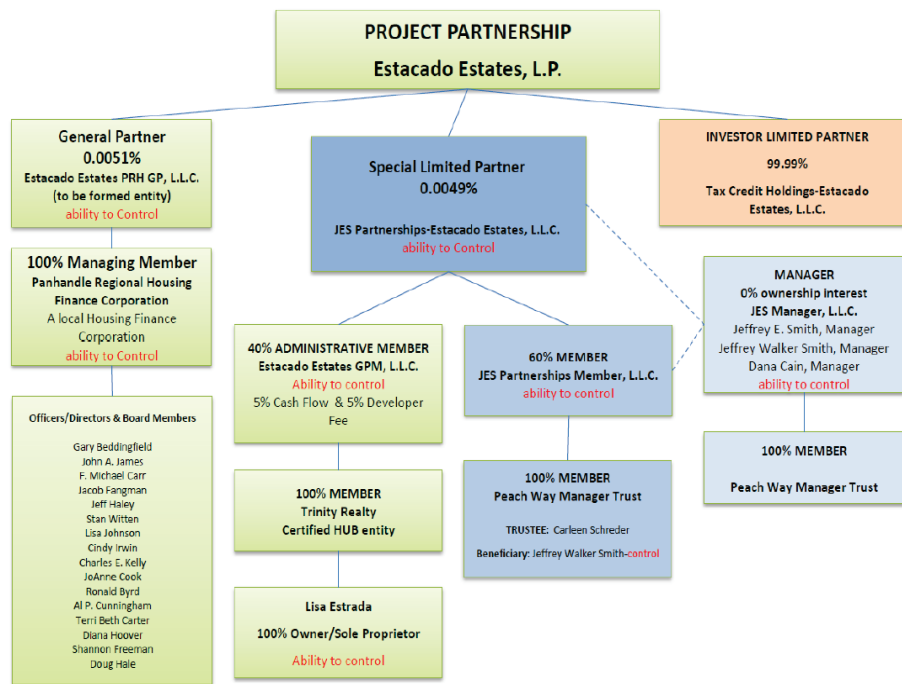
The development originally received an annual 9% HTC allocation of \$913,000 in 2022. The Applicant has now applied for \$2,863,511 in MFDL TCAP-RF funding to substantially replace their previously proposed permanent financing.

Since original underwriting, Applicant has also revised the ownership structure to replace the originally contemplated GP with an entity 100% owned by the Panhandle Regional Housing Finance Corporation ("PRHFC"). PRHFC will own the land and lease it back to the partnership under a long-term ground lease which should facilitate a 100% property tax exemption for the development.

### Previous Organizational Structure



**Approved Organizational Structure**





### **Operating Pro Forma**

Underwriter revised Applicant's Rent Schedule to reflect the current 2024 Program Rents.

Since the prior underwriting for the 2022 credit award, projected operating expenses have decreased by \$39K (from \$245K to \$206K) because the applicant got approval for the ownership structure change, adding the Panhandle Regional Housing Finance Corporation to their organization structure as GP and owner of the land in order to facilitate a full property tax exemption.

Projected Net Operating Income has increased by \$125K (from \$155K to \$280K) since original underwriting for the 2022 9% credits.

As underwritten, the first year DCR is 1.32 and the long-term Pro Forma exhibits a 15 year residual cash flow of \$1M after repayment of deferred developer fee in year 6.

### **Development Cost**

Since underwriting for the 2022 9% credits:

- Building Cost increased by \$1.5M (from \$4.73M to \$6.25M).
- Total Housing Development Cost increased by \$2.1M (from \$10.3M to \$12.4M).

### **Sources of Funds**

Proposed capitalization has increased by \$2.1M to cover additional development costs.

Originally, Applicant anticipated having a \$2,100,000 permanent loan from Sterling Bank (5.75% rate / 18 yr. term / 40 yr. amort.), but is now requesting a \$2,863,511 MDL with a lower interest rate of 2%, a 40 yr. term and 40 yr. amortization.

In addition to the MDL, it is anticipated that Sterling Bank will provide 2nd lien permanent financing in the amount of \$1,200,000 (8.50% rate / 18 yr. term / 35 yr. amort.).

Since original underwriting, the equity contribution, now from Affordable Equity Partners, Inc., has decreased by \$274K (from \$8M to \$7.76M), while the equity price was reduced from \$0.88 to \$0.85.

Additionally, deferred developer fee was increased by \$209K (from \$190K to \$399K).

### **Recommendation**

Underwriter recommends a first lien Multifamily Direct Loan in the amount of \$2,863,511 at a 2.00% interest rate for a 40 year term with payments based on a 40 year amortization. Under these terms, the annualized monthly debt service payment is \$104,057. The construction term is assumed at 24 months. The MDL funding is TCAP-RF.

Furthermore, an annual 9% tax credit allocation of \$913,000 is still being recommended.

Underwriter:	<u>Deborah Willson</u>
Manager of Real Estate Analysis:	<u>Gregg Kazak</u>
Director of Real Estate Analysis:	<u>Jeanna Adams</u>

UNIT MIX/RENT SCHEDULE

Estacado Estates, Amarillo, 9% HTC #24510\_22153

LOCATION DATA	
CITY:	Amarillo
COUNTY:	Randall
Area Median Income	\$87,700
PROGRAM REGION:	1
PROGRAM RENT YEAR:	2024

UNIT DISTRIBUTION			
# Beds	# Units	% Total	MDL Match
Eff	-	0.0%	0
1	14	30.4%	1
2	32	69.6%	3
3	-	0.0%	0
4	-	0.0%	0
5	-	0.0%	0
TOTAL	46	100.0%	4
			17

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100.00%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	840 sf

55%	Income	20%	30%	40%	50%	60%	70%	80%	EO / MR	TOTAL
Average	# Units	-	5	-	10	31	-	-	-	46
Income	% Total	0.0%	10.9%	0.0%	21.7%	67.4%	0.0%	0.0%	0.0%	100.0%

UNIT MIX / MONTHLY RENT SCHEDULE																						
HTC		MF Direct Loan Units (HOME Rent/Inc)		MDL Match		UNIT MIX			APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS			MARKET RENTS			
Type	Gross Rent	Type	Gross Rent	Type		# Units	# Beds	# Baths	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten	Mrkt Analyst	
TC 30%	\$493	LH/50%	\$822			2	1	1	\$493	\$74	\$419	\$0	\$0.56	\$419	\$838	\$838	\$419	\$1	\$0	\$1,060	\$1.41	\$1,060
TC 50%	\$822	LH/50%	\$822			3	1	1	\$822	\$74	\$748	\$0	\$1.00	\$748	\$2,244	\$2,244	\$748	\$1	\$0	\$1,060	\$1.41	\$1,060
TC 60%	\$987		\$987	1		9	1	1	\$987	\$74	\$913	\$0	\$1.22	\$913	\$8,217	\$8,217	\$913	\$1	\$0	\$1,060	\$1.41	\$1,060
TC 30%	\$592	LH/50%	\$987			3	2	1	\$592	\$94	\$498	\$0	\$0.57	\$498	\$1,494	\$1,494	\$498	\$1	\$0	\$1,178	\$1.34	\$1,178
TC 50%	\$987	LH/50%	\$987			7	2	1	\$987	\$94	\$993	\$0	\$1.01	\$993	\$6,251	\$6,251	\$993	\$1	\$0	\$1,178	\$1.34	\$1,178
TC 60%	\$1,185	HH/60%	\$1,082			2	2	1	\$1,082	\$94	\$988	\$0	\$1.12	\$988	\$1,976	\$1,976	\$988	\$1	\$0	\$1,178	\$1.34	\$1,178
TC 60%	\$1,185		\$1,185	3		20	2	1	\$1,185	\$94	\$1,091	\$0	\$1.24	\$1,091	\$21,820	\$21,820	\$1,091	\$1	\$0	\$1,178	\$1.34	\$1,178
TOTALS/AVERAGES:						46						\$0	\$1.11	\$931	\$42,840	\$42,840	\$931	\$1.11	\$0	\$1,142	\$1.36	\$1,142
ANNUAL POTENTIAL GROSS RENT:												\$514,080										

# STABILIZED PRO FORMA

Estacado Estates, Amarillo, 9% HTC #24510\_22153

STABILIZED FIRST YEAR PRO FORMA												
COMPARABLES		APPLICANT			PRIOR REPORT			TDHCA			VARIANCE	
Database	Local Comps	% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI	
POTENTIAL GROSS RENT			\$1.11	\$931	\$514,080	\$421,368	\$421,368	\$514,080	\$931	\$1.11		\$
Late rent, forfeited deposits, app fees, vend				\$20.00	\$11,040	11,040						\$
Total Secondary Income				\$20.00			11,040	\$11,040	\$20.00			\$
POTENTIAL GROSS INCOME					\$525,120	\$432,408	\$432,408	\$525,120				\$
Vacancy & Collection Loss				7.5% PGI	(39,384)	(32,431)	(32,431)	(39,384)	7.5% PGI			-
Rental Concessions					-	0	0	-				-
EFFECTIVE GROSS INCOME					\$485,736	\$399,977	\$399,977	\$485,736				\$

General & Administrative	\$22,415	\$487/Unit	\$19,718	\$429	4.50%	\$0.57	\$475	\$21,850	\$22,415	\$487	\$0.58	4.61%	-2.5%	(565)
Management	\$19,941	6.8% EGI	\$12,103	\$283	4.55%	\$0.57	\$480	\$22,080	\$22,079	\$583	\$0.69	5.52%	-17.7%	(4,733)
Payroll & Payroll Tax	\$50,004	\$1,087/Unit	\$48,869	\$1,062	11.12%	\$1.40	\$1,174	\$53,997	\$53,997	\$1,174	\$1.40	11.12%	0.0%	-
Repairs & Maintenance	\$29,699	\$646/Unit	\$18,769	\$408	6.28%	\$0.79	\$663	\$30,500	\$29,900	\$650	\$0.77	6.16%	2.0%	600
Electric/Gas	\$9,051	\$197/Unit	\$4,477	\$97	1.85%	\$0.23	\$196	\$9,000	\$9,051	\$197	\$0.23	1.86%	-0.6%	(51)
Water, Sewer, & Trash	\$18,969	\$412/Unit	\$16,668	\$362	4.96%	\$0.62	\$524	\$24,100	\$24,100	\$524	\$0.62	4.96%	0.0%	-
Property Insurance	\$17,373	\$0.45/sf	\$12,864	\$280	5.99%	\$0.75	\$633	\$29,097	\$29,097	\$633	\$0.75	5.99%	0.0%	-
Property Tax (@ 0%)	\$20,915	\$455/Unit	\$14,740	\$320	0.00%	\$0.00	\$0	\$39,600	\$35,788	\$0	\$0.00	0.00%	0.0%	-
Reserve for Replacements					2.37%	\$0.30	\$250	\$11,500	\$11,500	\$250	\$0.30	2.37%	0.0%	-
Cable TV					0.16%	\$0.02	\$17	\$800	\$800	\$17	\$0.02	0.16%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)					0.38%	\$0.05	\$40	\$1,840	\$1,840	\$40	\$0.05	0.38%	0.0%	-
Security					0.12%	\$0.02	\$13	\$600	\$600	\$13	\$0.02	0.12%	0.0%	-
<b>TOTAL EXPENSES</b>					<b>42.38%</b>	<b>\$5.33</b>	<b>\$4,476</b>	<b>\$205,874</b>	<b>\$241,167</b>	<b>\$4,580</b>	<b>\$5.45</b>	<b>43.38%</b>	<b>-2.3%</b>	<b>\$ (4,817)</b>
<b>NET OPERATING INCOME ("NOI")</b>					<b>57.62%</b>	<b>\$7.24</b>	<b>\$6,084</b>	<b>\$279,862</b>	<b>\$158,810</b>	<b>\$5,979</b>	<b>\$7.11</b>	<b>56.62%</b>	<b>1.8%</b>	<b>\$ 4,817</b>

<b>CONTROLLABLE EXPENSES</b>	\$3,031/Unit	\$3,032/Unit	\$3,032/Unit
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CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Estacado Estates, Amarillo, 9% HTC #24510\_22153

DEBT / GRANT SOURCES													
APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE							AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
DEBT (Must Pay)	Cumulative DCR	UW	App	Fee	Pmt	Rate	Amort	Term	Principal	Applicant	TDHCA	Prior Underwriting	Cumulative
TDHCA	2.64	2.69			104,057	2.00%	40	40	\$2,863,511	\$2,100,000	\$2,100,000		LTC
Sterling Bank	1.30	1.32			\$107,548	8.50%	35	18	\$1,200,000				DCR
CASH FLOW/DEBT / GRANTS													
Waived Professional Fees		1.30	1.32			0.00%	0	0	\$216,000				
					\$211,605				\$4,279,511	\$2,100,000	\$2,100,000		
TOTAL DEBT / GRANT SOURCES										TOTAL DEBT SERVICE			
										\$211,605			
TOTAL DEBT / GRANT SOURCES										\$211,605			
TOTAL DEBT / GRANT SOURCES										\$211,605			
TOTAL DEBT / GRANT SOURCES										\$211,605			
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TOTAL DEBT / GRANT SOURCES										\$211,605			

**CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS**

*Estacado Estates, Amarillo, 9% HTC #24510\_22153*

CREDIT CALCULATION ON QUALIFIED BASIS				
Applicant		TDHCA		
Acquisition	Construction Rehabilitation	Acquisition	Construction	
ADJUSTED BASIS	\$0	\$11,256,673	\$0	\$11,256,673
Deduction of Federal Grants	\$0	\$0	\$0	\$0
<b>TOTAL ELIGIBLE BASIS</b>	\$0	\$11,256,673	\$0	\$11,256,673
High Cost Area Adjustment		130%		130%
<b>TOTAL ADJUSTED BASIS</b>	\$0	\$14,633,675	\$0	\$14,633,675
Applicable Fraction	100.00%	100.00%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>	\$0	\$14,633,675	\$0	\$14,633,675
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
<b>ANNUAL CREDIT ON BASIS</b>	\$0	\$1,317,031	\$0	\$1,317,031
<b>CREDITS ON QUALIFIED BASIS</b>	\$1,317,031		\$1,317,031	

ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS				
Method	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION	
	Annual Credits	Proceeds	Credit Price \$0.8498	Variance to Request
<b>Eligible Basis</b>	\$1,317,031	\$11,192,522	<b>Credit Allocation</b>	<b>Proceeds</b>
<b>Needed to Fill Gap</b>	\$959,981	\$8,158,203		
<b>Applicant Reques</b>	\$913,000	\$7,758,948	<b>\$913,000</b>	<b>\$0</b>

BUILDING COST ESTIMATE					
CATEGORY	FACTOR	UNITS/SF	PER SF		
Base Cost:	Elevator Served	38,660 SF	\$113.87		4,402,165
Adjustments					
Exterior Wall Finish	2.80%		3.19		\$123,261
Elderly	3.00%		3.42		132,085
9-Ft. Ceilings	3.35%		3.81		147,473
Roof Adjustment(s)			1.19		46,000
Subfloor			(0.16)		(6,186)
Floor Cover			2.82		109,021
Enclosed Corridors	\$105.42	6,033	16.45		635,991
Balconies	\$0.00	0	0.00		0
Plumbing Fixtures	\$1610	-230	-9.58		(370,300)
Rough-Ins	\$600	92	1.43		55,200
Built-In Appliances	\$2,950	46	3.51		135,700
Exterior Stairs	\$2,460	0	0.00		0
Heating/Cooling			2.37		91,624
Storage Space	\$105.42	0	0.00		0
Carports	\$13.00	0	0.00		0
Garages		0	0.00		0
Common/Support Area	\$121.91	9,500	29.96		1,158,098
Elevators	\$118,600	1	3.07		118,600
Other:			0.00		0
Fire Sprinklers	\$2.88	54,193	4.04		156,076
<b>SUBTOTAL</b>			<b>179.38</b>		<b>6,934,787</b>
Current Cost Multiplier	1.00		0.00		0
Local Multiplier	1.00		0.00		0
Reserved					0
<b>TOTAL BUILDING COSTS</b>			<b>179.38</b>		<b>\$6,934,787</b>
Plans, specs, survey, bldg permits	3.30%		(5.92)		(\$228,848)
Contractor's OH & Profit	11.50%		(20.63)		(797,501)
<b>NET BUILDING COSTS</b>		\$128,444/unit	\$152.83/sf		\$5,908,439

# Long-Term Pro Forma

Estacado Estates, Amarillo, 9% HTC #24510\_ 22153

Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35	Year 40
EFFECTIVE GROSS INCOME	\$485,736	\$495,451	\$505,360	\$515,467	\$525,776	\$580,499	\$640,918	\$707,626	\$781,276	\$862,592	\$952,371	\$1,051,494
TOTAL EXPENSES	\$205,874	\$211,829	\$217,959	\$224,268	\$230,762	\$266,197	\$307,139	\$354,450	\$409,130	\$472,333	\$545,400	\$629,878
NET OPERATING INCOME ("NOI")	\$279,862	\$283,621	\$287,401	\$291,199	\$295,014	\$314,302	\$333,779	\$353,175	\$372,146	\$390,258	\$406,971	\$421,616
EXPENSE/INCOME RATIO	42.4%	42.8%	43.1%	43.5%	43.9%	45.9%	47.9%	50.1%	52.4%	54.8%	57.3%	59.9%
MUST -PAY DEBT SERVICE												
TDHCA	\$104,057	\$104,057	\$104,057	\$104,057	\$104,057	\$104,057	\$104,057	\$104,057	\$104,057	\$104,057	\$104,057	\$104,057
Sterling Bank	\$107,548	\$107,548	\$107,548	\$107,548	\$107,548	\$107,548	\$107,548	\$107,548	\$107,548	\$107,548	\$107,548	\$107,548
TOTAL DEBT SERVICE	\$211,605	\$211,605	\$211,605	\$211,605	\$211,605	\$211,605	\$211,605	\$211,605	\$211,605	\$211,605	\$211,605	\$211,605
DEBT COVERAGE RATIO	1.32	1.34	1.36	1.38	1.39	1.49	1.58	1.67	1.76	1.84	1.92	1.99
ANNUAL CASH FLOW												
	\$68,257	\$72,016	\$75,795	\$79,594	\$83,409	\$102,697	\$122,174	\$141,570	\$160,541	\$178,653	\$195,366	\$210,011
Deferred Developer Fee Balance	\$330,998	\$258,982	\$183,187	\$103,593	\$20,184	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW	\$0	\$0	\$0	\$0	\$0	\$454,604	\$1,026,494	\$1,695,647	\$2,460,660	\$3,318,144	\$4,262,232	\$5,283,977

# 22153 Estacado Estates - Application Summary

REAL ESTATE ANALYSIS DIVISION  
June 10, 2022

PROPERTY IDENTIFICATION		RECOMMENDATION	
Application #	22153	TDHCA Program	Request
Development	Estacado Estates	LIHTC (9% Credit)	Recommended
City / County	Amarillo / Randall		
Region/Area	1 / Urban		
Population	Elderly Limitation		
Self-Aside	General		
Activity	New Construction		

KEY PRINCIPALS / SPONSOR	
JES Dev Co. Inc. Jeffrey Walker Smith	

Related Parties	Contractor -	Yes	Seller -	No

UNIT DISTRIBUTION		INCOME DISTRIBUTION	
# Beds	# Units	% Total	% Total
Eff	-	0%	0%
1	14	30%	11%
2	32	70%	40%
3	-	0%	0%
4	-	0%	0%
TOTAL	46	100%	100%

