


The Tax Exempt Bond Program (BOND)

2024

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Announcements

Schedule:

- The training will run from 9 am until approximately 12 pm
- Mid-morning break
- Staff will present the training and allow for questions after each topic is covered

Housekeeping:

- Certificates will be provided after the conclusion of the class; the certificate will be emailed to the registration email address. Please make sure you used the link that was emailed to you from GoTo Meeting.
- We suggest you silence your phones and put an “out of office” email response, if virtual, to help avoid distractions during the training.
- Please pose questions and comments in the “Questions Box.”



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Resources & Definitions



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Resources

- **Internal Revenue Service (IRS)**

- <https://www.irs.gov/>
- <https://www.irs.gov/tax-exempt-bonds/qualified-residential-rental-property-multifamily-housing-bonds>

- **24 CFR 5.609 Annual Income**

- <https://www.ecfr.gov/current/title-24/subtitle-A/part-5#5.609>

- **Housing and Urban Development (HUD)**

- <https://www.hud.gov/>
- https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsg/4350.3
- https://www.hud.gov/program_offices/public_indian_housing/hotmaresources
- <https://www.huduser.gov/portal/datasets/inflationary-adjustments-notifications.html>

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Department Resources

- **Compliance Forms**

- <https://www.tdhca.texas.gov/compliance-forms>

- **Manuals and Rules**

- <https://www.tdhca.texas.gov/compliance-manuals-and-rules>

- **Income and Rent Limits**

- <https://www.tdhca.texas.gov/income-and-rent-limits>

- **Training and Presentations**

- <https://www.tdhca.texas.gov/compliance-program-training-presentations>

- **Contact List**

- <https://www.tdhca.texas.gov/compliance-division-staff>

- **Multifamily Bond Program**

- <https://www.tdhca.texas.gov/multifamily-bond-program>

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Definitions Examples

- **Eligible Tenants**

- (i) individuals and families of extremely low, low and very low income, (ii) families of moderate income (in each case in the foregoing clauses (i) and (ii) as such terms are defined by the Department under the Act), and (iii) Persons with Special Needs, in each case, with an Adjusted Income not in excess of 140% of the AMI for a four person household in the applicable standard MSA; provided that all low-income tenants shall count as Eligible Tenants (ET).

- **Low-Income Tenant**

- A tenant whose adjusted income is 60% or less of Median Gross Income for the area.
- There could be other designations listed in the BOND Regulatory Agreement, the definitions of the property specific document should be referenced.

- **Persons with Special Needs**

- Persons who (i) are considered to be disabled or handicapped under state or federal law, (ii) are elderly, meaning 62 years of age or more, (iii) are designated by the Governing Board of the Issuers as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise, or (iv) are legally responsible for caring for an individual described by clauses (i), (ii), (iii) above and meet the income guidelines established by the Governing Board of the Issuer.

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Disclaimer

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Multifamily Bond Program

The Department is a conduit issuer for the State of Texas with authority to issue tax-exempt and taxable Multifamily Housing Revenue Bonds statewide. The bonds are used to fund loans to for-profit and nonprofit developers for the acquisition and rehabilitation or new construction of affordable rental developments.

The Department's Multifamily Bond Program is most often coupled with the Non-competitive (4%) Housing Tax Credit program when the bonds finance at least 50% of the cost of the land and buildings in the Development. For more information on these programs, visit the FAQs page (<https://www.tdhca.texas.gov/multifamily-bond-faqs>).

The information contained in this webinar is applicable only if TDHCA is serving as the bond issuer. If utilizing a local issuer, applicants should contact the specific issuer regarding any requirements they have.

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Poll #1

True or false, the BOND program is most often layered with 9% Housing Tax Credits?

- A True
- B False

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Regulatory Agreement

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Regulatory and Land Use Restriction Agreement



What will you find in your BOND Regulatory Agreement?

- Qualified Project Period and the State Restrictive Period
- Required Designations for income and rent
- Special Needs requirements
- Development Amenities
- Tenant Supportive Services and Expenditure Requirements
- Initial Maximum Rents

The only way, or best way, to be successful in managing your BOND funded development is to be familiar with the Regulatory Agreement and Program Requirements.

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Regulatory Agreement

REGULATORY AND LAND USE RESTRICTION AGREEMENT

Among

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,
as Governmental Lender,

[Redacted],
a national banking association,
as Fiscal Agent,

and

[Redacted],
a Texas limited liability company,
as Borrower

Dated as of July 1, 2022

Relating to

Texas Department of Housing and Community Affairs
Multifamily Housing Governmental Note
(Champions Crossing)
Series 2022

Original Governmental Note Principal Amount: \$14,054,000

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Regulatory Agreement

REGULATORY AND LAND USE RESTRICTION AGREEMENT

THIS REGULATORY AND LAND USE RESTRICTION AGREEMENT (as amended, modified or supplemented from time to time, this "Agreement" or this "Regulatory Agreement") dated as of July 1, 2022 is among the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (together with its successors and assigns, the "Governmental Lender" or "Department"), a public and official agency of the State of Texas (the "State"), [Redacted], a national banking association organized and existing under the laws of the United States of America, as Fiscal Agent under the hereinafter defined Funding Loan Agreement (together with any successor fiscal agent under the Funding Loan Agreement described below and their respective successors and assigns, the "Fiscal Agent"), and [Redacted], a Texas limited liability company (together with its permitted successors and assigns, the "Owner" or "Borrower").

RECITALS

WHEREAS, pursuant to the Act (as hereinafter defined), the Governmental Lender is authorized to issue the Governmental Note (as hereinafter defined) and to use the proceeds thereof to provide monies to aid in financing the acquisition, equipping and rehabilitation of residential rental property for dwelling units in the State; and

WHEREAS, the Borrower has requested the assistance of the Governmental Lender in financing a multifamily residential rental housing development located on the real property described in Exhibit A (as hereinafter defined herein, the "Development Site") and described in Exhibit D-1, hereinafter defined herein;

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Regulatory Agreement: Term and State Restrictive Period

Section 11. **Term.** This Regulatory Agreement and all and each of the provisions hereof will become effective upon its execution and delivery, will remain in full force and effect for the periods provided herein and, except as otherwise provided in this Section, will terminate in its entirety at the end of the State Restrictive Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Governmental Note, the Project Loan Agreement and defeasance or termination however, that the provisions related to the Qualified Project Restrictive Period will terminate in their entirety at the end of

The terms of this Regulatory Agreement to the contrary herein will terminate, without the requirement of any consent of the Fiscal Agent, and be of no further force and effect in the event of any termination of this Regulatory Agreement caused by fire, seizure, requisition or other similar involuntary transfer, condemnation or a similar event are used to provide a "qualified residential rental project" as defined in State law including, but not limited to, the provisions set forth in this Regulatory Agreement. The provisions of the preceding requirements referred to therein will be reinstated if, at any time, the termination of such requirements as a result of involuntary transfer of title by deed in lieu of foreclosure or similar event, the ownership interest in the Development for federal income tax

Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Governmental Lender, the Fiscal Agent and the Borrower upon receipt of a Favorable Opinion of Bond Counsel.

Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments are not necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms. All costs, including fees and expenses, of the Governmental Lender and the Fiscal Agent incurred in connection with the termination of this Regulatory Agreement will be paid by the Borrower and its successors in interest.

"Qualified Project Period" means, with respect to the Development, the period beginning on the first day on which ten percent (10%) of the Available Units are occupied and ending on the latest of (i) the date that is 15 years after the date on which fifty percent (50%) of the Units in the Development are occupied, (ii) the first date on which no tax-exempt private activity bond issued with respect to the Development is outstanding for federal income tax purposes, or (iii) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

"State Restrictive Period" means, with respect to the Project, the period beginning on the first day on which the Borrower takes legal possession of the Project and at least ten percent (10%) of the Units are available for occupancy and ending on the latest of (i) the date that is 30 years after the first day of the State Restrictive Period, (ii) the first date on which no tax-exempt private activity bond issued with respect to the Project is outstanding for federal income tax purposes, or (iii) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates.