PRO FORMA FEASIBILITY INDICATORS	
Pro Forma Underwritten	Applicant's Pro Forma
Debt Coverage	Expense Ratio
Breakeven Occ.	Breakeven Rent
Average Rent	B/E Rent Margin
Property Taxes	Exemption/PILOT
Total Expense	Controllable

MARKET FEASIBILITY INDICATORS	
Gross Capture Rate (10% Maximum)	
Highest Unit Capture Rate	
Dominant Unit Cap. Rate	
Premiums (+60% Rents)	
Rent Assisted Units	

DEVELOPMENT COST SUMMARY	
Costs Underwritten	Applicant's Costs
Avg. Unit Size	Density
Acquisition	
Building Cost	
Hard Cost	
Total Cost	
Developer Fee	
Contractor Fee	

UNIT DISTRIBUTION	INCOME DISTRIBUTION
# Beds	# Units
Eff	-
1	14
2	32
3	-
4	-
TOTAL	46

Income	% Total
20%	0%
30%	11%
40%	40%
50%	22%
60%	67%
70%	0%
80%	0%
MR	0%
TOTAL	100%

Expense Ratio	61.2%
Breakeven Rent	\$723
B/E Rent Margin	\$41
Exemption/PILOT	0%
Controllable	\$3,031/unit

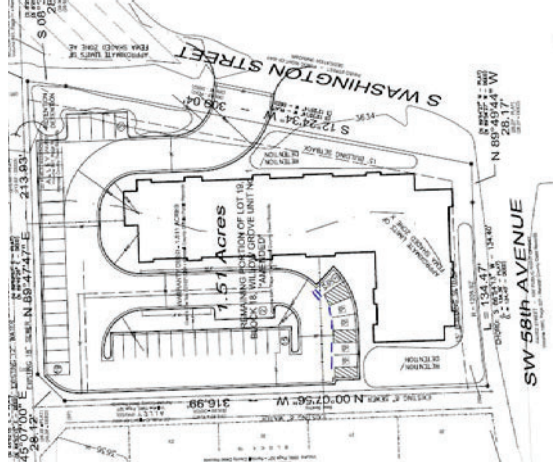
Gross Capture Rate (10% Maximum)	0.6%
Highest Unit Capture Rate	2 BR/60%
Dominant Unit Cap. Rate	2 BR/60%
Premiums (+60% Rents)	N/A
Rent Assisted Units	N/A

Applicant's Costs	30.5/acre
Density	\$523K
\$11K/unit	\$4.734K
\$103K/unit	\$5.974K
\$130K/unit	\$10.323K
\$224K/unit	Paid Year 9
\$1.563K	12% Deferred
\$836K	30% Boost

TYPICAL BUILDING ELEVATION/PHOTO



SITE PLAN





DEBT (Must Pay)				CASH FLOW DEBT / GRANT FUNDS				EQUITY / DEFERRED FEES			
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	Source	Amount	
Sterling Bank	18/40	5.75%	\$2,100,000	1.15	JES Partnerships-Estacado, LLC	0/0	0.00%	\$110	Affordable Equity Partners, Inc.	\$8,032,793	
									JES Dev Co, Inc.	\$190,210	
TOTAL DEBT (Must Pay)				\$2,100,000	CASH FLOW DEBT / GRANTS				\$110	TOTAL EQUITY SOURCES	\$8,223,003
										TOTAL DEBT SOURCES	\$2,100,110
										TOTAL CAPITALIZATION	\$10,323,113
CONDITIONS											
1 Receipt and acceptance by Cost Certification: a: Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines. b: Architect certification that buildings were tested for the presence of radon and any recommended mitigation measures were implemented.											
Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.											
AERIAL PHOTOGRAPH(S)											
<div><div><div>RISK PROFILE</div><div>STRENGTHS/MITIGATING FACTORS</div><div><div>Developer Experience</div><div>Low gross capture rate</div><div>Attractive elevator-served design should enhance leasing</div></div><div>WEAKNESSES/RISKS</div><div><div>61 % Expense ratio</div><div>Interest rate risk with debt coverage right at 1.15 times</div><div>Parking ratio of only 1 space per unit</div></div></div></div> <div><div>AREA MAP</div></div>											





### DEVELOPMENT IDENTIFICATION

TDHCA Application #: **22153** Program(s): **9% HTC**

**Estacado Estates**

Address/Location: Northwest corner of SW 58th Ave & S Washington St

City: Amarillo County: Randall Zip: 79110

Population: Elderly Limitation Program Set-Aside: General Area: Urban

Activity: New Construction Building Type: Elevator Served Region: 1

Analysis Purpose: New Application - Initial Underwriting

### ALLOCATION

TDHCA Program	REQUEST				RECOMMENDATION				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	Lien
LIHTC (9% Credit)	\$913,000				\$913,000				

### CONDITIONS

1 Receipt and acceptance by Cost Certification:

- a: Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.
- b: Architect certification that buildings were tested for the presence of radon and any recommended mitigation measures were implemented.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

### SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	5
50% of AMI	50% of AMI	10
60% of AMI	60% of AMI	31

## DEVELOPMENT SUMMARY

New construction of a 3-story, elevator served building comprised of 46 elderly limitation units. Unit mix will be 14 one-bedroom and 32 two-bedroom units that will serve residents at 30%, 50%, and 60% of AML.

## RISK PROFILE

STRENGTHS/MITIGATING FACTORS	WEAKNESSES/RISKS
▫ Developer Experience	▫ 61% Expense ratio
▫ Low gross capture rate	▫ Interest rate risk with debt coverage right at 1.15 times
▫ Attractive elevator-served design should enhance leasing	▫ Parking ratio of only 1 space per unit

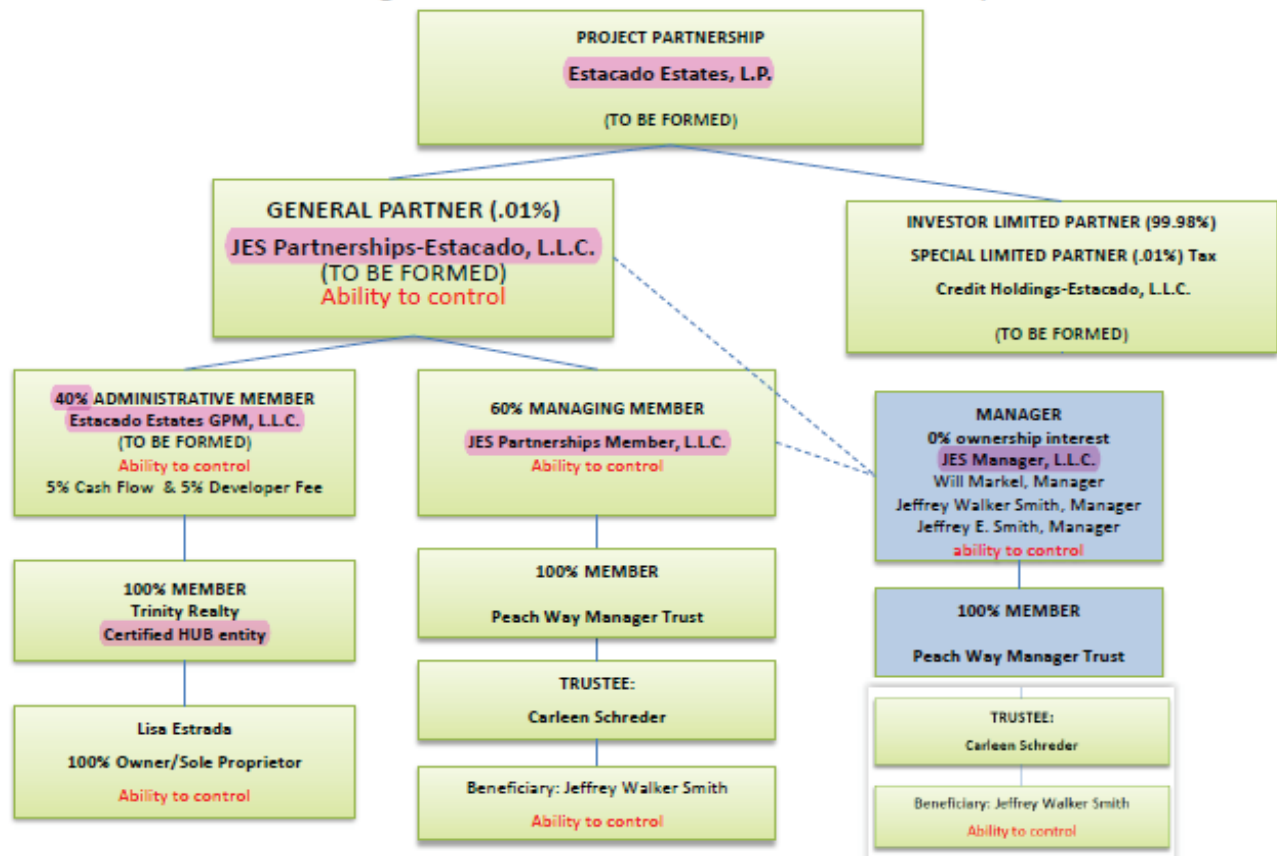
## DEVELOPMENT TEAM

### PRIMARY CONTACTS

Name: Brian Kimes  
 Phone: (573) 443-2021  
 Relationship: Developer

Name: Jim Markel  
 Phone: (404) 841-2227  
 Relationship: Developer

## OWNERSHIP STRUCTURE



# DEVELOPMENT SUMMARY

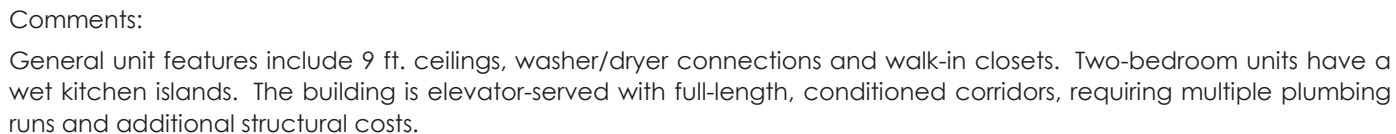
## SITE PLAN





The site is accessed from S Washington Street (FM 1541) by an existing drive approach. The Texas Department of Transportation will not allow an additional point of access from FM 1541. The City of Amarillo will not allow access to the existing paved alleys on the north and west sides of the property. The site currently drains west to S Washington Street (FM 1541). There is a storm sewer adjacent to the site in FM 1541 and TxDOT will regulate the amount of storm water that can discharge to this system and will require onsite detention/retention of the 10-year, 24-hour storm event.

BUILDING PLAN (Typical)





## SITE CONTROL INFO

**Site Acreage:** Development Site: 1.51 acres Density: 30.5 units/acre  
**Site Control:** 1.51 **Site Plan:** 1.51 **Appraisal:** 0 **ESA:** 1.5  
**Feasibility Report Survey:** 1.51 **Feasibility Report Engineer's Plan:** 1.51

Control Type: Commercial Contract - Unimproved Property

Development Site: 1.51 acres Cost: \$522,720 \$11,363 per unit

Seller: Jamal Enterprises, LP

Buyer: JES DEV Co., Inc.

Related-Party Seller/Identity of Interest: No

Comments:

The LURA will encumber 1.51 acres.

## SITE INFORMATION

Flood Zone: <u>X</u>	Scattered Site? <u>No</u>
Zoning: <u>GR- General Retail</u>	Within 100-yr floodplain? <u>No</u>
Re-Zoning Required? <u>No</u>	Utilities at Site? <u>Yes</u>
Year Constructed: <u>N/A</u>	Title Issues? <u>No</u>

Current Uses of Subject Site:

The site is currently a 1.51 acre tract of vacant land.

Surrounding Uses:

**North:** The property to the north of the site consists of an alley, followed by single-family residences (1001-1017 Trinchera Drive).

**East:** South Washington Street abuts the site to the east, followed by vacant land (5513 South Washington Street), Casteel Automatic Fire Protection (5601 South Washington Street) and more vacant land (5749 South Washington Street).

**South:** SW 58th Avenue abuts the site to the south, followed by vacant land (1395 SW 58th Avenue).

**West:** An alley abuts the site to the west, followed by single-family residences (5301-5309 Spanky Lane).

## HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Terracon Consultants, Inc. Date: 2/11/2022

Recognized Environmental Conditions (RECs) and Other Concerns:

- Terracon recommends that a noise study be conducted.
- the site is considered to have a moderate potential for elevated indoor concentrations of radon gas. However, testing would be required to evaluate site-specific concentrations of radon gas, once the site is developed.

Comments:

One apparent diesel or gasoline AST was observed north of the Casteel Automatic Fire Protection warehouse building, approximately 250 feet east of the site. Based on the distance to the tank and the ASD calculations for buildings and people, this AST does not present an environmental concern to the site.

## MARKET ANALYSIS

Provider: Apartment MarketData, LLC

Date: 3/1/2022

Contact: Darrell G Jack

Phone: (210) 530-0040

Primary Market Area (PMA): 38.76 sq. miles 4 mile equivalent radius

### ELIGIBLE HOUSEHOLDS BY INCOME

#### Randall County Income Limits

HH Size		1	2	3	4	5	6	7+
30% AMGI	Min	\$9,648	\$9,648	\$11,592	\$11,592	---	---	---
	Max	\$15,030	\$17,160	\$19,320	\$21,450	---	---	---
50% AMGI	Min	\$16,080	\$16,080	\$19,320	\$19,320	---	---	---
	Max	\$25,050	\$28,600	\$32,200	\$35,750	---	---	---
60% AMGI	Min	\$19,296	\$19,296	\$23,184	\$23,184	---	---	---
	Max	\$30,060	\$34,320	\$38,640	\$42,900	---	---	---

### AFFORDABLE HOUSING INVENTORY

#### Competitive Supply (Proposed, Under Construction, and Unstabilized)

File #	Development	In PMA?	Type	Target Population	Comp Units	Total Units
	None		N/A	N/A		N/A

#### Other Affordable Developments in PMA since 2017

17429	Canyons at 45 West	New	General	n/a	328
17307	Marabella	New	Elderly Limitation	n/a	101

#### Stabilized Affordable Developments in PMA

Total Units	1,053
Total Developments	9
Average Occupancy	98.5%

### OVERALL DEMAND ANALYSIS

	Market Analyst			
	HTC	Assisted		
Total Households in the Primary Market Area	42,884			
Senior Households in the Primary Market Area	18,036			
Potential Demand from the Primary Market Area	6,606			
10% External Demand	661			
Potential Demand from Other Sources				
<b>GROSS DEMAND</b>	7,267			
Subject Affordable Units	46			
Unstabilized Competitive Units	0			
<b>RELEVANT SUPPLY</b>	46			
<b>Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE</b>	<b>0.6%</b>			

Population:	<b>Elderly Limitation</b>	Market Area:	<b>Urban</b>	Maximum Gross Capture Rate:	<b>10%</b>
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UNDERWRITING ANALYSIS of PMA DEMAND by AMGI BAND									
AMGI Band	Market Analyst								
	Demand	10% Ext	Subject Units	Comp Units	AMGI Band Capture Rate				
30% AMGI	2,139	214	5	0	0.2%				
50% AMGI	1,433	143	10	0	0.6%				
60% AMGI	3,035	304	31	0	0.9%				

#### Demand Analysis:

Minimum eligible income is calculated at 50% rent to income for Elderly developments. Gross demand includes all household sizes and both renter and owner households. Elderly is assumed age 55 and up.

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE									
Unit Type	Market Analyst								
	Demand	10% Ext	Subject Units	Comp Units	Unit Capture Rate				
1 BR/30%	873	87	2	0	0.2%				
1 BR/50%	954	95	3	0	0.3%				
1 BR/60%	1,173	117	9	0	0.7%				
2 BR/30%	416	42	3	0	0.7%				
2 BR/50%	431	43	7	0	1.5%				
2 BR/60%	679	68	22	0	2.9%				

#### Market Analyst Comments:

The most recently constructed affordable family project was Marabella (TDHCA #17307), which has 101 units. Marabella finished construction in 2019 and is currently 100% occupied. (p.13)

There is one market rate project, Silo Apartments, that is under construct in the PMA. Silo Apartments will have 243 units. The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. (p. 13)



## OPERATING PRO FORMA

### SUMMARY- AS UNDERWRITTEN (Applicant's Pro Forma)

NOI:	\$155,013	Avg. Rent:	\$763	Expense Ratio:	61.2%
Debt Service:	\$134,288	B/E Rent:	\$723	Controllable Expenses:	\$3,031
Net Cash Flow:	\$20,726	UW Occupancy:	92.5%	Property Taxes/Unit:	\$861
Aggregate DCR:	1.15	B/E Occupancy:	87.7%	Program Rent Year:	2021

The project is 100% HTC restricted and all units are expected to achieve full program rents.

Breakeven occupancy occurs with 6 units vacant (underwritten at 4).

The deferred developer fee pays off in year 9 with residual 15 year cash flow of \$185K.

Pro Forma exhibits feasibility for 25 years at a permanent loan rate of 5.75% fixed, but rate cannot increase without first year DCR dropping below the 1.15 threshold.

## DEVELOPMENT COST EVALUATION

### SUMMARY- AS UNDERWRITTEN (Applicant's Costs)

Acquisition	\$346,172/ac	\$11,363/unit	<b>\$522,720</b>	Contractor Fee	<b>\$836,418</b>
Off-site + Site Work		\$20,326/unit	<b>\$935,000</b>	Soft Cost + Financing	<b>\$1,339,990</b>
Building Cost	\$122.46/sf	\$102,919/unit	<b>\$4,734,290</b>	Developer Fee	<b>\$1,563,139</b>
Contingency	5.38%	\$6,633/unit	<b>\$305,138</b>	Reserves	<b>\$86,418</b>
<b>Total Development Cost</b>		<b>\$224,416/unit</b>	<b>\$10,323,113</b>	<b>Rehabilitation Cost</b>	<b>N/A</b>

**Qualified for 30% Basis Boost?**

High Opportunity Index [9% only]

#### Site Work:

Certified \$687K (\$15K/unit) for detention, grading, paving, concrete and utility costs. Amenity cost of \$248K (\$5.4K/unit) was not included in certification, but is comprised of \$186K for landscaping, \$47K for fencing and \$15K for trash enclosure and monument sign.

#### Building Cost:

Applicant reports that \$4.7M building cost estimate is consistent with the costs they are seeing from their third party contractor. TDHCA's common pricing methodology using Marshall & Swift's ("M&S") cost model for average quality multifamily construction results in an estimated building cost of \$4.5M after adjusting for the small number of units.

For scoring purposes, Applicant limited their eligible building cost to \$88.57/sf (vs. \$122.46/sf budgeted actual cost).

#### Developer Fee:

The developer fee meets the 20% limit allowed for projects with 49 units or less.

#### Reserves:

Applicant's total capital reserves represent approximately 3 months of operating expenses and debt service.

#### Comments:

Applicant's total cost is within 5% of Underwriter's estimate. Therefore, recommended capital structure is based on Applicant's cost schedule.

## Credit Allocation Supported by Costs:

Total Development Cost	Adjusted Eligible Cost	Credit Allocation Supported by Eligible Basis
\$10,323,113	\$7,806,628	\$913,375

## UNDERWRITTEN CAPITALIZATION

INTERIM SOURCES				
Funding Source	Description	Amount	Rate	LTC
Sterling Bank	Conventional Loan	\$7,600,000	5.25%	83%
Affordable Equity Partners, Inc.	HTC	\$1,606,558	\$0.88	17%
JES Partnerships-Estacado, L.L.C	Equity Contribution	\$110	0.00%	0%
		<b>\$9,206,668</b>	<b>Total Sources</b>	

## Comments:

Construction for Estacado Estates will be financed with a conventional interim construction loan provided by Sterling Bank in the amount of \$7,600,000.