Qualified Project Period: Required Designations ; Income

Section 2. Tax-Exempt Status of the Bonds. The Owner shall not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Bonds from gross income, as defined in Section 61 of the Code, for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon the original issuance of the Bonds). In accordance with the terms and conditions of the Bonds, the Owner covenants and agrees that 40% of all units will be BOND restricted at 60% AMI. In accordance with the terms and conditions of the Bonds, the Owner covenants and agrees that it has received and filed with the Issuer and the Trustee an opinion of counsel to the effect that the Bonds are qualified for exclusion from gross income for federal income tax purposes in whole or in part, will not adversely affect the exclusion from gross income for federal income tax purposes of interest paid or payable on the Bonds (other than interest on any Bond for a period during which such Bond is held by a "substantial user" of any facility financed with the proceeds of the Bonds or a "related person," as such terms are used in Section 147(a) of the Code and except as a result of any minimum tax, preference tax or other similar tax):

(a) That the Development will be owned, managed and operated as a "qualified residential rental project" within the meaning of Section 142(d) of the Code, on a continuous basis during the Qualified Project Period, to the end that the interest on the Bonds shall be excluded from gross income for federal income tax purposes. In particular, the Owner covenants and agrees, at all times during the Qualified Project Period, as follows:

(i) that the Development will qualify as residential rental property and will be owned, managed and operated at all times during the Qualified Project Period as a qualified residential rental Development comprised of residential Units and facilities functionally related and subordinate thereto, in accordance with Section 142(d) of the Code;

Qualified Project Period: Required Designations ; Income

(v) that each Unit will be rented or available for rental on a continuous basis to Eligible Tenants (subject to the limitations contained in this Regulatory Agreement and the Financing Agreement) at all times during the Qualified Project Period (unless occupied by or reserved for a resident manager, security personnel or maintenance personnel that are functionally related and subordinate to and reasonably required for the Development), that the Owner will not give preference in renting Units to any particular class or group of persons, other than to Low-Income Tenants and other Eligible Tenants as provided herein, and that at no time will any portion of the Development be available to persons in their trades or

40% of all units will be BOND restricted at 60% AMI with all others units qualified as Eligible Tenants.

(b) The Owner shall continuously during the Qualified Project Period (with the exception of the Transition Period, if any) at least 40 percent of the Available Units (except for Units occupied or reserved for a resident manager or security or maintenance personnel that are functionally related and subordinate to the Development and are reasonably required for the Development) (the "Set Aside") shall be occupied or held vacant and available for occupancy at all times by Low-Income Tenants. For the purposes of this subparagraph (i), a vacant Unit that was most recently occupied by a Low-Income Tenant is treated as rented and occupied by a Low-Income Tenant until reoccupied, at which time the character of such Unit shall be redetermined.

State Restrictive Period: Required Designations; Income

Section 4. **Housing Development During the State Restrictive Period.** The Governmental Lender and the Borrower hereby recognize and declare their understanding and intent that the Development is "housing development," as such term is defined in Section 1372.0321 of the Texas Government Code, in applicable restrictions and limitations as provided in the Development Agreement until the expiration of the State Restrictive Period.

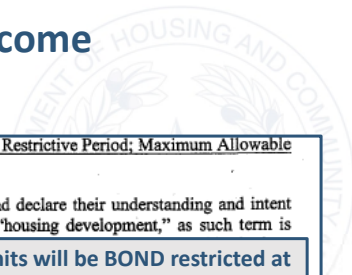
50% of all units will be BOND restricted at 50% AMI and the remaining 50% of units will be restricted at 60% AMI.

(a) except for Units occupied or reserved for a resident manager, security personnel and maintenance personnel that are reasonably required for the Development, to assure that 100% of the Units are reserved for Eligible Tenants and in accordance with the Borrower's election under Section 1372.0321 of the Texas Government Code, 50% of the Units are reserved for tenants whose combined Annual Income is not more than 50% of the Multifamily Tax Subsidy Program Income Limit and the remaining 50% of the Units are reserved for tenants whose combined Annual Income is not more than 60% of the Multifamily Tax Subsidy Program Income Limit;

(b) to assure that the provisions of Sections 2(a)(viii) and 2(a)(ix) hereof continue in full force and effect until the end of the State Restrictive Period;

(c) to obtain a Tenant Income Certification from each tenant in the Development (other than resident managers, security personnel and maintenance personnel) not later than the date of such tenant's initial occupancy of a Unit in the Development, and, if required as described in (a)(x) hereof, at least annually thereafter in the manner as described in (a)(x) hereof, and to maintain a file of all such Tenant Income Certifications, together with all supporting documentation, for a period of not less than three years after the end of the State Restrictive Period;

State Restrictive Period: Required Designations; Income



Section 4. Housing Development During the State Restrictive Period; Maximum Allowable Rents.