A nominal contribution of \$110 will come from the general partner, JES Partnerships-Estacado, LLC.

PERMANENT SOURCES									
Debt Source	PROPOSED				UNDERWRITTEN				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	LTC
Sterling Bank	\$2,100,000	5.75%	40	18	\$2,100,000	5.75%	40	18	20%
JES Partnerships-Estacado, L.L.C	\$110	0.00%	0	0	\$110	0.00%	0	0	0%
<b>Total</b>	<b>\$2,100,110</b>				<b>\$2,100,110</b>				

## Comments:

Permanent financing will be from a conventional loan provided by Sterling Bank in the amount of \$2,100,000 (40 year amortization, 18 year term, 5.75% rate).

		PROPOSED			UNDERWRITTEN			
Equity & Deferred Fees		Amount	Rate	% Def	Amount	Rate	% TC	% Def
Affordable Equity Partners, Inc.		\$8,032,793	\$0.88		\$8,032,793	\$0.88	78%	
JES Dev Co, Inc.		\$190,210		12%	\$190,210		2%	12%
Total		\$8,223,003			\$8,223,003			
					\$10,323,113	Total Sources		

Credit Price Sensitivity based on current capital structure	
<b>\$0.901</b>	Maximum Credit Price before the Development is oversourced and allocation is limited
<b>\$0.860</b>	Minimum Credit Price below which the Development would be characterized as infeasible

## CONCLUSIONS

### Gap Analysis:

Total Development Cost	\$10,323,113
Permanent Sources (debt + non-HTC equity)	\$2,100,110
<b>Gap in Permanent Financing</b>	<b>\$8,223,003</b>

Possible Tax Credit Allocations:	Equity Proceeds	Annual Credits
Determined by Eligible Basis	\$8,036,097	\$913,375
Needed to Balance Sources & Uses	\$8,223,003	\$934,619
Requested by Applicant	\$8,032,793	\$913,000

	RECOMMENDATION	
	Equity Proceeds	Annual Credits
<b>Tax Credit Allocation</b>	<b>\$8,032,793</b>	<b>\$913,000</b>
<b>Deferred Developer Fee</b>	<b>\$190,210</b>	( 12% deferred)
<b>Repayable in</b>	<b>9 years</b>	

### Comments:

Credit recommendation is limited to \$913,000 as requested by applicant.

Underwriter:	<i>Deborah Willson</i>
Manager of Real Estate Analysis:	<i>Gregg Kazak</i>
Director of Real Estate Analysis:	<i>Jeanna Adams</i>

UNIT MIX/RENT SCHEDULE

Estacado Estates, Amarillo, 9% HTC #22153

LOCATION DATA	
CITY:	Amarillo
COUNTY:	Randall
Area Median Income	\$72,100
PROGRAM REGION:	1
PROGRAM RENT YEAR:	2021

UNIT DISTRIBUTION				
# Beds	# Units	% Total	Assisted	MDL
Eff	-	0.0%	0	0
1	14	30.4%	0	0
2	32	69.6%	0	0
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
TOTAL	46	100.0%	-	-

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100.00%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	840 sf

55%	Income	20%	30%	40%	50%	60%	70%	80%	EO / MR	TOTAL
Average	# Units	-	5	-	10	31	-	-	-	46
Income	% Total	0.0%	10.9%	0.0%	21.7%	67.4%	0.0%	0.0%	0.0%	100.0%

UNIT MIX / MONTHLY RENT SCHEDULE																			
HTC		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS					TDHCA PRO FORMA RENTS				MARKET RENTS	
Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten	Mrkt Analyst	
TC 30%	\$402	2	1	1	750	\$402	\$60	\$342	\$0	\$0.46	\$342	\$684	\$684	\$342	\$0	\$0	\$1,060	\$1,060	
TC 50%	\$670	3	1	1	750	\$670	\$60	\$610	\$0	\$0.81	\$610	\$1,830	\$1,830	\$610	\$1	\$0	\$1,060	\$1,060	
TC 60%	\$804	9	1	1	750	\$804	\$60	\$744	\$0	\$0.99	\$744	\$6,696	\$6,696	\$744	\$1	\$0	\$1,060	\$1,060	
TC 30%	\$483	3	2	1	880	\$483	\$76	\$407	\$0	\$0.46	\$407	\$1,221	\$1,221	\$407	\$0	\$0	\$1,178	\$1,178	
TC 50%	\$805	7	2	1	880	\$805	\$76	\$729	\$0	\$0.83	\$729	\$5,103	\$5,103	\$729	\$1	\$0	\$1,178	\$1,178	
TC 60%	\$966	22	2	1	880	\$966	\$76	\$890	\$0	\$1.01	\$890	\$19,580	\$19,580	\$890	\$1	\$0	\$1,178	\$1,178	
TOTALS/AVERAGES:		46			38,660				\$0	\$0.91	\$763	\$35,114	\$35,114	\$763	\$0.91	\$0	\$1,142	\$1,142	

ANNUAL POTENTIAL GROSS RENT:			\$421,368	\$421,368
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CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Estacado Estates, Amarillo, 9% HTC #22153

DEBT / GRANT SOURCES															
APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE					AS UNDERWRITTEN DEBT/GRANT STRUCTURE										
DEBT (Must Pay)		Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Amort	Term	Principal	Pmt	Cumulative		
		UW	App										DCR	LTC	
Sterling Bank		1.18	1.15	134,288	5.75%	40	18	\$2,100,000	40	18	\$2,100,000	\$134,288	1.15	20.3%	
CASH FLOW DEBT / GRANTS															
JES Partnerships-Estacado, L.L.C		1.18	1.15		0.00%	0	0	\$110	0	0	\$110		1.15	0.0%	
		TOTAL DEBT / GRANT SOURCES				TOTAL DEBT / GRANT SOURCES				TOTAL DEBT SERVICE				TOTAL DEBT SERVICE	
		\$134,288				\$2,100,110				\$2,100,110				\$134,288	
NET CASH FLOW		\$24,522	\$20,726					APPLICANT	NET OPERATING INCOME		\$155,013	\$20,726	NET CASH FLOW		

EQUITY SOURCES													
APPLICANT'S PROPOSED EQUITY STRUCTURE							AS UNDERWRITTEN EQUITY STRUCTURE						
EQUITY / DEFERRED FEES		DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method	
												Applicant Request	Applicant Fee
		LIHTC Equity	77.8%	\$913,000	\$0.88	\$8,032,793	\$8,032,793	\$0.88	\$913,000	77.8%	\$19,848		
		Deferred Developer Fees	1.8%	(12% Deferred)		\$190,210	\$190,210	(12% Deferred)		1.8%			\$1,563,139
		JES Dev Co. Inc.	0.0%				\$0			0.0%			
		Additional (Excess) Funds Req'd	79.7%			\$8,223,003	\$8,223,003			79.7%			
TOTAL EQUITY SOURCES													
TOTAL CAPITALIZATION						\$10,323,113	\$10,323,113				15-Yr Cash Flow after Deferred Fee:		\$185,212

DEVELOPMENT COST / ITEMIZED BASIS													
APPLICANT COST / BASIS ITEMS				TDHCA COST / BASIS ITEMS				COST VARIANCE					
Eligible Basis		Acquisition	New Const. Rehab	Total Costs		Total Costs	Eligible Basis	New Const. Rehab	Acquisition	%			
Land Acquisition		\$0		\$11,363 / Unit	\$522,720	\$11,363 / Unit				0.0%	\$0		
Building Acquisition				\$ / Unit	\$0	\$ / Unit				0.0%	\$0		
Off-Sites					\$0					0.0%	\$0		
Site Work				\$ / Unit	\$0	\$ / Unit				0.0%	\$0		
Site Amenities				\$687,000	\$687,000	\$14,935 / Unit				0.0%	\$0		
Building Cost				\$248,000	\$248,000	\$5,391 / Unit				0.0%	\$0		
Contingency				\$3,424,116	\$122,46 /sf	\$102,919/Unit				4.1%	\$186,612		
Contractor Fees				\$305,138	7.00%	5.38%				0.0%	\$0		
Soft Costs				\$652,995	14.00%					3.2%	\$26,124		
Financing				\$0	\$696,525	\$15,577 / Unit				0.0%	\$0		
Developer Fee				\$0	\$491,750	\$13,554 / Unit				0.0%	\$0		
Reserves				\$0	\$1,301,104	20.00%				2.4%	\$37,322		
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)										0.0%	\$0		
Acquisition Cost				\$0	\$7,806,628						\$0	2.5%	\$250,058
Contingency				\$0		\$224,416 / Unit							
Contractor's Fee				\$0									
Financing Cost				\$0									
Developer Fee				\$0									
Reserves				\$0									
ADJUSTED BASIS / COST													
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):													

**CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS**

*Estacado Estates, Amarillo, 9% HTC #22153*

CREDIT CALCULATION ON QUALIFIED BASIS				
Applicant		TDHCA		
Acquisition	Construction Rehabilitation	Acquisition	Construction	
ADJUSTED BASIS				
Deduction of Federal Grants	\$0	\$7,806,628	\$0	\$7,806,628
	\$0	\$0	\$0	\$0
<b>TOTAL ELIGIBLE BASIS</b>	\$0	\$7,806,628	\$0	\$7,806,628
High Cost Area Adjustment		130%		130%
<b>TOTAL ADJUSTED BASIS</b>	\$0	\$10,148,616	\$0	\$10,148,616
Applicable Fraction	100.00%	100.00%	100%	100%
<b>TOTAL QUALIFIED BASIS</b>	\$0	\$10,148,616	\$0	\$10,148,616
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
<b>ANNUAL CREDIT ON BASIS</b>	\$0	\$913,375	\$0	\$913,375
<b>CREDITS ON QUALIFIED BASIS</b>	\$913,375		\$913,375	

ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS			
Method	Annual Credits	FINAL ANNUAL LIHTC ALLOCATION	
		Credit Price \$0.8798	Variance to Request
Eligible Basis	\$913,375	Credit Allocation	Proceeds
		----	----
Needed to Fill Gap	\$934,619		
		----	----
Applicant Request	\$913,000	\$913,000	\$0

BUILDING COST ESTIMATE				
CATEGORY	FACTOR	UNITS/SF	PER SF	
Base Cost:	Elevator Served	38,660 SF	\$86.12	3,329,387
Adjustments				
Exterior Wall Finish	2.80%		2.41	\$93,223
Elderly	3.00%		2.58	99,882
9-Ft. Ceilings	3.35%		2.89	111,534
Roof Adjustment(s)			1.19	46,000
Subfloor			(0.16)	(6,166)
Floor Cover			2.82	109,021
Enclosed Corridors	\$77.67	6,033	12.12	468,581
Balconies	\$0.00	0	0.00	0
Plumbing Fixtures	\$1,090	-230	-6.48	(250,700)
Rough-ins	\$535	92	1.27	49,220
Built-In Appliances	\$1,880	46	2.24	86,480
Exterior Stairs	\$2,460	0	0.00	0
Heating/Cooling			2.37	91,624
Storage Space	\$77.67	0	0.00	0
Carports	\$13.00	0	0.00	0
Garages		0	0.00	0
Common/Support Area	\$87.89	9,500	21.60	834,908
Elevators	\$118,600	1	3.07	118,600
Other:			0.00	0
Fire Sprinklers	\$2.88	54,193	4.04	156,076
<b>SUBTOTAL</b>			<b>138.07</b>	<b>5,337,650</b>
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	1.00		0.00	0
Reserved				0
<b>TOTAL BUILDING COSTS</b>				<b>138.07</b>
Plans, specs, survey, bldg permits	3.30%		(4.56)	(\$176,142)
Contractor's OH & Profit	11.50%		(15.88)	(613,830)
<b>NET BUILDING COSTS</b>				<b>\$117,691sf</b>
		\$98.863/unit		\$4,547,678

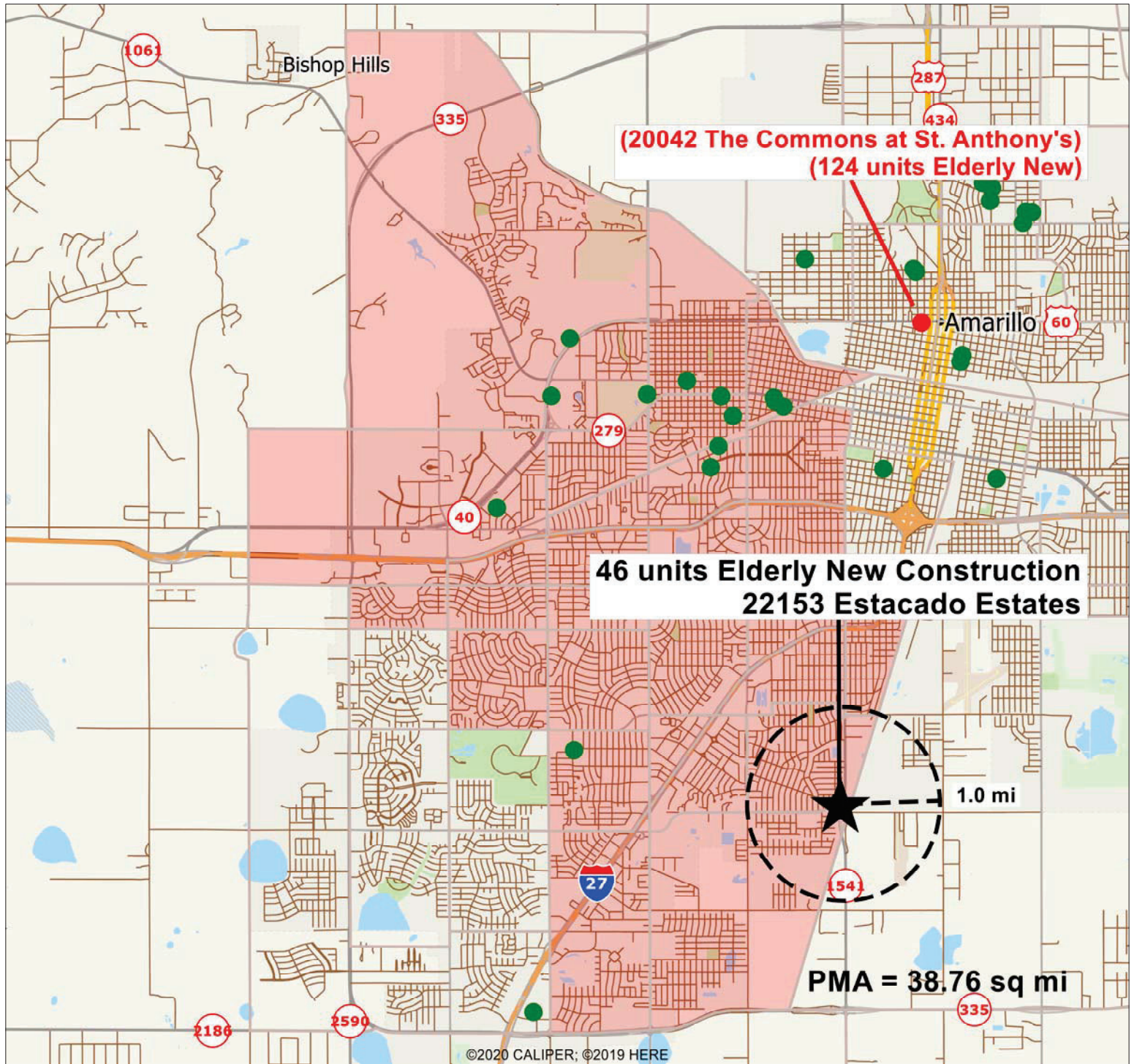
# Long-Term Pro Forma

Estacado Estates, Amarillo, 9% HTC #22153

Growth Rate		Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35	Year 40
EFFECTIVE GROSS INCOME	2.00%	\$399,977	\$407,977	\$416,136	\$424,459	\$432,948	\$478,010	\$527,762	\$582,692	\$643,339	\$710,298	\$784,226	\$865,849
TOTAL EXPENSES	3.00%	\$244,964	\$252,092	\$259,430	\$266,983	\$274,758	\$317,201	\$366,266	\$422,995	\$488,592	\$564,451	\$652,190	\$753,677
NET OPERATING INCOME ("NOI")		\$155,013	\$155,885	\$156,707	\$157,476	\$158,190	\$160,809	\$161,496	\$159,697	\$154,747	\$145,846	\$132,036	\$112,172
EXPENSE/INCOME RATIO		61.2%	61.8%	62.3%	62.9%	63.5%	66.4%	69.4%	72.6%	75.9%	79.5%	83.2%	87.0%
MUST -PAY DEBT SERVICE													
TOTAL DEBT SERVICE		\$134,288	\$134,288	\$134,288	\$134,288	\$134,288	\$134,288	\$134,288	\$134,288	\$134,288	\$134,288	\$134,288	\$134,288
DEBT COVERAGE RATIO		1.15	1.16	1.17	1.17	1.18	1.20	1.20	1.19	1.15	1.09	0.98	0.84
ANNUAL CASH FLOW		\$20,726	\$21,597	\$22,419	\$23,189	\$23,903	\$26,522	\$27,208	\$25,409	\$20,459	\$11,559	(\$2,251)	(\$22,116)
Deferred Developer Fee Balance		\$169,484	\$147,887	\$125,468	\$102,279	\$78,377	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW		\$0	\$0	\$0	\$0	\$0	\$49,669	\$185,212	\$316,973	\$430,578	\$507,932	\$526,473	\$458,301



## 22153 Estacado Estates PMA Map



Disclaimer: This map is not a survey. Boundaries, distance and scale are approximate only.



## Texas Department of Housing and Community Affairs

### Governing Board

### Board Action Request

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**File #: 932**

**Agenda Date: 2/6/2025**

**Agenda #: 19.**

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Presentation, discussion, and possible action on a loan approval for FishPond at Walker

### **RECOMMENDED ACTION**

**WHEREAS**, the above listed development was awarded 9% housing tax credits during the 2022 competitive Application round;

**WHEREAS**, the Developer applied for additional funds under the Department's 2024-2 HOME Notice of Funding Availability, which was released earlier this year specifically for the purpose of addressing funding gaps in previously-awarded Developments; and

**WHEREAS**, the Department is now recommending approval of a loan in the amount of \$3,500,000 to address this funding gap, with proposed loan terms and details concerning the Development's financials outlined below;

**NOW, therefore, it is hereby**

**RESOLVED**, that the that loan of 3,500,000 of HOME funds to FishPond at Walker is approved, subject to conditions that may be applicable as found in the Real Estate Analysis Underwriting Report posted to the Department's website and as described within this Board Action Request.

### **BACKGROUND**

*Development Information:* FishPond at Walker is to be located in Huntsville, Walker County, and proposes the new construction of 48 units that will serve the elderly population. The Development will serve households with incomes at or below 30%, 50%, and 60% of Area Median Family Income (AMFI).

*Financial Information:* The Department's \$3,500,000 HOME loan is to be structured as fully repayable at 2.00% interest, and is in first-lien position.

The Development initially received \$900,000 housing tax credits in 2022. Since the last underwriting, total building costs have increased by \$845k, and total development costs have increased by \$1.33 million. The brings current building costs to approximately \$4.81 million, and the total housing development cost to approximately \$11.76 million.

To fill the gap created by these increases, the Department's loan is proposed to replace a loan from Community Bank of Texas that was initially proposed to be \$2 million and was originally underwritten at 4.25% interest. Replacing this loan with the Department's loan allows the deal

to remain financially feasible despite the increase in development costs.

These changes will result in the Department's loan and the tax credit equity comprising the substantial bulk of the development's financing.

**Real Estate Analysis Division**

January 29, 2025

**Addendum to Underwriting Report**TDHCA Application #: **24506\_22208** Program(s): **9% HTC/ MDL****FishPond at Walker**Address/Location: **935 Hwy 190 East**City: **Huntsville** County: **Walker** Zip: **77340**

	APPLICATION HISTORY
Report Date	PURPOSE
<b>01/29/25</b>	<b>MDL 2024-2 NOFA HOME Award Memo</b>
06/21/22	Original Underwriting Report

**ALLOCATION**

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
<b>MF Direct Loan Const. to Perm. (Repayable)</b>					<b>\$3,500,000</b>	<b>2.00%</b>	<b>40</b>	<b>30</b>	<b>1</b>
<b>LIHTC (9% Credit)</b>	\$900,000				<b>\$900,000</b>				

\* Multifamily Direct Loan Terms:

\* Pursuant to 10 TAC §13.8(a), the term of a Multifamily Direct Loan should match the term of any superior loan (within 6 months).

\* Lien position after conversion to permanent. The Department's lien position during construction may vary.

**CONDITIONS STATUS****1 Receipt and acceptance before Direct Loan Contract:**

- Documentation that a noise study has been completed, and certification from the Architect that all recommendations from the noise study are incorporated into the development plans.

**2 Receipt and acceptance before Direct Loan Closing:**

- a: Updated application exhibits: Rent Schedule, Utility Allowance, Operating Expenses, Long-Term Pro Forma, Development Cost Schedule, Schedule of Sources; and documentation necessary to support any changes from previous underwriting.
- b: Substantially final construction contract with Schedule of Values.
- c: Updated term sheets with substantially final terms from all lenders.
- d: Substantially final draft of limited partnership agreement.

**3 Receipt and acceptance by Cost Certification:**

- Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

## SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	8
60% of AMI	60% of AMI	36

TDHCA SET-ASIDES for DIRECT LOAN LURA		
Income Limit	Rent Limit	Number of Units
50% of AMFI	Low HOME	6
60% of AMFI	High HOME	19
80% of AMFI	High HOME	2

## ANALYSIS

FishPond at Walker is a 48-unit new construction elderly development in Huntsville comprised of one and two bedroom units. The development originally received an annual 9% HTC allocation of \$900,000 in 2022. Applicant has now applied for a \$3,500,000 MDL to replace the originally proposed permanent loan in the amount of \$2,000,000. The proposed MDL will have a lower interest rate of 2%. Applicant is requesting a 40 year term with a 40 year amortization. However, as presented by the Applicant, the Long-Term Pro Forma reflected a deficit cash flow beginning in year 30. In order to address that issue, Underwriter adjusted the recommended term to 30 years as allowed in the QAP.

### Operating Pro Forma

Rents were updated to the most current 2024 limits.

Since original underwriting, projected operating expenses have increased by \$37K (from \$235K to \$272K).

As presented by Applicant, the Long-Term Pro Forma reflected a deficit cash flow beginning in year 30, while all other parameters meet feasibility thresholds. In order to address that issue, Underwriter adjusted Applicant's secondary income from \$20/unit to \$30/unit as allowed in the QAP. By doing so, Pro Forma long-term cash flow is now positive through year 30.

Underwriter's Pro Forma is within 2% of Applicant's expenses and within 4% of Applicant's projected NOI. Therefore, Applicant's Pro Forma is utilized in the underwriting.

### Development Cost

Since original underwriting:

- Applicant's offsite costs increased by \$470K from (\$73K to \$543K). The increased costs were primarily due to \$466K for TXDot roadway improvements that were not budgeted in the original 2022 application.
- Building Costs increased by \$845K (from \$3.97M to \$4.81M).
- Total Housing Development Costs increased by \$1.33M (from \$10.43M to \$11.76M).

### Sources of Funds

Proposed capitalization has increased by \$1.33M to cover additional development costs.

Originally, Applicant anticipated having a \$2,000,000 permanent loan from Community Bank of Texas (4.25% rate / 15 yr. term / 30 yr. amort), but is now requesting a \$3,500,000 MDL loan with a lower interest rate of 2%. While Applicant requested a 40 yr. term / 40 yr. amort., underwriting now reflects deficit Pro Forma cash flow beginning in year 31. Therefore, pursuant to the QAP, the term of the loan is being recommended at 30 years.



The general contractor has committed to a donation of site preparation costs in the amount of \$263K as a Direct Loan Match.

Since original underwriting, the equity contribution from PNC has been reduced by \$180K, with a credit price reduction from \$0.88 to \$0.86.

Additionally, deferred developer fee has decreased by \$256K.

**Recommendation**

Underwriter recommends a \$3,500,000 MDL at a 2% interest rate with a 30 year term and monthly payments based on a 40 year amortization period. Under these terms, the annualized monthly debt service payment is \$127,187. The construction term is assumed at 24 Months. The MDL source is from HOME proceeds.

In addition, Underwriter recommends that the annual 9% LIHTC allocation of \$900,000 remains the same as previously awarded.

Underwriter:	<u>Georgia Simmons</u>
Manager of Real Estate Analysis:	<u>Gregg Kazak</u>
Director of Real Estate Analysis:	<u>Jeanna Adams</u>

UNIT MIX/RENT SCHEDULE

Fishpond at Walker, Huntsville, 9% HTC #24506\_22208

LOCATION DATA		
CITY:	Huntsville	
COUNTY:	Walker	
Area Median Income	\$76,100	
PROGRAM REGION:	6	
PROGRAM RENT YEAR:	2024	

UNIT DISTRIBUTION				
# Beds	# Units	% Total	MDL Match	MDL
Eff	-	0.0%	0	0
1	24	50.0%	1	13
2	24	50.0%	1	14
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
TOTAL	48	100.0%	2	27

Pro Forma ASSUMPTIONS		
Revenue Growth	2.00%	
Expense Growth	3.00%	
Basis Adjust	130%	
Applicable Fraction	100.00%	
APP % Acquisition	4.00%	
APP % Construction	9.00%	
Average Unit Size	813 sf	

56%	Income	20%	30%	40%	50%	60%	70%	80%	EO / MR	TOTAL
Average Income	# Units	-	4	-	8	36	-	-	-	48
	% Total	0.0%	8.3%	0.0%	16.7%	75.0%	0.0%	0.0%	0.0%	100.0%

UNIT MIX / MONTHLY RENT SCHEDULE																					
HTC		TDHCA DIRECT LOAN PROGRAM		MDL MATCH	UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS			MARKET RENTS		
Type	Gross Rent	Type	Gross Rent	Type	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten	Mrkt Analyst
TC 30%	\$428				2	1	1	656	\$428	\$91	\$337	\$0	\$0.51	\$337	\$674	\$674	\$337	\$1	\$0	\$1,049	\$1,049
TC 50%	\$713	LH/50%	\$713		3	1	1	656	\$713	\$91	\$622	\$0	\$0.95	\$622	\$1,866	\$1,866	\$622	\$1	\$0	\$1,049	\$1,049
TC 50%	\$713			1	2	1	1	656	\$713	\$91	\$622	\$0	\$0.95	\$622	\$1,244	\$1,244	\$622	\$1	\$0	\$1,049	\$1,049
TC 60%	\$856	HH/60%	\$908		9	1	1	656	\$856	\$91	\$765	\$0	\$1.17	\$765	\$6,885	\$6,885	\$765	\$1	\$0	\$1,049	\$1,049
TC 60%	\$856	HH/80%	\$908		1	1	1	656	\$856	\$91	\$765	\$0	\$1.17	\$765	\$765	\$765	\$765	\$1	\$0	\$1,049	\$1,049
TC 60%	\$856				7	1	1	656	\$856	\$91	\$765	\$0	\$1.17	\$765	\$5,355	\$5,355	\$765	\$1	\$0	\$1,049	\$1,049
TC 30%	\$513	LH/50%	\$856		2	2	2	970	\$513	\$118	\$395	\$0	\$0.41	\$395	\$790	\$790	\$395	\$0	\$0	\$1,387	\$1,387
TC 50%	\$856	LH/50%	\$856		1	2	2	970	\$856	\$118	\$738	\$0	\$0.76	\$738	\$738	\$738	\$738	\$1	\$0	\$1,387	\$1,387
TC 50%	\$856			1	2	2	2	970	\$856	\$118	\$738	\$0	\$0.76	\$738	\$1,476	\$1,476	\$738	\$1	\$0	\$1,387	\$1,387
TC 60%	\$1,027	HH/60%	\$1,092		10	2	2	970	\$1,027	\$118	\$909	\$0	\$0.94	\$909	\$9,090	\$9,090	\$909	\$1	\$0	\$1,387	\$1,387
TC 60%	\$1,027	HH/80%	\$1,092		1	2	2	970	\$1,027	\$118	\$909	\$0	\$0.94	\$909	\$909	\$909	\$909	\$1	\$0	\$1,387	\$1,387
TC 60%	\$1,027				8	2	2	970	\$1,027	\$118	\$909	\$0	\$0.94	\$909	\$7,272	\$7,272	\$909	\$1	\$0	\$1,387	\$1,387
TOTALS/AVERAGES:					48	39,024						\$0	\$0.95	\$772	\$37,064	\$37,064	\$772	\$0.95	\$0	\$1,218	\$1,218

ANNUAL POTENTIAL GROSS RENT:		\$444,768
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# STABILIZED PRO FORMA

Fishpond at Walker, Huntsville, 9% HTC #24506\_22208

## STABILIZED FIRST YEAR PRO FORMA

		COMPARABLES		APPLICANT				PRIOR REPORT		TDHCA			VARIANCE		
				Database	Comps	% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI
POTENTIAL GROSS RENT			\$0.95				\$772	\$444,768	\$396,192	\$444,768	\$444,768	\$772	\$0.95		0.0%
	NSF Fees, Application Fees				\$30.00		\$17,280								
	Total Secondary Income				\$30.00			11,520			\$17,280	\$30.00		0.0%	\$0
POTENTIAL GROSS INCOME						\$462,048		\$407,712	\$456,288	\$462,048			0.0%	\$0	
	Vacancy & Collection Loss			7.5% PGI		(34,654)	(30,578)	(30,578)	(30,578)	(34,654)	7.5% PGI		0.0%	-	
														0.0%	\$0
EFFECTIVE GROSS INCOME						\$427,394		\$377,134	\$425,710	\$427,394			0.0%	\$0	

General & Administrative	\$23,756	\$495/Unit	\$24,184	\$504	4.84%	\$0.53	\$431	\$20,700	\$18,000	\$18,356	\$23,756	\$495	\$0.61	5.56%	-12.9%	(3,056)
Management	\$27,259	6.4% EGI	\$19,382	\$404	4.94%	\$0.54	\$440	\$21,103	\$18,857	\$18,857	\$21,370	\$445	\$0.55	5.00%	-1.2%	(267)
Payroll & Payroll Tax	\$59,170	\$1,233/Unit	\$83,546	\$1,741	17.84%	\$1.95	\$1,589	\$76,250	\$54,000	\$49,784	\$76,250	\$1,589	\$1.95	17.84%	0.0%	-
Repairs & Maintenance	\$34,512	\$719/Unit	\$36,171	\$754	6.86%	\$0.75	\$610	\$29,300	\$33,000	\$31,200	\$31,200	\$650	\$0.80	7.30%	-6.1%	(1,900)
Electric/Gas	\$9,596	\$200/Unit	\$10,262	\$214	2.57%	\$0.28	\$229	\$11,000	\$10,000	\$9,596	\$9,596	\$200	\$0.25	2.25%	14.6%	1,404
Water, Sewer, & Trash	\$29,778	\$620/Unit	\$26,729	\$557	4.45%	\$0.49	\$396	\$19,000	\$30,500	\$29,778	\$26,729	\$557	\$0.68	6.25%	-28.9%	(7,729)
Property Insurance	\$25,520	\$0.65 /sf	\$32,203	\$671	10.53%	\$1.15	\$938	\$45,000	\$23,414	\$27,601	\$45,000	\$938	\$1.15	10.53%	0.0%	-
Property Tax (@ 100%)	\$26,436	\$551/Unit	\$38,019	\$792	8.19%	\$0.90	\$729	\$35,000	\$30,000	\$31,137	\$27,914	\$582	\$0.72	6.53%	25.4%	7,086
Reserve for Replacements					2.81%	\$0.31	\$250	\$12,000	\$12,000	\$12,000	\$12,000	\$250	\$0.31	2.81%	0.0%	-
Supportive Services					0.18%	\$0.02	\$16	\$750	\$3,000	\$3,000	\$750	\$16	\$0.02	0.18%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)					0.45%	\$0.05	\$40	\$1,920	\$1,920	\$1,920	\$1,920	\$40	\$0.05	0.45%	0.0%	-
TOTAL EXPENSES					63.65%	\$6.97	\$5,667	\$272,023	\$234,691	\$233,227	\$277,402	\$5,779	\$7.11	64.91%	-1.9%	\$ (5,379)
NET OPERATING INCOME ("NOI")					36.35%	\$3.98	\$3,237	\$155,371	\$142,443	\$143,907	\$149,992	\$3,125	\$3.84	35.09%	3.6%	\$ 5,379

CONTROLLABLE EXPENSES							\$3,255/Unit						\$3,490/Unit			
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CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Fishpond at Walker, Huntsville, 9% HTC #24506\_22208

DEBT / GRANT SOURCES											
APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE						AS UNDERWRITTEN DEBT/GRANT STRUCTURE					
Cumulative DCR		Prior Underwriting				Cumulative					
DEBT (Must Pay)	Fee	UW	App	Pmt	Rate	Amort	Term	Principal	TDHCA	Applicant	Prior Underwriting
MDL 2024+2 HOME		1.18	1.22	127,187	2.00%	40	30	\$3,500,000	\$2,000,000	\$2,000,000	\$3,500,000
CASH FLOW DEBT / GRANTS											
City of Huntsville		1.18	1.22		0.00%	0	0	\$250	\$250	\$250	\$250
Watermark (General Contractor)		1.18	1.22		0.00%	0	0	\$262,500			\$262,500
				TOTAL DEBT / GRANT SOURCES		TOTAL DEBT / GRANT SERVICE					
				\$127,187		\$127,187					
NET CASH FLOW		\$22,805		\$28,184		APPLICANT		NET OPERATING INCOME		NET CASH FLOW	
								\$156,371		\$28,185	

EQUITY SOURCES											
APPLICANT'S PROPOSED EQUITY STRUCTURE						AS UNDERWRITTEN EQUITY STRUCTURE					
EQUITY / DEFERRED FEES		DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Prior Underwriting		Annual Credit	% Cost	Annual Credits per Unit
							Applicant	TDHCA			
PNC		LIHTC Equity	65.8%	\$900,000	\$0.86	\$7,739,226	\$7,919,208		\$900,000	65.8%	\$18,750
		Fish Pond Development, LLC	2.2%	(17% Deferred)		\$256,574	\$512,399		(17% Deferred)	2.2%	Total Developer Fee: \$1,546,802
		Additional (Excess) Funds Req'd	0.0%			\$256,574	\$0			0.0%	
TOTAL EQUITY SOURCES			68.0%			\$7,995,800	\$8,431,607			68.0%	
TOTAL CAPITALIZATION						\$11,758,550	\$10,431,857			15-Yr Cash Flow after Deferred Fee:	\$194,952

DEVELOPMENT COST / ITEMIZED BASIS											
APPLICANT COST / BASIS ITEMS						TDHCA COST / BASIS ITEMS					
Eligible Basis		Prior Underwriting				Eligible Basis		New Const. Rehab			
		Acquisition	Total Costs		Credit Price	Total Costs		Rehab	Acquisition		%
Land Acquisition			\$10,391 / Unit	\$498,750		\$10,391 / Unit	\$498,750				0.0%
Off-Sites			\$11,304 / Unit	\$542,600		\$11,304 / Unit	\$542,600				0.0%
Site Work		\$1,080,431	\$22,509 / Unit	\$1,080,431		\$22,509 / Unit	\$1,080,431	\$1,080,431			0.0%
Site Amenities		\$161,400	\$3,363 / Unit	\$161,400		\$3,363 / Unit	\$161,400	\$161,400			0.0%
Building Cost		\$4,812,474	\$123.32 /sf	\$4,812,474		\$123.32 /sf	\$4,498,600	\$4,498,600	\$115.28 /sf		7.0%
Contingency		\$423,801	7.00%	\$461,783		7.00%	\$439,812	\$401,830			5.0%
Contractor Fees		\$906,935	14.00%	\$988,216		14.00%	\$793,266	\$859,916			5.0%
Soft Costs		\$0	\$11,888 / Unit	\$570,618		\$11,888 / Unit	\$860,192	\$941,198			5.0%
Financing		\$0	\$19,781 / Unit	\$949,470		\$19,781 / Unit	\$894,399	\$949,470			0.0%
Developer Fee		\$0	17.76%	\$1,546,802		18.65%	\$1,546,802	\$1,546,802	17.36%		0.0%
Reserves			4 Months	\$136,006		4 Months	\$172,263	\$136,006			0.0%
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)		\$0	\$10,258,531	\$244,970 / Unit		\$244,970 / Unit	\$10,962,957	\$11,375,687	\$236,993 / Unit	\$0	3.4%
Acquisition Cost		\$0		\$0			\$0				
Contingency			\$0				\$0				
Contractor's Fee			(\$0)				\$0				
Financing Cost			\$0								
Developer Fee		\$0		\$0			\$0				
Reserves			\$0				\$0				
ADJUSTED BASIS / COST		\$0	\$10,258,531	\$244,970/unit		\$244,970/unit	\$10,431,857	\$11,375,687	\$236,993/unit	\$0	3.4%
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):		\$11,758,550									

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Fishpond at Walker, Huntsville, 9% HTC #24506\_22208

CREDIT CALCULATION ON QUALIFIED BASIS				
Applicant		TDHCA		
Acquisition	Construction Rehabilitation	Acquisition	Construction	
ADJUSTED BASIS				
Deduction of Federal Grants	\$0	\$10,258,531	\$0	\$9,875,667
	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$10,258,531	\$0	\$9,875,667
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$13,336,090	\$0	\$12,838,367
Applicable Fraction	100.00%	100.00%	100%	100%
TOTAL QUALIFIED BASIS	\$0	\$13,336,090	\$0	\$12,838,367
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
ANNUAL CREDIT ON BASIS	\$0	\$1,200,248	\$0	\$1,155,453
CREDITS ON QUALIFIED BASIS	\$1,200,248		\$1,155,453	

ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS			
		FINAL ANNUAL LIHTC ALLOCATION	
Method	Annual Credits	Credit Price \$0.8599	Variance to Request
Credit Allocation		Credits	Proceeds
Eligible Basis	\$1,200,248	-----	-----
Needed to Fill Gap	\$929,837	-----	-----
Applicant Request	\$900,000	\$900,000	\$0