(a) The Issuer and the Owner hereby recognize and declare their understanding and intent that the Project is to be owned, managed and operated as a "housing development," as such term is defined in Section 2306.004(13) of the Act, as provided in the Act and the rules of the Is

40% of all units will be BOND restricted at 60% AMI with all others units qualified as Eligible Tenants.

To the same end, the Owner hereby Restrictive Period:

(i) to assure that 100 percent of the occupied Units (except for Units occupied or reserved for a resident manager and maintenance personnel that are reasonably required for the Project) in the Project are occupied at all times by Eligible Tenants;

State Restrictive Period: Required Designations; Income



(a) except for Units occupied or reserved for a resident manager, security personnel and maintenance personnel that are reasonably required for the Development, to assure that 100% of the Units are reserved for Eligible Tenants and in accordance with the Borrower's election under Section 1372.0321 of the Texas Government Code, 80% of the Units are reserved for tenants whose combined Annual Income is not more than 60% of the Multifamily Tax Subsidy Limit;

80% of all units will be BOND restricted at 60% AMI with all other units qualified as Eligible Tenants.

State Restrictive Period: Required Designations Example

Section 4. Housing Development During the State Restrictive Period: Maximum Allowable Rents.

(a) The Issuer and the Owner hereby recognize and declare their understanding and intent that the Project is to be owned, managed and operated as a "housing development," as such term is defined in Section 2306.004(13) of the Act, and in compliance with applicable restrictions and limitations as provided in the Act and the rules of the Issuer, until the expiration of the State Restrictive Period.

To the same end, the Owner hereby represents, covenants and agrees as follows during the State Restrictive Period:

- (i) to assure that 100 percent of the occupied Units (except for Units occupied or reserved for a resident manager and maintenance personnel that are reasonably required for the Project) in the Project are occupied at all times by Eligible Tenants;
- (ii) to assure that the provisions of Sections 2(a)(v), 2(b)(i) and 2(b)(vi) hereof continue in full force and effect until the end of the State Restrictive Period;

100% of the project units will be restricted under the BOND program requirements.

State Restrictive Period: Required Designations Example

(v) that each dwelling unit in the Project will be rented or available for rental on a continuous basis to Eligible Tenants (subject to the limitations contained in this Agreement and the Loan Agreement) at all times during the Qualified Project Period (unless occupied by or reserved for a resident manager, security personnel or maintenance personnel), that the Owner will not give preference in renting Project dwelling units to any particular class or group of persons, other than Low-Income Tenants and other Eligible Tenants as provided herein, and that at no time will any portion of the Project be exclusively reserved for use by a limited number of nonexempt persons in their trades or businesses.

(b) The Owner hereby represents, covenants and agrees as follows during the Qualified Project Period, as follows:

- (i) At least 40 percent of the Units (except for Units occupied or reserved for a resident manager or maintenance personnel that are reasonably required for the Project) (the "Set Aside") within the Project that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by Low-Income Tenants. For the purposes of this subparagraph (i), a vacant Unit that was most recently occupied by a Low-Income Tenant is treated as rented and occupied by a Low-Income Tenant until reoccupied, at which time the character of such Unit shall be redetermined.

40% of all units will be BOND restricted at 60% AMI with all others units qualified as Eligible Tenants.