BUILDING COST ESTIMATE				
CATEGORY	FACTOR	UNITS/SF	PER SF	
Base Cost:	Garden (Up to 4-story)	39,024 SF	\$97.87	3,819,123
Adjustments				
Exterior Wall Finish	5.60%		5.48	\$213,871
Elderly	3.00%		2.94	114,574
9-Ft. Ceilings	3.70%		3.62	141,308
Roof Adjustment(s)			3.74	145,755
Subfloor			(3.22)	(125,657)
Floor Cover			2.82	110,048
Breezeways	\$27.47	2,448	1.72	67,247
Balconies	\$27.47	2,616	1.84	71,862
Plumbing Fixtures	\$1,610	72	2.97	115,920
Rough-Ins	\$600	96	1.48	57,600
Built-In Appliances	\$2,950	48	3.63	141,600
Exterior Stairs	\$2,460	0	0.00	0
Heating/Cooling			2.37	92,467
Storage Space	\$27.47	0	0.00	0
Carports	\$13.00	0	0.00	0
Garages		0	0.00	0
Common/Support Area	\$149.01	1,283	4.90	191,177
Elevators		0	0.00	0
Other:			0.00	0
Fire Sprinklers	\$2.88	42,755	3.16	123,134
SUBTOTAL			135.30	5,280,046
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	1.00		0.00	0
Reserved				0
TOTAL BUILDING COSTS				135.30
Plans, specs, survey, bldg permits				(4.46)
Contractor's OH & Profit				(15.96)
NET BUILDING COSTS				\$93,721/unit \$115.28/sf \$4,498,600

# Long-Term Pro Forma

Fishpond at Walker, Huntsville, 9% HTC #24506\_22208

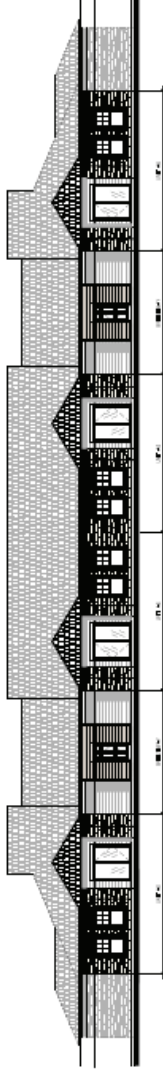
Growth Rate		Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35	Year 40
EFFECTIVE GROSS INCOME	2.00%	\$427,394	\$435,942	\$444,661	\$453,554	\$462,625	\$510,776	\$563,938	\$622,633	\$687,437	\$758,986	\$837,982	\$925,200
TOTAL EXPENSES	3.00%	\$272,023	\$279,973	\$288,157	\$296,582	\$305,255	\$352,614	\$407,384	\$470,733	\$544,012	\$628,785	\$726,866	\$840,353
NET OPERATING INCOME ("NOI")		\$155,371	\$155,970	\$156,505	\$156,973	\$157,370	\$158,162	\$156,554	\$151,900	\$143,426	\$130,201	\$111,116	\$84,847
EXPENSE/INCOME RATIO		63.6%	64.2%	64.8%	65.4%	66.0%	69.0%	72.2%	75.6%	79.1%	82.8%	86.7%	90.8%
MUST -PAY DEBT SERVICE													
TOTAL DEBT SERVICE		\$127,187	\$127,187	\$127,187	\$127,187	\$127,187	\$127,187	\$127,187	\$127,187	\$127,187	\$127,187	\$127,187	\$127,187
DEBT COVERAGE RATIO		1.22	1.23	1.23	1.23	1.24	1.24	1.23	1.19	1.13	1.02	0.87	0.67
ANNUAL CASH FLOW		\$28,185	\$28,783	\$29,318	\$29,786	\$30,183	\$30,975	\$29,367	\$24,713	\$16,239	\$3,014	(\$16,071)	(\$42,340)
Deferred Developer Fee Balance		\$228,389	\$199,607	\$170,289	\$140,503	\$110,319	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW		\$0	\$0	\$0	\$0	\$0	\$43,819	\$194,952	\$329,189	\$429,034	\$472,661	\$433,070	\$277,077

22208 Fishpond at Walker - Application Summary

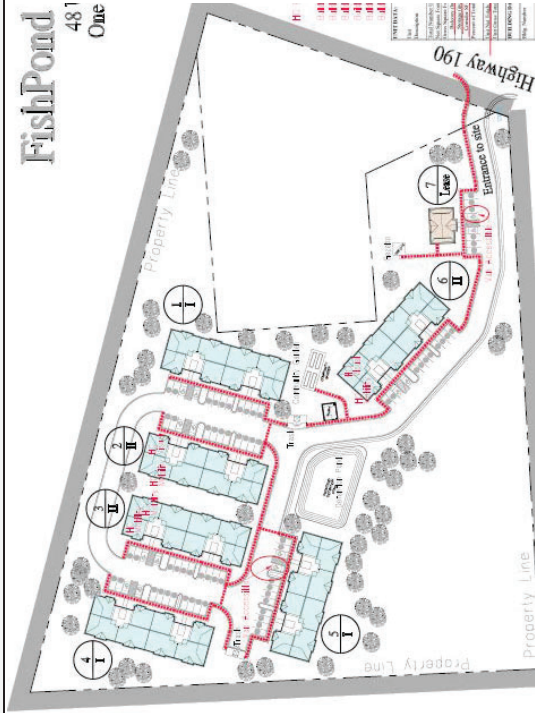
REAL ESTATE ANALYSIS DIVISION  
June 21, 2022

PROPERTY IDENTIFICATION		RECOMMENDATION	
Application #	22208	TDHCA Program	Request
Development	Fishpond at Walker	LHTC (9% Credit)	Recommended
City / County	Huntsville / Walker		
Region/Area	6 / Rural		
Population	Elderly Limitation		
Set-Aside	Rural		
Activity	New Construction		

TYPICAL BUILDING ELEVATION/PHOTO



SITE PLAN



KEY PRINCIPALS / SPONSOR			
Fish Pond Development LLC (60% Owner, 100% Developer, 100% Guarantor) David Fournier 100% BETCO Consulting LLC (40% Owner) Lora Myrick 46%, Bruce Spitzengel 25%, Eric Hartzell 10%			
Related Parties		Contractor -	Seller -
		No	No
UNIT DISTRIBUTION		INCOME DISTRIBUTION	
# Beds	# Units	% Total	% Total
Eff	-	0%	0%
1	24	50%	8%
2	24	50%	0%
3	-	0%	17%
4	-	0%	75%
		70%	0%
		80%	0%
		MR	0%
TOTAL	48	100%	100%
PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	1.30	Expense Ratio	62.2%
Break-even Occ.	84.5%	Break-even Rent	\$627
Average Rent	\$688	B/E Rent Margin	\$61
Property Taxes	\$625/unit	Exemption/PILOT	0%
Total Expense	\$4,889/unit	Controllable	\$3,031/unit
MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)	12%	2 BR/60%	3.1%
Highest Unit Capture Rate	12%	1 BR/60%	18
Dominant Unit Cap. Rate	7%	1 BR/60%	18
DEVELOPMENT COST SUMMARY			
Costs Underwritten		Applicant's Costs	
Avg. Unit Size	813 SF	Density	6.1/acre
Acquisition		\$10K/unit	\$499K
Building Cost	\$101.67/SF	\$83K/unit	\$3,968K
Hard Cost		\$118K/unit	\$5,666K
Total Cost		\$217K/unit	\$10,432K
Developer Fee	\$1,547K	(33% Deferred)	Paid Year: 15
Contractor Fee	\$793K	30% Boost	Yes







### DEVELOPMENT IDENTIFICATION

TDHCA Application #: **22208** Program(s): **9% HTC**

**Fishpond at Walker**

Address/Location: 935 Hwy 190E

City: Huntsville County: Walker Zip: 77340

Population: Elderly Limitation Program Set-Aside: Rural Area: Rural

Activity: New Construction Building Type: Garden (Up to 4-story) Region: 6

Analysis Purpose: New Application - Initial Underwriting

### ALLOCATION

TDHCA Program	REQUEST				RECOMMENDATION				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	Lien
LIHTC (9% Credit)	\$900,000				\$900,000				

### CONDITIONS

- Receipt and acceptance by Cost Certification:
- Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.
- Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

### SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	8
60% of AMI	60% of AMI	36

## DEVELOPMENT SUMMARY

Fishpond at Walker is a 48 unit new construction elderly development in Huntsville and will consist of six 1-story buildings with 8 units per building evenly split between one and two bedroom apartments. The amenities will include a community room, laundry room, business center, package lockers, and a community garden. There is an existing single family structure on an adjacent tract also being purchased that encroaches onto the development site and is needed for an access easement. This purchase is not included in the acquisition price and will not be encumbered by the LURA.

## RISK PROFILE

### STRENGTHS/MITIGATING FACTORS

- |   |   |
|---|---|
| ▫ | Low capture rates   |
| ▫ | Developer experienced in market and product                         |
| ▫ | Attractive single story product should enhance leasing for seniors. |

### WEAKNESSES/RISKS

- |   |                       |
|---|-----------------------|
| ▫ | Low 15 year cash flow |
| ▫ | Interest rate risk    |
| ▫ |                       |

## DEVELOPMENT TEAM

### PRIMARY CONTACTS

Name: David Fournier

Phone: (512) 970-3889

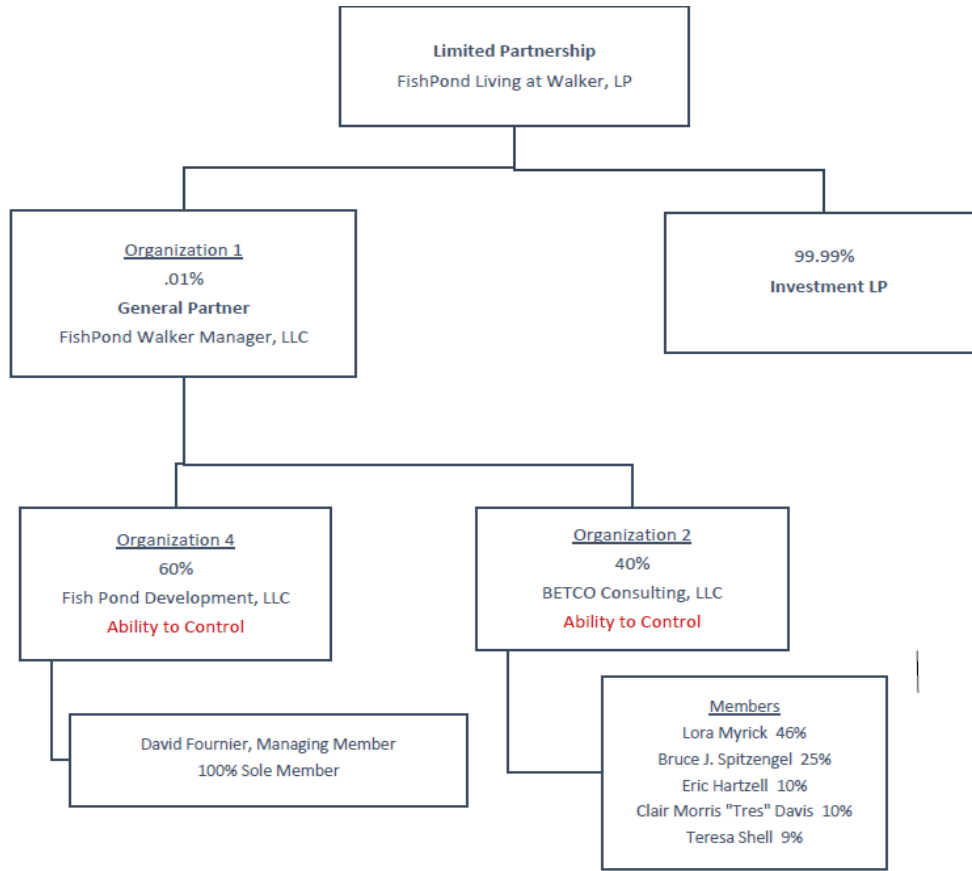
Relationship: Applicant/Developer

Name: Lisa Vecchietti

Phone: (512) 627-8062

Relationship: Applicant/Developer

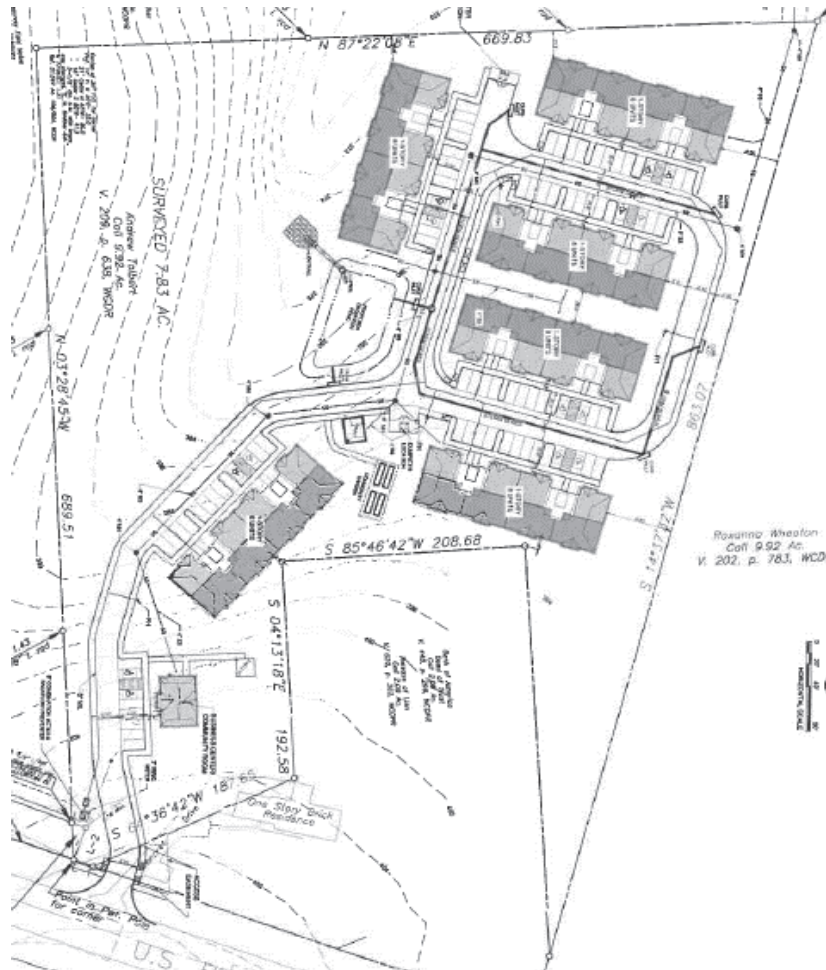
## OWNERSHIP STRUCTURE





# DEVELOPMENT SUMMARY

## SITE PLAN



### Comments:

There are 80 open surface parking spaces (1.7/unit) that will be provided at no charge to the residents. This exceeds the 60 spaces (1.3/unit) required by Code.



## HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering LLC

Date: 2/22/2022

**Recognized Environmental Conditions (RECs) and Other Concerns:**

- US Highway 190 and State Highway 19 within 1000 feet of subject property. Union Pacific Railroad within 3000 ft.
- Due to proximity to several major roadways, a noise study is recommended for the proposed development. It is likely noise mitigation will be required to establish a noise environment below 65 dB in proposed noise sensitive locations of the new development.

## MARKET ANALYSIS

Provider: Apartment MarketData LLC

Date: 3/3/2022

Contact: Darrell Jack

Phone: (210) 530-0040

Primary Market Area (PMA): 802 sq. miles 16 mile equivalent radius

### ELIGIBLE HOUSEHOLDS BY INCOME

Walker County Income Limits								
HH Size		1	2	3	4	5	6	7+
30% AMGI	Min	\$9,120	\$9,120	\$10,944	\$10,944	---	---	---
	Max	\$14,220	\$16,230	\$18,270	\$20,280	---	---	---
50% AMGI	Min	\$15,216	\$15,216	\$18,264	\$18,264	---	---	---
	Max	\$23,700	\$27,050	\$30,450	\$33,800	---	---	---
60% AMGI	Min	\$18,264	\$18,264	\$21,912	\$21,912	---	---	---
	Max	\$28,440	\$32,460	\$36,540	\$40,560	---	---	---

### AFFORDABLE HOUSING INVENTORY

#### Competitive Supply (Proposed, Under Construction, and Unstabilized)

File #	Development	In PMA?	Type	Target Population	Comp Units	Total Units
20329	Fish Pond at Huntsville	Y	New	Elderly	48	48

#### Other Affordable Developments in PMA since 2017

17208	Waverly Village	New	General	n/a	50
19365	Heritage Estates at Huntsville	New	Elderly	n/a	48

#### Stabilized Affordable Developments in PMA

Total Units	576
Total Developments	7
Average Occupancy	98%

OVERALL DEMAND ANALYSIS				
		Market Analyst		
		HTC	Assisted	
Total Households in the Primary Market Area		73,133		
Senior Households in the Primary Market Area		18,465		
Potential Demand from the Primary Market Area		2,818		
10% External Demand		282		
<b>GROSS DEMAND</b>		3,100		
Subject Affordable Units		48		
Unstabilized Competitive Units		48		
<b>RELEVANT SUPPLY</b>		96		
<b>Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE</b>		<b>3.1%</b>		

<b>Population:</b>	<b>Elderly Limitation</b>	<b>Market Area:</b>	<b>Rural</b>	<b>Maximum Gross Capture Rate:</b>	<b>10%</b>
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UNDERWRITING ANALYSIS of PMA DEMAND by AMGI BAND									
		Market Analyst							
AMGI Band		Demand	10% Ext	Subject Units	Comp Units	AMGI Band Capture Rate			
30% AMGI		950	95	4	4	1%			
50% AMGI		614	61	8	10	3%			
60% AMGI		1,254	125	36	34	5%			

#### Demand Analysis:

Minimum eligible income is calculated at 50% rent to income for Elderly developments. Gross demand includes all household sizes and both renter and owner households. Elderly is assumed age 55 and up.

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE									
		Market Analyst							
Unit Type		Demand	10% Ext	Subject Units	Comp Units	Unit Capture Rate			
1 BR/30%		371	37	2	2	1%			
1 BR/50%		414	41	4	5	2%			
1 BR/60%		437	44	18	17	7%			
2 BR/30%		198	20	2	2	2%			
2 BR/50%		212	21	4	5	4%			
2 BR/60%		275	28	18	17	12%			

#### Market Analyst Comments:

The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market. Affordable projects are 98% occupied. Heritage Estates (#19365) finished construction in 2021 and is 100% occupied. (p 13)

## OPERATING PRO FORMA

### SUMMARY- AS UNDERWRITTEN (Applicant's Pro Forma)

NOI:	\$142,443	Avg. Rent:	\$688	Expense Ratio:	62.2%
Debt Service:	\$109,895	B/E Rent:	\$627	Controllable Expenses:	\$3,031
Net Cash Flow:	\$32,548	UW Occupancy:	92.5%	Property Taxes/Unit:	\$625
Aggregate DCR:	1.30	B/E Occupancy:	84.5%	Program Rent Year:	2021

## DEVELOPMENT COST EVALUATION

### SUMMARY- AS UNDERWRITTEN (Applicant's Costs)

Acquisition	\$63,697/ac	\$10,391/unit	<b>\$498,750</b>	Contractor Fee	<b>\$793,266</b>
Off-site + Site Work		\$27,667/unit	<b>\$1,328,000</b>	Soft Cost + Financing	<b>\$1,754,591</b>
Building Cost	\$101.67/sf	\$82,656/unit	<b>\$3,967,500</b>	Developer Fee	<b>\$1,546,802</b>
Contingency	7.00%	\$7,723/unit	<b>\$370,685</b>	Reserves	<b>\$172,263</b>
<b>Total Development Cost</b>		\$217,330/unit	<b>\$10,431,857</b>	<b>Rehabilitation Cost</b>	<b>N/A</b>

**Qualified for 30% Basis Boost?**

Rural [9% only]

Credit Allocation Supported by Costs:

Total Development Cost	Adjusted Eligible Cost	Credit Allocation Supported by Eligible Basis
<b>\$10,431,857</b>	<b>\$7,765,991</b>	<b>\$908,621</b>

## UNDERWRITTEN CAPITALIZATION

### INTERIM SOURCES

Funding Source	Description	Amount	Rate	LTC
Community Bank of Texas	Conventional Loan	\$8,500,000	3.75%	81%
PNC Real Estate	HTC	\$791,921	\$0.88	8%
City of Huntsville	\$11.9(d)(2)LPS Contribution	\$250	0.00%	0%
Fish Pond Development, LLC	Deferred Developer Fee	\$1,139,686	0.00%	11%
		<b>\$10,431,857</b>	<b>Total Sources</b>	

### PERMANENT SOURCES

Debt Source	PROPOSED				UNDERWRITTEN				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	LTC
Community Bank of Texas	\$2,000,000	4.25%	35	15	\$2,000,000	4.25%	35	15	19%
City of Huntsville	\$250	0.00%	0	0	\$250	0.00%	0	0	0%
<b>Total</b>	<b>\$2,000,250</b>				<b>\$2,000,250</b>				

Equity & Deferred Fees	PROPOSED			UNDERWRITTEN			
	Amount	Rate	% Def	Amount	Rate	% TC	% Def
PNC Real Estate	\$7,919,208	\$0.88		\$7,919,208	\$0.88	76%	
Fish Pond Development, LLC	\$512,399		33%	\$512,399		5%	33%
<b>Total</b>	<b>\$8,431,607</b>			<b>\$8,431,607</b>			
				<b>\$10,431,857</b>	<b>Total Sources</b>		

### Credit Price Sensitivity based on current capital structure

<b>\$0.937</b>	Maximum Credit Price before the Development is oversourced and allocation is limited
<b>\$0.878</b>	Minimum Credit Price below which the Development would be characterized as infeasible

## CONCLUSIONS

### Gap Analysis:

Total Development Cost	\$10,431,857
Permanent Sources (debt + non-HTC equity)	\$2,000,250
<b>Gap in Permanent Financing</b>	<b>\$8,431,607</b>

Possible Tax Credit Allocations:	Equity Proceeds	Annual Credits
Determined by Eligible Basis	\$7,995,064	\$908,621
Needed to Balance Sources & Uses	\$8,431,607	\$958,233
Requested by Applicant	\$7,919,208	\$900,000

	RECOMMENDATION	
	Equity Proceeds	Annual Credits
<b>Tax Credit Allocation</b>	<b>\$7,919,208</b>	<b>\$900,000</b>

<b>Deferred Developer Fee</b>	<b>\$512,399</b>	( 33% deferred)
<b>Repayable in</b>	<b>15 years</b>	

### Comments:

Underwriter recommends Applicant's request of \$900,000 in 9% annual HTC.

Underwriter:	Eric Weiner
Manager of Real Estate Analysis:	Gregg Kazak
Director of Real Estate Analysis:	Jeanna Adams

UNIT MIX/RENT SCHEDULE	
Fishpond at Walker, Huntsville, 9% HTC #22208	

LOCATION DATA	
CITY:	Huntsville
COUNTY:	Walker
Area Median Income	\$67,600
PROGRAM REGION:	6
PROGRAM RENT YEAR:	2021

UNIT DISTRIBUTION				
# Beds	# Units	% Total	Assisted	MDL
Eff	-	0.0%	0	0
1	24	50.0%	0	0
2	24	50.0%	0	0
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
TOTAL	48	100.0%	-	-

56%	Income	20%	30%	40%	50%	60%	70%	80%	EO / MR	TOTAL
Average	# Units	-	4	-	8	36	-	-	-	48
Income	% Total	0.0%	8.3%	0.0%	16.7%	75.0%	0.0%	0.0%	0.0%	100.0%

Pro Forma ASSUMPTIONS				
	Revenue Growth			2.00%
	Expense Growth			3.00%
	Basis Adjust			130%
	Applicable Fraction			100.00%
	APP % Acquisition			4.00%
	APP % Construction			9.00%
	Average Unit Size			813 sf

UNIT MIX / MONTHLY RENT SCHEDULE																		
HTC		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS	
Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten	Mrkt Analyst
TC 30%	\$380	2	1	1	656	\$380	\$79	\$301	\$0	\$0.46	\$301	\$602	\$602	\$301	\$0	\$0	\$1,001	\$1,001
TC 50%	\$634	4	1	1	656	\$634	\$79	\$555	\$0	\$0.85	\$555	\$2,220	\$2,220	\$555	\$1	\$0	\$1,001	\$1,001
TC 60%	\$761	18	1	1	656	\$761	\$79	\$682	\$0	\$1.04	\$682	\$12,276	\$12,276	\$682	\$1	\$0	\$1,001	\$1,001
TC 30%	\$456	2	2	2	970	\$456	\$103	\$353	\$0	\$0.36	\$353	\$706	\$706	\$353	\$0	\$0	\$1,232	\$1,232
TC 50%	\$761	4	2	2	970	\$761	\$103	\$658	\$0	\$0.68	\$658	\$2,632	\$2,632	\$658	\$1	\$0	\$1,232	\$1,232
TC 60%	\$913	18	2	2	970	\$913	\$103	\$810	\$0	\$0.84	\$810	\$14,580	\$14,580	\$810	\$1	\$0	\$1,232	\$1,232
TOTALS/AVERAGES:		48			39,024				\$0	\$0.85	\$688	\$33,016	\$33,016	\$688	\$0.85	\$0	\$1,117	\$1,117

ANNUAL POTENTIAL GROSS RENT:		
	\$396,192	\$396,192



# STABILIZED PRO FORMA

Fishpond at Walker, Huntsville, 9% HTC #22208

STABILIZED FIRST YEAR PRO FORMA												
COMPARABLES				APPLICANT			TDHCA			VARIANCE		
Database	Comps			% EGI	Per SF	Per Unit	Amount	Per Unit	Per SF	% EGI	%	\$
POTENTIAL GROSS RENT					\$0.85		\$396,192	\$688	\$0.85		0.0%	\$0
NSF Fees, Application Fees												
Total Secondary Income					\$20.00		\$11,520					
POTENTIAL GROSS INCOME					\$20.00		\$11,520	\$20.00			0.0%	\$0
Vacancy & Collection Loss							\$407,712				0.0%	\$0
EFFECTIVE GROSS INCOME					7.5% FGI	(30,578)	\$377,134	7.5% PGI			0.0%	\$0
General & Administrative	\$23,756	\$495/Unit	\$18,356	\$382	\$0.46	\$375	\$18,000	\$382	\$0.47	4.87%	-1.9%	(356)
Management	\$27,259	6.4% EGI	\$19,231	\$401	\$0.48	\$393	\$18,857	\$393	\$0.48	5.00%	0.0%	0
Payroll & Payroll Tax	\$59,170	\$1,233/Unit	\$81,861	\$1,705	\$1.38	\$1,125	\$54,000	\$1,037	\$1.28	13.20%	8.5%	4,216
Repairs & Maintenance	\$34,512	\$719/Unit	\$29,898	\$623	\$0.85	\$688	\$33,000	\$650	\$0.80	8.27%	5.8%	1,800
Electric/Gas	\$9,596	\$200/Unit	\$10,940	\$228	\$0.26	\$208	\$10,000	\$200	\$0.25	2.54%	4.2%	404
Water, Sewer, & Trash	\$29,778	\$620/Unit	\$26,481	\$552	\$0.78	\$635	\$30,500	\$620	\$0.76	7.90%	2.4%	722
Property Insurance	\$25,520	\$0.65 /sf	\$26,710	\$556	\$0.60	\$488	\$23,414	\$575	\$0.71	7.32%	-15.2%	(4,187)
Property Tax (@ 100%)	\$26,436	\$551/Unit	\$28,819	\$600	\$0.77	\$625	\$30,000	\$649	\$0.80	8.26%	-3.7%	(1,137)
Reserve for Replacements					\$0.31	\$250	\$12,000	\$250	\$0.31	3.18%	0.0%	-
Supportive Services					\$0.08	\$63	\$3,000	\$63	\$0.08	0.80%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)					\$0.05	\$40	\$1,920	\$40	\$0.05	0.51%	0.0%	-
TOTAL EXPENSES				62.23%	\$6.01	\$4,889	\$234,691	\$4,859	\$5.98	61.84%	0.6%	\$ 1,464
NET OPERATING INCOME ("NOI")				37.77%	\$3.65	\$2,968	\$142,443	\$2,998	\$3.69	38.16%	-1.0%	\$ (1,464)
CONTROLLABLE EXPENSES				\$3,031/Unit				\$2,890/Unit				



CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Fishpond at Walker, Huntsville, 9% HTC #22208

CREDIT CALCULATION ON QUALIFIED BASIS				
Applicant		TDHCA		
Acquisition	Construction Rehabilitation	Acquisition	Construction	
ADJUSTED BASIS				
Deduction of Federal Grants	\$0	\$7,765,991	\$0	\$7,765,991
	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$7,765,991		\$7,765,991
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$10,095,788	\$0	\$10,095,788
Applicable Fraction	100.00%	100.00%	100%	100%
TOTAL QUALIFIED BASIS	\$0	\$10,095,788	\$0	\$10,095,788
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
ANNUAL CREDIT ON BASIS	\$0	\$908,621	\$0	\$908,621
CREDITS ON QUALIFIED BASIS	\$908,621		\$908,621	

ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS				
Method	Annual Credits	Proceeds	FINAL ANNUAL LIHTC ALLOCATION	
			Credit Price	\$0.8799
Eligible Basis	\$908,621	\$7,995,064	Credit Allocation	Variance to Request
Needed to Fill Gap	\$958,233	\$8,431,607	----	-----
Applicant Request	\$900,000	\$7,919,208	----	-----

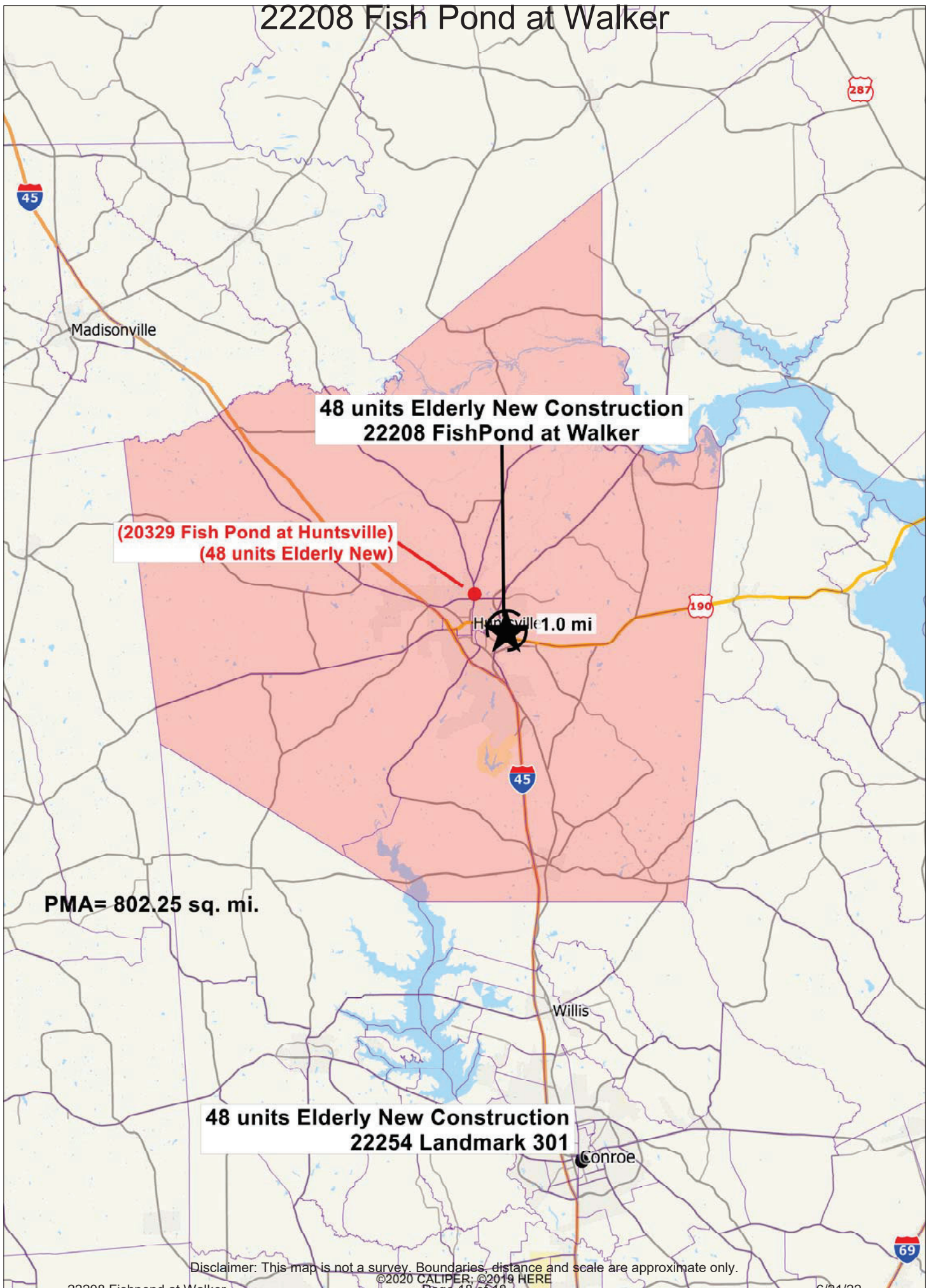
BUILDING COST ESTIMATE				
CATEGORY	FACTOR	UNITS/SF	PER SF	
Base Cost:	Garden (Up to 4-story)	39,024 SF	\$97.87	3,819,123
Adjustments				
Exterior Wall Finish	5.60%		5.48	\$213,871
Elderly	3.00%		2.94	114,574
9-Ft. Ceilings	3.70%		3.62	141,308
Roof Adjustment(s)			3.74	145,755
Subfloor			(3.22)	(125,657)
Floor Cover			2.82	110,048
Breezeways	\$27.47	2,448	1.72	67,247
Balconies	\$27.47	2,616	1.84	71,862
Plumbing Fixtures	\$1,610	72	2.97	115,920
Rough-Ins	\$600	96	1.48	57,600
Built-In Appliances	\$2,950	48	3.63	141,600
Exterior Stairs	\$2,460	0	0.00	0
Heating/Cooling			2.37	92,487
Storage Space	\$27.47	0	0.00	0
Carports	\$13.00	0	0.00	0
Garages		0	0.00	0
Common/Support Area	\$149.01	1,283	4.90	191,177
Elevators		0	0.00	0
Other:			0.00	0
Fire Sprinklers	\$2.88	42,755	3.16	123,134
SUBTOTAL			135.30	5,280,046
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	1.00		0.00	0
Reserved				0
TOTAL BUILDING COSTS				135.30
Plans, specs, survey, bldg permits	3.30%		(4.46)	(\$174,242)
Contractor's OH & Profit	11.50%		(15.56)	(607,205)
NET BUILDING COSTS				\$93,721/unit \$115.28/sf \$4,498,600

# Long-Term Pro Forma

Fishpond at Walker, Huntsville, 9% HTC #22208

	Growth Rate	Year										Year 25	Year 30	Year 35
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35		
EFFECTIVE GROSS INCOME	2.00%	\$377,134	\$384,676	\$392,370	\$400,217	\$408,222	\$450,710	\$497,620	\$549,412	\$606,596	\$669,731	\$739,437		
TOTAL EXPENSES	3.00%	\$234,691	\$241,543	\$248,597	\$255,859	\$263,334	\$304,150	\$351,350	\$405,937	\$469,076	\$542,114	\$626,611		
NET OPERATING INCOME ("NOI")		\$142,443	\$143,133	\$143,773	\$144,358	\$144,887	\$146,559	\$146,270	\$143,475	\$137,519	\$127,617	\$112,826		
EXPENSE/INCOME RATIO		62.2%	62.8%	63.4%	63.9%	64.5%	67.5%	70.6%	73.9%	77.3%	80.9%	84.7%		
MUST -PAY DEBT SERVICE														
TOTAL DEBT SERVICE		\$109,895	\$109,895	\$109,895	\$109,895	\$109,895	\$109,895	\$109,895	\$109,895	\$109,895	\$109,895	\$109,895		
DEBT COVERAGE RATIO		1.30	1.30	1.31	1.31	1.32	1.33	1.33	1.31	1.25	1.16	1.03		
ANNUAL CASH FLOW														
Deferred Developer Fee Balance		\$32,548	\$33,239	\$33,878	\$34,464	\$34,992	\$36,665	\$36,376	\$33,581	\$27,625	\$17,722	\$2,932		
CUMULATIVE NET CASH FLOW		\$0	\$0	\$0	\$0	\$0	\$0	\$20,731	\$195,349	\$346,795	\$456,966	\$503,370		

# 22208 Fish Pond at Walker







Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

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**File #: 923**

**Agenda Date: 2/6/2025**

**Agenda #: 20.**

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Presentation, discussion, and possible action regarding approval of a Multifamily Direct Loan assumption and modification for Seville Row Apartments (TCAP #13090009754)

**RECOMMENDED ACTION**

**WHEREAS**, in 2008, the Department awarded 4% housing tax credits (HTC #08417) to Seville Row Apartments (the Development), and in 2010, two rounds of TCAP funds were awarded, as cash flow, forgivable loans, in the amounts of \$2,261,410 and \$328,531, for a total of \$2,589,941 under the TCAP Tax Credit Replacement Initiative, to rehabilitate 90 multifamily units for the elderly in Beaumont, Jefferson County;

**WHEREAS**, the TCAP loans have a maturity date of September 1, 2026, and upon maturity, as long as the borrower is not in default under any terms of the Notes or any document securing payment of the Notes, payment of the outstanding principal will be waived;

**WHEREAS**, prior to maturity, upon the sale of the Development or upon the refinance of any superior liens, 10% of the net sale proceeds or 10% of the refinancing proceeds would be due and payable under the Notes and applied to the outstanding principal balance;

**WHEREAS**, Steele Seville LLC (Proposed Owner) plans to purchase the Development from Beaumont Leased Housing Associates II, Limited Partnership (Current Owner);

**WHEREAS**, the Proposed Owner is requesting approval to assume the TCAP loans, and requesting that the loans be modified to extend the loans to February 16, 2052, which is 40 years from when the permanent period started for these loans, and with the payment schedule changing from semi-annual to annual; and

**WHEREAS**, Board approval is required for the assumption of the TCAP loan because the proposed transaction does not meet the condition in 10 TAC §13.13(d)(2)(B) for Executive Director approval;

**NOW, therefore, it is hereby**

**RESOLVED**, that the request for the Proposed Owner to assume the TCAP loans and written agreement, and to modify the TCAP loans to change the maturity date to February 16, 2052, and change the payment schedule from semi-annual to annual is approved, as well as all other modifications to the loan and contract documents as presented at this meeting, and the Executive Director and his designees are hereby authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

**BACKGROUND**

Seville Row Apartments received an award of 4% housing tax credits in 2008 and two TCAP loans in 2010 for the acquisition and rehabilitation of 90 units for the elderly in Beaumont, Jefferson County. All 90 of the units in the Development are income and rent restricted. The TCAP funds were awarded in the form of two loans in the amounts of \$2,261,410 (loan #130900009754) and \$328,565 (loan #130900009754B), for a total loan amount of \$2,589,941. The TCAP loans are structured as cash-flow loans with a 0% interest rate and are forgivable upon maturity on September 1, 2026, if the borrower is not in default under any terms of the loan documents, written agreement, or the Land Use Restriction Agreement. Thirty semi-annual installments of \$75,380.33 and \$10,951.03 are due March 1<sup>st</sup> and September 1<sup>st</sup>, with the first payments beginning March 1, 2012, and continuing until September 1, 2026, when the loans mature. The Notes allow the scheduled payments to be deferred if 10% of cash flow multiplied by a percentage of the TCAP Note is not sufficient to make the scheduled payments. TCAP loan #09754 has a balance of \$1,932,038.10, and TCAP loan #09754B has a balance of \$248,825.97 as of this write-up. Prior to maturity, upon the sale of the Development or upon the refinance of any loans held by the senior lender or any other superior lienholder during the term of the loans, 10% of the remaining sale proceeds after repayment of the senior loans or 10% of the refinancing proceeds would be due and payable under the Notes and applied to the outstanding principal balance.