BOND Available Unit Rule

(ix) that except, if applicable, during the 12-month "transition period" beginning on the Delivery Date, as provided under Revenue Procedure 2004-39, 2004-2 C.B. 49, the Development will meet the Set Aside. For the purposes of this Section 2(a)(ix), a vacant Unit that was most recently occupied by a Low-Income Tenant is treated as rented and occupied by a Low-Income Tenant until reoccupied, at which time the character of such Unit must be redetermined. No tenant qualifying as a Low-Income Tenant will be denied continued occupancy of a Unit because, after the Tenant Income Certification, such tenant's Annual Income increases to exceed the qualifying limit for Low-Income Tenants; provided, however, that, should a Low-Income Tenant's Annual Income, as of the most recent determination thereof, exceed the applicable income limit for a Low-Income Tenant of the same family size and such Low-Income Tenant constitutes a portion of the Set Aside, then such tenant shall be deemed to be a Low-Income Tenant for so long as no Unit of comparable or smaller size (within the meaning of Section 42 of the Code) is rented to a Low-Income Tenant;

The Available Unit Rule (AUR) is a building rule if the development is layered with Housing Tax Credit (HTC) that is within the Federal Compliance Period. For developments with no HTC funding, or if the HTC program has gone Post-15, the AUR is a property-wide rule.

(vi) No tenant qualifying as a Low-Income Tenant shall be denied continued occupancy of a Unit in the Project because, after commencement of such occupancy, such tenant's Adjusted Income increases to exceed the qualifying limit for Low-Income Tenants; provided, however, that, should a Low-Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Low-Income Tenant of the same family size and such Low-Income Tenant constitutes a portion of the 40% requirement of such paragraph (i) of this Section 2(b), the next available unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Low-Income Tenant and such new Low-Income Tenant will then constitute a portion of the 40% requirement of paragraph (i) of this Section 2(b); and provided, further, that, until such next available unit is rented to a tenant who is a Low-Income Tenant, the former Low-Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Low-Income Tenant for purposes of the 40% requirement of subparagraph (i) of this Section 2(b).

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Regulatory Agreement: Required Designations; Rent

Section 5. **Maximum Allowable Gross Rents.** During the State Restrictive Period, the Borrower hereby represents, covenants and agrees that in consideration for and as required by the reservation granted under Chapter 1372 of the Texas Government Code, as amended, the maximum monthly rent charged by the Borrower for 50% of the Units shall not exceed 30% of the 50% applicable Multifamily Tax Subsidy Program Imputed Income Limitation applicable to such Unit. The maximum monthly rent charged by the Borrower for each of the remaining 50% of the Units shall not exceed 30% of the 60% applicable Multifamily Tax Subsidy Program Imputed Income Limitation applicable to such Unit. For purposes of the preceding sentence, the maximum monthly rent shall be no less than such limitation as determined by the Governmental Lender and published on its website. The maximum monthly rent shall be determined in accordance with Revenue Procedure 97-32, as amended, and shall be determined in accordance with the attached hereto and will be annually redetermined by the Governmental Lender and published on its website.

50% of the BOND Units will be rent restricted at 50% limits, the remaining 50% of units will be rent restricted at 60% limits.

(b) **During the State Restrictive Period**, the Owner hereby represents, covenants and agrees that in consideration for and as required by the reservation granted under Chapter 1372 of the Texas Government Code, as amended, the maximum rent charged by the Owner for 100% of the Units shall not initially exceed the amounts provided in Exhibit H attached hereto, which amounts shall be annually redetermined by the Issuer and shall be based on 30% of the income for a family, whose income equals 60% of the area median family income, adjusted for family size, promulgated by HUD pursuant to Section 8 of the Housing Act, minus an allowance for utility costs determined by procedures authorized under the federal law.

All units will be rent restricted at 60% limits.

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Regulatory Agreement: Required Designations; Rent



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Regulatory Agreement: Special Needs Requirement



Section 6. Persons With Special Needs. The Borrower represents, covenants and warrants that during the State Restrictive Period, it will make at least **5% of the Units** within the Development available for occupancy by Persons with Special Needs.

“Persons with Special Needs” means persons who (a) are considered to be individuals having a disability under State or federal law, (b) are elderly, meaning 62 years of age or more or of an age specified by the applicable federal program, (c) are designated by the governing board of the Governmental Lender as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise, or (d) are legally responsible for caring for an individual described by clauses (a), (b) or (c) above and meet the income guidelines established by the governing board of the Governmental Lender.