In a letter dated December 17, 2024, Justin Boyd, the representative for Steele Seville LLC (Proposed Owner), requested approval for the TCAP loans to be assumed. In addition, approval was requested for a modification of the TCAP loans to extend the loan to February 16, 2052, which is 40 years from when the permanent period started, and also adjust the payment schedule from semi-annual to annual.

The Proposed Owner states that it is their intention to purchase and renovate the property using 4% Housing Tax Credits. The Proposed Owner has agreed to make the required payment equal to 10% of the remaining sale proceeds after repayment of the senior loans. A draft buyer closing statement submitted with this request reflects that the anticipated net sale proceeds to the Current Owner will be \$140,825.38, which would result in an anticipated payment of \$14,082.54 to the TCAP loans. The Department will confirm the final amount due at closing.

Staff recommends approval of the requested assumption of the TCAP loans and the written agreement, and the modification of the TCAP loans to extend the maturity date to February 16, 2052, and revise the requirement for semi-annual payments to annual payments, effective as of the date of the closing of the new first lien loan. The LURA will be amended to reflect a longer term to match that of the loan and to state that the LURA will survive a foreclosure or deed in lieu of foreclosure.



Texas Department of Housing and Community Affairs (TDHCA)

Attention: Rosalio Banuelos

221 E. 11<sup>th</sup> Street

Austin, TX 78701

December 17<sup>th</sup>, 2024

RE: Seville Apartments Tax Credit Assistance Program Loan Assumptions

Dear Mr. Banuelos,

On behalf of Steele Seville LLC, we would like to request the assumption and extension of both Tax Credit Assistance Program (TCAP) loans that the current owner, Beaumont Leased Housing Associates II, LP. The principal balances of each loan were \$2,261,410 and \$328,531, and the current estimated balances are \$2,009,651 and \$257,868.89.

Steele Seville LLC plans to purchase and renovate Seville Apartments using 4% Low Income Housing Tax Credits awarded by TDHCA. The renovation budget is approximately \$5,445,000 of hard costs, and will address the building exterior, interior, and site.

In connection with the tax credit closing, Steele Seville LLC requests that the loan terms are extended 40 years after the original loan terms, which would extend the loans to 2052.

Additionally, there is a current semi-annual payment detailed in Agreement 1.5. of the First Amendment to the TCAP Loan. As part of the extension of the loan terms, Steele Seville LLC intends to maintain the current level of payment.

If there is any additional information needed to process the request to extend the current TCAP loans with the property, please let us know how we can help.

Regards,

A handwritten signature in blue ink that reads 'Justin Boyd'.

Authorized Representative

Steele Seville LLC



**American Recovery and Reinvestment Act of 2009  
Tax Credit Assistance Program (TCAP)  
CORRECTION SUBORDINATE LIEN PROMISSORY NOTE  
("Correction Note")**

**OTHER THAN THE STATED CORRECTION, THIS CORRECTION SUBORDINATE LIEN PROMISSORY NOTE ("CORRECTION NOTE") IS INTENDED TO RESTATE IN ALL RESPECTS THE SUBORDINATE LIEN PROMISSORY NOTE ("NOTE") EXECUTED BY MAKER HEREIN PAYABLE TO PAYEE HEREIN, DATED JULY 19, 2010, AND THE EFFECTIVE DATE OF THIS CORRECTION NOTE RELATES BACK TO THE EFFECTIVE DATE OF THE NOTE. THE ONLY CORRECTION TO THE NOTE IS TO CORRECT THE MATURITY DATE OF THE NOTE TO SEPTEMBER 1, 2026.**

U.S. \$2,261,410.00

Effective July 19, 2010

For value received, **BEAUMONT LEASED HOUSING ASSOCIATES II, LIMITED PARTNERSHIP**, a Texas limited partnership ("Maker") promises to pay to the order of **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**, a public and official agency of the State of Texas ("Payee" or "Department") at 221 East 11th St., P.O. Box 13941 in the City of Austin, Travis County, Texas 78711-3941 (or at such other place in Austin, Travis County, Texas, as Payee may from time to time designate by written notice to Maker), the sum of \$2,261,410.00 or so much thereof as may be advanced and outstanding, together with interest thereon as hereinafter provided.

No interest shall accrue on this Note unless the maturity of this Note has been accelerated as hereinafter provided.

Payment of principal is deferred during the period prior to February 16, 2012 ("Permanent Loan Commencement"). Upon Permanent Loan Commencement, the principal amount of this Note shall be due and payable in legal tender of the United States of America in thirty (30) semi-annual installments of an amount equal to Scheduled Payment as defined herein. The first installment shall be due and payable on the 1<sup>st</sup> day of March, 2012 and semi-annual installments in the amount of the Scheduled Payment as defined below, on September 1<sup>st</sup> and March 1<sup>st</sup> of each year during the 15 Year Compliance Period as defined in the Declaration of Land Use Restrictive Covenants/Land Use Restriction Agreement for Low-Income Housing Tax Credits made by and between Payee and Maker (or grantor under the TCAP Subordinate Deed of Trust if different from Maker) to be recorded in the real property records of the county where the Property is located ("Tax Credit LURA"), until **September 1, 2026**, on which date the balance of any outstanding principal amount plus accrued interest, if applicable, shall be due and payable ("maturity"). Each paid installment shall be applied first to the payment of accrued interest, if applicable, and the remainder to the reduction of principal amount.

1. "Scheduled Payment" means semi-annual payments equal to ten percent (10%) of the Surplus Cash (as defined below) multiplied by Percentage of TCAP Note (as defined below).

2. "Surplus Cash" means any Cash remaining:

a. After the payment of:

- (i) All sums due or currently required to be paid under the terms of any mortgage or note securing this Note;
- (ii) All amounts required to be deposited in the reserve funds for replacement;
- (iii) Operating expenses actually incurred by Maker for the Property (defined below) during the period in question (provided that management fees for the Property will be deemed to be equal to the lesser of the management fees actually paid and 5% of effective gross income) with an appropriate adjustment to include in such period an allocable share of property taxes and insurance premiums;
- (iv) Recurring maintenance expenses actually incurred by the Maker for the Property during the period in question (except to the extent such items are funded from the reserve fund for replacements); and
- (v) All other obligations of the Property approved by the Department.

b. After the segregation of:

- (i) An amount equal to the aggregate of all special funds required to be maintained for the Property; and
- (ii) All tenants security deposits held.

c. Excluding payment of:

- (i) All sums due or currently required to be paid under the terms of any subordinate liens against the Property;
- (ii) Any development fees that are deferred including those included in eligible basis; and
- (iii) Any payments or obligations to Maker, ownership entities of the Maker, related party entities; any payment to the management company exceeding 5% of the effective gross income; incentive management fees; asset management fees; or any other expenses or payments that shall be negotiated between the Department and Maker prior to the date of this Note.

3. "Cash" as used in the definitions of "Surplus Cash" means (1) all gross revenues and receipts derived by the Maker from the operation of the Property during the period in question, including tenant rents and all other moneys as may be paid to or on behalf of the Maker or to which the Maker may be entitled with respect to the Property including interest earnings but excluding receipt of tenant security deposits; and (2) proceeds from financial restructuring or sale.

4. "Percentage of TCAP Note" means an amount equal to \$2,261,410.00 (the total loan amount) divided by the sum of:

- a. \$337,530.00 which equals all equity generated from the federal low-income housing tax credits under Section 42(h) of the Code (including credits made available through

housing credit ceiling provided by Section 1400N(c) of the Internal Revenue Code) ("Tax Credits") on the Property awarded by the Department in the annual amount of \$37,508.00 pursuant to an allocation or determination of Tax Credits with respect to the Project issued by the Department in the 2008 4% housing tax credit round; and

- b. An amount equal to \$2,261,410.00 (the total loan amount).

On each semi-annual payment date during the term of this Note, Maker will provide Payee an accounting of the Surplus Cash for the applicable period and operating statements for the collateral property, both certified by an authorized representative of Maker, in a form acceptable to Payee. Payee reserves the right to request audited operating statements at Maker's expense.

After maturity (by acceleration or otherwise) and until paid, the unpaid principal balance and accrued interest then due shall bear interest at the lesser of (i) ten percent (10%) per annum or (ii) the highest interest rate allowed by Applicable Law ("Default Interest Rate"). Notwithstanding any other provision of this Note, the daily Default Interest Rate shall be calculated by dividing the Default Interest Rate per annum applicable for such day by the actual number of days in the calendar year (whether 365 or 366).

This Note may be prepaid in part or in its entirety at any time, without notice or penalty but any amounts prepaid may not be reborrowed. Partial prepayment shall be applied first to accrued and unpaid interest with the balance to the principal installments in inverse order of maturity. Any payment received more than thirty (30) calendar days before it is due shall be considered a prepayment, unless Maker otherwise designates in writing at the time such payment is made.

All amounts owing on this Note shall be payable at the address of Payee stated above (or at such other place in Austin, Travis County, Texas designated by Payee in writing delivered to Maker at the address of Maker set forth below) in lawful money of the United States of America that is legal tender for public and private debts at the time of payment. The making of any payment in other than immediately available funds, which Payee, at its option, elects to accept shall be subject to collection, and interest shall continue to accrue until the funds by which such payment is made are available to Payee for its use.

If any payment required under this Note is not paid within 10 days after it becomes due and payable, then Maker shall pay to Payee, subject to the provisions of this Note limiting the amount of interest, the payment of a late charge (the "Late Charge") to compensate Payee for the loss of use of funds and for the administrative expenses and costs of handling such delinquent payment equal to a one-time charge of five percent (5%) of the amount of such payment that was not timely paid (but such Late Charge together with all interest payable hereon shall not exceed the maximum lawful rate under Applicable Law). The term "Applicable Law" as used herein means (1) the law pertaining to maximum rates of interest that is now in effect and (2) any law that comes into effect at any time in the future allowing a higher maximum interest rate than the law now in effect. Payee is not obligated to accept any past due payment that is not accompanied by a Late Charge, but may accept such payment without waiving its rights to collect the Late Charge. In no event shall a Late Charge be payable by reason of the acceleration of the indebtedness evidenced by this Note; therefore, a Late Charge would

only be due and payable with respect to payments under this Note which became delinquent prior to the acceleration of the indebtedness evidenced hereby.

Except as provided in this Note or any documents securing the Note, including but not limited to the Subordinate Deed of Trust defined herein (said documents hereafter collectively called "Security Documents"), Maker and each endorser and guarantor of this Note jointly and severally waive grace, presentment for payment, notice of renewals and extensions, notice of nonpayment, notice of protest, notice of and demand for payment of installments or other amounts coming due under this Note that are not paid when due, notice of intent or election to accelerate maturity or the actual acceleration of maturity of the indebtedness evidenced by this Note, and diligence in the collection of this Note, in filing suit on this Note and in seizing or foreclosing on any collateral securing this Note and agree to one or more extensions of maturity and partial payments before or after maturity without prejudice to rights of the holder of this Note.

If this Note is placed in the hands of an attorney for collection or is collected by legal proceedings of any kind, Maker agrees to pay all reasonable costs of collection, including reasonable attorneys' fee and costs.

All obligations of this Note are the joint and several obligations of each signer.

This Note is secured by, among other security, the liens and security interests granted in the TCAP Subordinate Deed of Trust (with Security Agreement and Assignment of Rents) of even date herewith from Maker to Michael Gerber, Trustee for Payee ("Deed of Trust"), upon and against the real property described in Exhibit "A" attached hereto and made a part hereof ("Property"). Any Event of Default or an Event of Recapture as therein defined under the Deed of Trust shall be deemed to be a default under this Note

The proceeds of this Note will be advanced to Maker at its special instance and request in accordance with the terms of the TCAP Written Agreement No.13090009754 dated February 12, 2010 by and between Maker as development owner and Department.

In an Event of Default (as defined in the Deed of Trust) in the payment of any part of the principal or interest on this Note and Maker's failure to cure the default by the first business day following thirty (30) calendar days after Payee's delivery of written notice of default to Maker, or in Event of Default as defined in the Deed of Trust, and Maker's failure to cure the Event of Default as provided therein, then the holder of this Note shall have the unconditional right, without demand, notice, or other action, to declare the unpaid principal balance of this Note, together with interest accrued on the unpaid principal balance, at once due and payable and to foreclose each lien and security interest securing the payment of this Note, either under any power of sale contained in any documents creating such lien or security interest or by court proceedings, as the holder may elect. Notice shall be deemed to have been delivered as provided therein. Notwithstanding anything else contained herein, the Tax Credit Investor, shall have the right, but not the obligation, to cure any Event of Default herein.

All agreements and transactions between Maker and Payee, whether now existing or hereafter arising, whether contained herein or in any other instrument, and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of the maturity hereof, prepayment, demand for payment or otherwise, shall the amount contracted for, charged or received by Payee from Maker for the use, forbearance, or detention of the principal indebtedness or interest hereof, which remains unpaid from time to time, exceed the maximum amount permissible under Applicable Law, it particularly being the intention of the parties hereto to conform strictly to the law of the State of Texas and of the United States of America, whichever is applicable. Any interest payable hereunder or under any other instrument relating to the loan evidenced hereby that is in excess of the legal maximum under Applicable Law, shall, in the event of acceleration of maturity, prepayment, demand for payment or otherwise, be automatically, as of the date of such acceleration, prepayment, demand or otherwise, applied to a reduction of the principal indebtedness hereof and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of such principal, such excess shall be refunded to Maker. To the extent permitted by Applicable Law, determination of the legal maximum amount of interest shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan, all interest at any time contracted for, charged or received from Maker in connection with the loan, so that the actual rate of interest on account of such indebtedness is uniform throughout the term thereof.

This Note shall be governed by and construed in accordance with the laws of the State of Texas and the United States of America from time to time in effect.

**Upon maturity, Payee agrees to waive repayment of the outstanding principal, but only in the event Maker is not then in default under any terms of this Note or any document securing payment of this Note, including without limitation, the Deed of Trust, the TCAP Land Use Restriction Agreement of even date herewith executed by and between Payee and Maker and the Declaration of Land Use Restrictive Covenants/Land Use Restriction Agreement for Low-Income Housing Tax Credits made by and between Payee and to be recorded in the real property records of the county where the Property is located and the Land Use Restriction Agreement.**

Prior to Maturity, upon the sale of the Property or upon the refinance of any loans held by the Senior Lender or any other superior lienholder during the term of this loan, and after the full payment of such loans, ten percent (10%) of the remaining sale proceeds or ten percent (10%) of the refinancing proceeds shall be due and payable under the Note and applied to the outstanding principal balance.

Notwithstanding anything herein to the contrary, Payee shall have no recourse against Maker, nor against any guarantor, if any, for payment and performance of all of the obligations, covenants and agreements of Maker under this Note and the documents securing same including, but not limited to the Security Documents, except to the full extent of all of the Property which constitutes security for this Note. If default occurs in the timely and proper payment of any portion of such indebtedness or in the timely performance of any of such obligations, agreement or covenants, any judicial proceedings brought by Payee against Maker or any guarantor shall be limited to the protection and preservation of the Property, the preservation, enforcement and foreclosure of the liens, mortgages, assignments, rights and security interests now or at any time hereafter securing the payment of the Note, and enforcement and collection of obligations, covenants and indebtedness for which Maker and any guarantors remain

liable as provided in this paragraph. If there is a foreclosure of any such liens, mortgages, assignments, rights, and security interests securing the payment of this Note, by power of sale or otherwise, no judgment for any deficiency upon such indebtedness shall be sought or obtained by Payee against Maker. Notwithstanding the foregoing provisions of this paragraph or any other agreement, Payee shall have full recourse against Maker and all guarantors, if any, for losses incurred by Payee for: (a) fraud or misrepresentation by Maker or any guarantor in connection with the transactions herein contemplated; (b) failure to pay taxes, assessments, charges for labor or materials or other charges that can create liens on any portion of the Property; (c) the misapplication of (i) proceeds of insurance covering any portion of the Property, or (ii) proceeds of the sale or condemnation of any portion of the Property, or (iii) rentals received by or on behalf of Maker subsequent to the date on which Payee gives written notice of the posting of foreclosure notices; (d) failure to prevent waste to the Property unless Payee is compensated therefor by insurance proceeds collected by Maker; (e) failure to return to Payee of all unearned advance rentals and security deposits paid by tenants of the Property and not refunded to or forfeited by such tenants; (f) failure to return, or failure to reimburse for, all personalty taken from the Property by or on behalf of Maker; (g) all court costs and for all reasonable attorneys' fees incurred by Payee provided for in any instrument governing, securing or pertaining to the payment of the Note; and (h) failure to comply with any indemnification provision or covenants pertaining to environmental matters contained in the Security Documents.

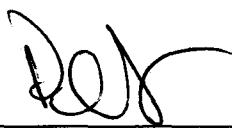
The indebtedness evidenced by this Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by that certain Promissory Note (Series 2008A) dated as of October 1, 2008 in the original principal amount of Four Million Eight Hundred Ten Thousand and 00/100 Dollars (US \$4,810,000) issued by Maker and payable to The Jefferson County Housing Finance Corporation, a Texas non-profit housing corporation (hereinafter referred to as "Senior Lender"), or order, and described in and secured by a deed of trust dated October 1, 200 to Peter S. Graf, trustee for the benefit of the Senior Lender and U.S. Bank National Association, a national banking association as indenture trustee (hereinafter referred to as "Bond Trustee") and recorded as cc#2008037072 in the Real Property Records of Jefferson County, Texas as more fully set forth in and to the extent and in the manner provided in that certain Subordination Agreement of even date herewith between the Payee of this Note and the Bond Trustee (the "Subordination Agreement") to be recorded in the Official Records of Jefferson County, Texas. The rights and remedies of the Payee and each subsequent holder of this Note under the Subordinate Deed of Trust securing this Note are subject to the restrictions and limitations set forth in the Subordination Agreement. Each subsequent holder of this Note shall be deemed, by virtue of such holder's acquisition of the Note, to have agreed to perform and observe all of the terms, covenants and conditions to be performed or observed by the Payee under the Subordination Agreement.

**THIS WRITTEN AGREEMENT AND THE OTHER WRITTEN AGREEMENTS, INCLUDING THE SECURITY DOCUMENTS, SIGNED CONTEMPORANEOUSLY WITH THE SIGNING HEREOF REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

**MAKER:**

**BEAUMONT LEASED HOUSING ASSOCIATES II,  
LIMITED PARTNERSHIP**, a Texas limited partnership

By: BEAUMONT LEASED HOUSING  
ASSOCIATES II, LLC, a Texas limited liability  
company,  
its general partner

By:   
Name: Paul R. Sween  
Title: Manager

**EXHIBIT "A"**  
**LEGAL DESCRIPTION OF LAND**



**American Recovery and Reinvestment Act of 2009**  
**Tax Credit Assistance Program (TCAP)**  
**THIRD LIEN PROMISSORY NOTE**  
**("Note")**

U.S. \$328,531.00

January 13, 2011

For value received, **BEAUMONT LEASED HOUSING ASSOCIATES II, LIMITED PARTNERSHIP**, a Texas limited partnership ("Maker") promises to pay to the order of **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**, a public and official agency of the State of Texas ("Payee" or "Department") at 221 East 11th St., P.O. Box 13941 in the City of Austin, Travis County, Texas 78711-3941 (or at such other place in Austin, Travis County, Texas, as Payee may from time to time designate by written notice to Maker), the sum of \$328,531.00 or so much thereof as may be advanced and outstanding, together with interest thereon as hereinafter provided.