Regulatory Agreement: Tenant Supportive Services

EXHIBIT C
TENANT SUPPORTIVE SERVICES

The tenant supportive services to be provided **must include at least eight (8) points** selected from the following list which are grouped primarily for organizational purposes. The Borrower is not required to select a specific number of services from each section. The Borrower may change, from time to time, the services offered; however, the overall points as selected at Application must remain the same. Should the Governmental Lender's rules in subsequent years provide different services than those listed below, the Borrower may be allowed to select services listed therein upon written consent from the Governmental Lender, and any services selected must be of similar value to the service the Borrower is intending to replace. The services provided should be those that will directly benefit the Target Population of the Development. Tenants must be provided written notice of the elections made by the Borrower.

(A) Transportation Supportive Services include:

- (i) shuttle, at least three days a week, to a grocery store and pharmacy or a major, big-box retailer that includes a grocery store and pharmacy, OR a daily shuttle, during the school year, to and from nearby schools not served by a school bus system for children who live at the Development **(3.5 points)**; and
- (ii) monthly transportation to community/social events such as mall trips, community theatre, bowling, organized tours, etc. **(1 point)**.

(B) Children Supportive Services include:

- (i) provide a High Quality Pre-Kindergarten (HQ Pre-K) program and associated educational space at the Development Site meeting the requirements of §11.101(b)(5)(C)(i)(I). (Half of the points required under §11.101(b)(7)); and
- (ii) Twelve hours of weekly, organized, on-site services provided to K-12 children by a dedicated service coordinator or third-party entity. Services include after-school and summer care and tutoring, recreational activities, character building programs, mentee opportunities, test preparation, and similar activities that promote the betterment and growth of children and young adults **(3.5 points)**.

(C) Adult Supportive Services include:

EXHIBIT C
TENANT SUPPORT SERVICES

- Child Care
- Transportation
- Basic Adult Education
- Legal Assistance
- Counseling Services
- GED Preparation
- English as a Second Language Classes
- Vocational Training
- Home Buyer Education
- Credit Counseling
- Financial Planning Assistance or Courses
- Health Screening Services
- Health and Nutritional Courses
- Youth Programs
- Scholastic Tutoring
- Social Events and Activities
- Community Gardens
- Computer Facilities

Any other program described under Title IV-A of the Social Security Act (42 U.S.C. Section 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of-wedlock pregnancies; and encourages the formation and maintenance of two-parent families, and

Any other services approved in writing by the Issuer.

The Program Plan for tenant supportive services submitted for review and approval of the Issuer, must contain a plan for coordination of services with state workforce project and welfare programs. The coordinated effort will vary depending upon the needs of the tenant profile at any given time as outlined in the Program Plan.

Regulatory Agreement: Tenant Supportive Services

(g) that (A) the Owner is qualified to be a "housing sponsor" as defined in the Act and will comply with all applicable requirements of the Act, including submitting (via the electronic filing system available on the Issuer's website) the Fair Housing Sponsor Report in the form available on the Issuer's website at the time of submission by March 1 of each year, commencing March 1, 2007, together with a summary of social service programs which must be chosen from the list of Tenant Supportive Services attached hereto as **Exhibit C** (the "Program Plan") provided by the Owner for the Owner's prior fiscal year and planned tenant programs which must be chosen from the list of Tenant Supportive Services attached hereto as **Exhibit C** for the following fiscal year, which Program Plan is subject to review and approval by the Issuer; (B) the Owner will perform and provide the services set forth in the Program Plan; provided, however, the first Program Plan shall not be required to be submitted until the date of completion of the Development; and (C) the Owner will expend at least \$10 per unit per month on services to be provided to tenants of the Development as listed on **Exhibit C** attached hereto.

(h) to provide social services which must meet the minimum point requirement and be chosen from the list of Tenant Supportive Services attached hereto as **Exhibit C** in the manner provided in such Exhibit, or from any additional supportive services added to the Governmental Lender's rules at any future date that are agreed to in writing by the Governmental Lender and are satisfactory to the Governmental Lender. **This LURA does not have an expenditure requirement.** The Borrower must provide the social services throughout the State Restrictive Period;

Regulatory Agreement: Development Amenities

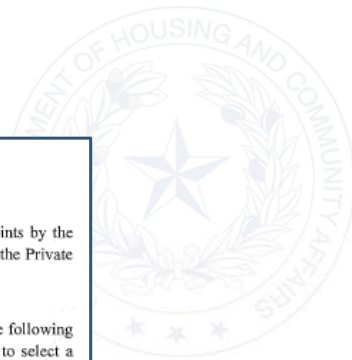


EXHIBIT B-2

DEVELOPMENT AMENITIES

“Development Amenities” means the amenities for which the Development was awarded points by the Governmental Lender, pursuant to Section 2306.359 of the Texas Government Code, during the Private Activity Bond Program pre-application scoring process.

Development Common Amenities **must include at least eighteen (18) points selected** from the following list which are grouped primarily for organizational purposes. The Borrower is not required to select a specific number of amenities from each section. The Borrower may change, from time to time, the amenities offered; however, the overall points must remain the same. The tenant must be provided written notice of the elections made by the Borrower.

(i) Community Space for Resident Supportive Services includes:

(J) Except in Applications where more than 10% of the units in the proposed Development are Supportive Housing SRO Units, an Application may qualify to receive half of the points required under §11.101(b)(5)(A)(i)-(vi) by electing to provide a High Quality Pre-Kindergarten (HQ Pre-K) program and associated educational space at the Development Site. To receive the points the Applicant must commit to all of items (-a-) - (-c-) of this subclause.

Regulatory Agreement: Initial Maximum Rents



EXHIBIT D

INITIAL MAXIMUM RENTS

The maximum monthly rent charged by the Borrower for 50% of the Units shall not exceed 30% of the 50% applicable Multifamily Tax Subsidy Program Imputed Income Limitation applicable to such Unit. The maximum monthly rent charged by the Borrower for each of the remaining 50% of the Units shall not exceed 30% of the 60% applicable Multifamily Tax Subsidy Program Imputed Income Limitation applicable to such Unit. For purposes of the preceding, the amount of the income limitation for any period shall not be less than such limitation applicable, taking into consideration the gross rent floor provided in accordance with Revenue Procedure 94-57.

The following rents, including utilities allowances, are based on the **2021 Multifamily Tax Subsidy Program Income Limits** that were issued April 2021, and are adjusted annually. A utility allowance must be deducted from these rents to determine maximum allowable rents.

A. 50% rent limits:

| Bedroom Size | Rent Limit |
|--------------|------------|
| 2-Bedroom | \$1,113 |
| 3-Bedroom | \$1,286 |
| 4-Bedroom | \$1,435 |

B. 60% rent limits:

| Bedroom Size | Rent Limit |
|--------------|------------|
| 2-Bedroom | \$1,336 |
| 3-Bedroom | \$1,543 |
| 4-Bedroom | \$1,722 |

Poll #2

**BOND Developments are always 100%
income and rent restricted at 60% AMI?**

- A** Yes, always
- B** No, never
- C** Sometimes, it depends on the LURA

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Monitoring Reviews

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Contact Information and Why it Matters

- All TDHCA correspondence is **ONLY** uploaded to the Compliance Monitoring and Tracking System (CMTS).
- Ownership and Management should be checking CMTS attachments regularly, but also need to (1) verify in CMTS to ensure that all of the contact information entered there is correct (particularly the email addresses), and (2) ensure that the “owner” contact is an owner contact and not property management or management company contact.
- Management needs to receive the automated email notices, however, it is vital for the owner to also receive notices since the owners are ultimately responsible for any noncompliance.
- The owner would be subject to administrative penalties and/or debarment for noncompliance, so they need to receive and review notices, and supervise corrections by management.

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The Monitoring Review: Timeline

- The lead monitor will upload a notification letter into the CMTS Attachment System for the development.
 - The notification will indicate a date and time monitor(s) will be at the development.
 - The notification will indicate the due date for the Unit Status Report and Monitor Review Questionnaire.
- Once the “pre-onsite” documentation is received the monitor will prepare for the review. Deadlines are very important due to 15-day notification window.
- Monitor(s) will conduct the review, either desk or on-site, in accordance with the program(s) requirements under which the property operates.
- The lead monitor will then issue a Monitoring Report which will detail any issues of noncompliance, if applicable, and offer technical assistance.
- There is a 90-day Corrective Action Period (CAP) in which the issues can be corrected. This can be extended for good cause for an additional 90 days, written approval is required for this extension and the request must be submitted prior to the end of the original Corrective Action Period.