No interest shall accrue on this Note unless the maturity of this Note has been accelerated as hereinafter provided.

Payment of principal is deferred during the period prior to February 16, 2012 ("Permanent Loan Commencement"). Upon Permanent Loan Commencement, the principal amount of this Note shall be due and payable in legal tender of the United States of America in thirty (30) semi-annual installments of an amount equal to Scheduled Payment as defined herein. The first installment shall be due and payable on the 1<sup>st</sup> day of March, 2012 and semi-annual installments in the amount of the Scheduled Payment as defined below, on September 1<sup>st</sup> and March 1<sup>st</sup> of each year during the 15 Year Compliance Period as defined in the Declaration of Land Use Restrictive Covenants/Land Use Restriction Agreement for Low-Income Housing Tax Credits made by and between Payee and Maker (or grantor under the TCAP Subordinate Deed of Trust if different from Maker) dated July 19, 2010, recorded on July 21, 2010 under cc# 2010026685 in the Official Public Records of the county where the Property is located ("Tax Credit LURA"), until September 1, 2026, on which date the balance of any outstanding principal amount plus accrued interest, if applicable, shall be due and payable ("maturity"). Each paid installment shall be applied first to the payment of accrued interest, if applicable, and the remainder to the reduction of principal amount.

1. "Scheduled Payment" means semi-annual payments equal to ten percent (10%) of the Surplus Cash (as defined below) multiplied by Percentage of TCAP Note (as defined below).
2. "Surplus Cash" means any Cash remaining:
  - a. After the payment of:
    - (i) All sums due or currently required to be paid under the terms of any mortgage or note securing this Note;
    - (ii) All amounts required to be deposited in the reserve funds for replacement;

ORIGINAL

- (iii) Operating expenses actually incurred by Maker for the Property (defined below) during the period in question (provided that management fees for the Property will be deemed to be equal to the lesser of the management fees actually paid and 5% of effective gross income) with an appropriate adjustment to include in such period an allocable share of property taxes and insurance premiums;
    - (iv) Recurring maintenance expenses actually incurred by the Maker for the Property during the period in question (except to the extent such items are funded from the reserve fund for replacements); and
    - (v) All other obligations of the Property approved by the Department.
  - b. After the segregation of:
    - (i) An amount equal to the aggregate of all special funds required to be maintained for the Property; and
    - (ii) All tenants security deposits held.
  - c. Excluding payment of:
    - (i) All sums due or currently required to be paid under the terms of any subordinate liens against the Property;
    - (ii) Any development fees that are deferred including those included in eligible basis; and
    - (iii) Any payments or obligations to Maker, ownership entities of the Maker, related party entities; any payment to the management company exceeding 5% of the effective gross income; incentive management fees; asset management fees; or any other expenses or payments that shall be negotiated between the Department and Maker prior to the date of this Note.
- 3. "Cash" as used in the definitions of "Surplus Cash" means (1) all gross revenues and receipts derived by the Maker from the operation of the Property during the period in question, including tenant rents and all other moneys as may be paid to or on behalf of the Maker or to which the Maker may be entitled with respect to the Property including interest earnings but excluding receipt of tenant security deposits; and (2) proceeds from financial restructuring or sale.
- 4. "Percentage of TCAP Note" means an amount equal to \$328,531.00 (the total loan amount) divided by the sum of:
  - a. \$9,000.00 which equals all equity generated from the federal low-income housing tax credits under Section 42(h) of the Code (including credits made available through housing credit ceiling provided by Section 1400N(c) of the Internal Revenue Code) ("Tax Credits") on the Property awarded by the Department in the annual amount of \$1,000.00, pursuant to an allocation or determination of Tax Credits with respect to the Project issued by the Department in the 2008 4% housing tax credit round; and
  - b. An amount equal to \$328,531.00 (the total loan amount).

On each semi-annual payment date during the term of this Note, Maker will provide Payee an accounting of the Surplus Cash for the applicable period and operating statements for the collateral property, both certified by an authorized representative of Maker, in a form acceptable to Payee. Payee reserves the right to request audited operating statements at Maker's expense.

After maturity (by acceleration or otherwise) and until paid, the unpaid principal balance and accrued interest then due shall bear interest at the lesser of (i) ten percent (10%) per annum or (ii) the highest interest rate allowed by Applicable Law ("Default Interest Rate"). Notwithstanding any other provision of this Note, the daily Default Interest Rate shall be calculated by dividing the Default Interest Rate per annum applicable for such day by the actual number of days in the calendar year (whether 365 or 366).

This Note may be prepaid in part or in its entirety at any time, without notice or penalty but any amounts prepaid may not be reborrowed. Partial prepayment shall be applied first to accrued and unpaid interest with the balance to the principal installments in inverse order of maturity. Any payment received more than thirty (30) calendar days before it is due shall be considered a prepayment, unless Maker otherwise designates in writing at the time such payment is made.

All amounts owing on this Note shall be payable at the address of Payee stated above (or at such other place in Austin, Travis County, Texas designated by Payee in writing delivered to Maker at the address of Maker set forth below) in lawful money of the United States of America that is legal tender for public and private debts at the time of payment. The making of any payment in other than immediately available funds, which Payee, at its option, elects to accept shall be subject to collection, and interest shall continue to accrue until the funds by which such payment is made are available to Payee for its use.

If any payment required under this Note is not paid within 10 days after it becomes due and payable, then Maker shall pay to Payee, subject to the provisions of this Note limiting the amount of interest, the payment of a late charge (the "Late Charge") to compensate Payee for the loss of use of funds and for the administrative expenses and costs of handling such delinquent payment equal to a one-time charge of five percent (5%) of the amount of such payment that was not timely paid (but such Late Charge together with all interest payable hereon shall not exceed the maximum lawful rate under Applicable Law). The term "Applicable Law" as used herein means (1) the law pertaining to maximum rates of interest that is now in effect and (2) any law that comes into effect at any time in the future allowing a higher maximum interest rate than the law now in effect. Payee is not obligated to accept any past due payment that is not accompanied by a Late Charge, but may accept such payment without waiving its rights to collect the Late Charge. In no event shall a Late Charge be payable by reason of the acceleration of the indebtedness evidenced by this Note; therefore, a Late Charge would only be due and payable with respect to payments under this Note which became delinquent prior to the acceleration of the indebtedness evidenced hereby.

Except as provided in this Note or any documents securing the Note, including but not limited to the Subordinate Deed of Trust defined herein (said documents hereafter collectively called "Security Documents"), Maker and each endorser and guarantor of this Note jointly and severally waive grace, presentment for payment, notice of renewals and extensions, notice of nonpayment, notice of protest,

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notice of and demand for payment of installments or other amounts coming due under this Note that are not paid when due, notice of intent or election to accelerate maturity or the actual acceleration of maturity of the indebtedness evidenced by this Note, and diligence in the collection of this Note, in filing suit on this Note and in seizing or foreclosing on any collateral securing this Note and agree to one or more extensions of maturity and partial payments before or after maturity without prejudice to rights of the holder of this Note.

If this Note is placed in the hands of an attorney for collection or is collected by legal proceedings of any kind, Maker agrees to pay all reasonable costs of collection, including reasonable attorneys' fee and costs.

All obligations of this Note are the joint and several obligations of each signer.

This Note is secured by, among other security, the liens and security interests granted in the TCAP Third Lien Deed of Trust (with Security Agreement and Assignment of Rents) of even date herewith from Maker to Michael Gerber, Trustee for Payee ("Deed of Trust"), upon and against the real property described in Exhibit "A" attached hereto and made a part hereof ("Property"). Any Event of Default or an Event of Recapture as therein defined under the Deed of Trust shall be deemed to be a default under this Note

The proceeds of this Note will be advanced to Maker at its special instance and request in accordance with the terms of the TCAP Written Agreement No.13090009754 dated February 12, 2010 by and between Maker as development owner, Department and Beaumont Leased Housing Development II, LLC, a Texas limited liability company as developer, as amended.

In an Event of Default (as defined in the Deed of Trust) in the payment of any part of the principal or interest on this Note and Maker's failure to cure the default by the first business day following thirty (30) calendar days after Payee's delivery of written notice of default to Maker, or in Event of Default as defined in the Deed of Trust, and Maker's failure to cure the Event of Default as provided therein, then the holder of this Note shall have the unconditional right, without demand, notice, or other action, to declare the unpaid principal balance of this Note, together with interest accrued on the unpaid principal balance, at once due and payable and to foreclose each lien and security interest securing the payment of this Note, either under any power of sale contained in any documents creating such lien or security interest or by court proceedings, as the holder may elect. Notice shall be deemed to have been delivered as provided therein. Notwithstanding anything else contained herein, the Tax Credit Investor shall have the right, but not the obligation, to cure any Event of Default herein.

All agreements and transactions between Maker and Payee, whether now existing or hereafter arising, whether contained herein or in any other instrument, and whether written or oral, are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration of the maturity hereof, prepayment, demand for payment or otherwise, shall the amount contracted for, charged or received by Payee from Maker for the use, forbearance, or detention of the principal indebtedness or interest hereof, which remains unpaid from time to time, exceed the maximum amount permissible under Applicable Law, it particularly being the intention of the parties hereto to conform

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strictly to the law of the State of Texas and of the United States of America, whichever is applicable. Any interest payable hereunder or under any other instrument relating to the loan evidenced hereby that is in excess of the legal maximum under Applicable Law, shall, in the event of acceleration of maturity, prepayment, demand for payment or otherwise, be automatically, as of the date of such acceleration, prepayment, demand or otherwise, applied to a reduction of the principal indebtedness hereof and not to the payment of interest, or if such excessive interest exceeds the unpaid balance of such principal, such excess shall be refunded to Maker. To the extent permitted by Applicable Law, determination of the legal maximum amount of interest shall at all times be made by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the loan, all interest at any time contracted for, charged or received from Maker in connection with the loan, so that the actual rate of interest on account of such indebtedness is uniform throughout the term thereof.

This Note shall be governed by and construed in accordance with the laws of the State of Texas and the United States of America from time to time in effect.

**Upon maturity, Payee agrees to waive repayment of the outstanding principal, but only in the event Maker is not then in default under any terms of this Note or any document securing payment of this Note, including without limitation, the Deed of Trust, the TCAP Land Use Restriction Agreement of even date herewith executed by and between Payee and Maker and the Declaration of Land Use Restrictive Covenants/Land Use Restriction Agreement for Low-Income Housing Tax Credits made by and between Payee and to be recorded in the real property records of the county where the Property is located and the Land Use Restriction Agreement.**

Prior to Maturity, upon the sale of the Property or upon the refinance of any loans held by the First Lien Lender or any other superior lienholder during the term of this loan, and after the full payment of such loans, ten percent (10%) of the remaining sale proceeds or ten percent (10%) of the refinancing proceeds shall be due and payable under the Note and applied to the outstanding principal balance.

Notwithstanding anything herein to the contrary, Payee shall have no recourse against Maker, nor against any guarantor, if any, for payment and performance of all of the obligations, covenants and agreements of Maker under this Note and the documents securing same including, but not limited to the Security Documents, except to the full extent of all of the Property which constitutes security for this Note. If default occurs in the timely and proper payment of any portion of such indebtedness or in the timely performance of any of such obligations, agreement or covenants, any judicial proceedings brought by Payee against Maker or any guarantor shall be limited to the protection and preservation of the Property, the preservation, enforcement and foreclosure of the liens, mortgages, assignments, rights and security interests now or at any time hereafter securing the payment of the Note, and enforcement and collection of obligations, covenants and indebtedness for which Maker and any guarantors remain liable as provided in this paragraph. If there is a foreclosure of any such liens, mortgages, assignments, rights, and security interests securing the payment of this Note, by power of sale or otherwise, no judgment for any deficiency upon such indebtedness shall be sought or obtained by Payee against Maker. Notwithstanding the foregoing provisions of this paragraph or any other agreement, Payee shall have full recourse against Maker and all guarantors, if any, for losses incurred by Payee for: (a) fraud or misrepresentation by Maker or any guarantor in connection with the transactions herein contemplated; (b) failure to pay taxes, assessments, charges for labor or materials or other charges that

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can create liens on any portion of the Property; (c) the misapplication of (i) proceeds of insurance covering any portion of the Property, or (ii) proceeds of the sale or condemnation of any portion of the Property, or (iii) rentals received by or on behalf of Maker subsequent to the date on which Payee gives written notice of the posting of foreclosure notices; (d) failure to prevent waste to the Property unless Payee is compensated therefor by insurance proceeds collected by Maker; (e) failure to return to Payee of all unearned advance rentals and security deposits paid by tenants of the Property and not refunded to or forfeited by such tenants; (f) failure to return, or failure to reimburse for, all personalty taken from the Property by or on behalf of Maker; (g) all court costs and for all reasonable attorneys' fees incurred by Payee provided for in any instrument governing, securing or pertaining to the payment of the Note; and (h) failure to comply with any indemnification provision or covenants pertaining to environmental matters contained in the Security Documents.


The indebtedness evidenced by this Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by (1) that certain Promissory Note (Series 2008A) dated as of October 1, 2008 in the original principal amount of Four Million Eight Hundred Ten Thousand and 00/100 Dollars (US \$4,810,000) issued by Maker and payable to The Jefferson County Housing Finance Corporation, a Texas non-profit housing corporation (hereinafter referred to as "First Lien Lender"), or order, and described in and secured by a deed of trust dated October 1, 200 to Peter S. Graf, trustee for the benefit of the First Lien Lender and U.S. Bank National Association, a national banking association as indenture trustee (hereinafter referred to as "Bond Trustee") and recorded as cc#2008037072 in the Official Public Records of Jefferson County, Texas, and (2) that certain TCAP Subordinate Lien Promissory Note dated July 19, 2010 in the original principal amount of Two Million Two Hundred Sixty-one Thousand Four Hundred Ten and 00/100 Dollars (US \$2,261,410.00) issued by Maker and payable to the Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas (hereinafter referred to as "Second Lien Lender"), or order, and described in and secured by a TCAP Subordinate Deed of Trust dated July 19, 2010 and recorded on July 21, 2010 under cc# 2010026686 in the Official Public Records of Jefferson County, Texas, both superior notes as more fully set forth in and to the extent and in the manner provided in those certain Subordination Agreements both of even date herewith, one between the Payee of this Note and the Bond Trustee and the second between the Payee of this Note and Second Lien Lender (collectively, the "Subordination Agreement") to be recorded in the Official Records of Jefferson County, Texas. The rights and remedies of the Payee and each subsequent holder of this Note under the Subordinate Deed of Trust securing this Note are subject to the restrictions and limitations set forth in the Subordination Agreement. Each subsequent holder of this Note shall be deemed, by virtue of such holder's acquisition of the Note, to have agreed to perform and observe all of the terms, covenants and conditions to be performed or observed by the Payee under the Subordination Agreement.

THIS WRITTEN AGREEMENT AND THE OTHER WRITTEN AGREEMENTS, INCLUDING THE SECURITY DOCUMENTS, SIGNED CONTEMPORANEOUSLY WITH THE SIGNING HEREOF REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

**MAKER:**

**BEAUMONT LEASED HOUSING ASSOCIATES II,  
LIMITED PARTNERSHIP**, a Texas limited partnership

By: BEAUMONT LEASED HOUSING  
ASSOCIATES II, LLC, a Texas limited liability  
company,  
its general partner

By:   
Name: Paul R. Sween  
Title: Vice President

**EXHIBIT A**  
**LEGAL DESCRIPTION**

Exhibit A

GF-Number 10R05032

Being a 2.4707 acre tract or parcel of land situated in the Frederick Bigner Survey, Abstract No. 1, Jefferson County, Texas and being all of that certain tract of land as described in deed from R. Crow to H. Jeanis, et al, as recorded in Volume 946, Page 322, Deed Records, Jefferson County, Texas and all of the certain tract of land as described in a deed from R. Crow to S. LeLeaux as recorded in Volume 865, Page 615, Deed Records, Jefferson County, Texas and being all of that certain called 2.48 acre tract as described in a "Warranty Deed" from PRS Development Corporation to the Seville Apartments, Ltd. as recorded in Volume 2303, Page 113, Deed Records, Jefferson County, Texas. Said 2.4707 acre tract being more particularly described as follows: NOTE: All bearings are based on the West line of the said 248 acre the Seville Apartments, Ltd. tract as North 00 degrees 59 minutes 40 seconds West as recorded in Volume 2303, Page 113, Deed Records, Jefferson County, Texas.

COMMENCING at the Northwest corner of that certain called 1 1/4 acre tract of land as described in a "General Warranty Deed with Vendor's Lien in favor of Third Party" from Sue Lou Eddy Odom and Leslie J. Odom to Robert R. Chapman and wife, Dixie Chapman as recorded in Clerk's File No. 1999030638, Official Public Records of Real Property, Jefferson County, Texas, and said corner also being an interior ell corner of that certain called 5.44 acre tract of land as described in a "Memorandum of Lease" between Ben J. Rogers, Trustee and H.J. Wilson Co., Inc. as recorded in Volume 2015, Page 468, Deed Records, Jefferson County, Texas;

THENCE South 00 degrees 59 minutes 40 seconds East, along and with the West line of the said 1 1/4 acre Chapman tract, the West line of the Willowchase Garden Condominiums as recorded in Volume 2, Page 178, Condominium Records, Jefferson County, Texas, the most Southerly East line of the said 5.44 acre H.J. Wilson Co., Inc. tract and the East line of the Crossroads Center as recorded in Volume 14, Page 156, Map Records, Jefferson County, Texas, for a distance of 241.00 feet to a 5/8 inch iron rod set for the northwest corner and the Point of Beginning of the herein described, said corner also being the Southwest corner of said Willowchase Garden Condominiums;

THENCE North 89 degrees 18 minutes 31 seconds East, for the boundary between the tract herein described and the said Willowchase Garden Condominiums, for a distance of 451.03 feet to a 5/8 inch iron rod found for corner, said corner also being the Southeast corner of said Willowchase Garden Condominiums and the West right of way line of Crow Road (Based on a width of 60 feet) and said corner bears South 01 degrees 21 minutes 06 seconds East a distance of 59.15 feet from the most Southerly Northeast corner of the said Willowchase Garden Condominiums;

THENCE South 01 degrees 21 minutes 08 seconds East, along and with the West right of way line of Crow Road, for a distance of 238.31 feet to a 1/2 inch iron rod found for corner, said corner also being the Northeast corner of the Parkdale Plaza Townhomes, Unit II, as recorded in Volume 2, Page 127 and 128, Condominium Records, Jefferson County, Texas;



THENCE South 89 degrees 19 minutes 39 seconds West, for the boundary between the tract herein described and the said Parkdale Townhomes, Unit II, for a distance of 452.52 feet to a 5/8 inch iron rod set for corner, said corner being the Northwest corner of the said Parkdale Plaza Townhomes, Unit II and the East line of the said Crossroads Center;

THENCE North 00 degrees 59 minutes 40 seconds West, for the boundary between the tract herein described and the said Crossroads Center, for a distance of 238.15 feet to the POINT OF BEGINNING and Containing 2.4707 acres, more or less.