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The Monitoring Review: Timeline

Please make sure that the on-site staff are aware of the on-site visit and that it may be anytime during the week scheduled.

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The Monitoring Review: The Actual Review

- If this is a Desk Monitoring Review, the development will have 24 hours from the time of the file request to upload the tenant files. The monitor will review the files timely from their computer rather than at the property.
- The monitor(s) will need a space to set up their laptops, near electrical outlets, and review the files. The lead monitor will provide the file request at this time.
- While the monitor(s) are setting up, the on-site staff should pull tenant files and take them to the monitor(s) so that the review can begin and end timely.
- The monitor(s) will review the tenant files provided and any additional documents requested at the time of the review.
- The lead monitor will conduct an Exit Interview.
 - The Exit Interview may not include specific issues of noncompliance; however, the monitor will go over the general strengths and weaknesses of the files.

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The Monitoring Review: After the Review

- A final review of all the documents and checklists will be conducted.
- The lead monitor will write a Monitoring Report.
 - **No Issues of Noncompliance with, or without, Technical Assistance (TA):** this type of report indicates that the monitors did not identify any area of noncompliance during the review, but may have noted items that were of importance and offered in the form of Technical Assistance.
 - **Events of Noncompliance with, or without, Technical Assistance (TA):** this means that there were issues of noncompliance identified during the review, and may have noted items that the monitor wanted to further address through TA. This letter will come with a Detailed Findings Report to explain what the issue is and how to correct it.
- If the owner or owner's representative has questions about the Monitoring Report, please reach out to the monitor sooner, rather than later, to get any questions answered.
- If the development staff would like a detailed Exit Interview (after reading the full Monitoring Report and Detailed Noncompliance Report), this would be the time to ask for it.

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The Monitoring Report: Technical Assistance

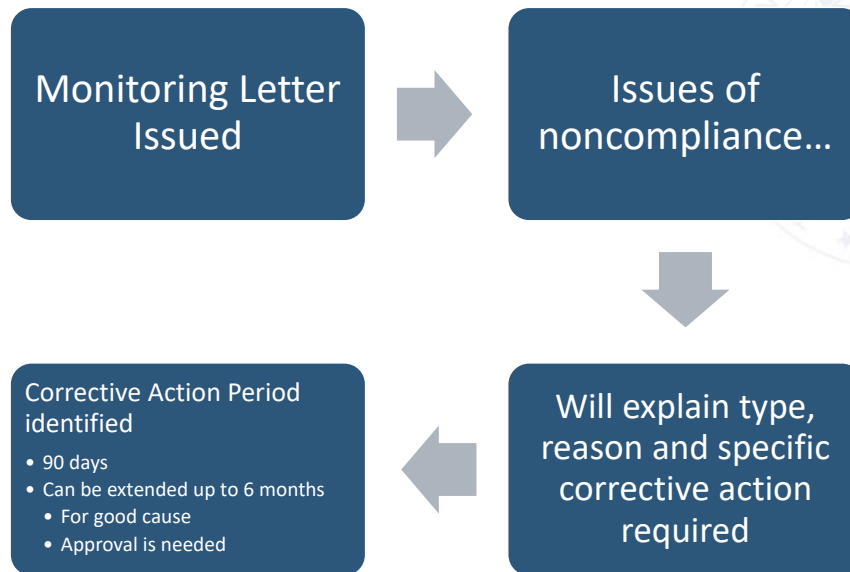
Reasons for Technical Assistance (TA):

- Changes to the program rules/requirements that are being noted in TA
- Issues that could become future areas of noncompliance if they are not addressed
 - If these items are still an issue at the next review they will most likely be cited as noncompliance, please make adjustments when needed based on TA
- Imperfect documentation
 - If the monitor is able to determine that the household is eligible, but imperfect documentation was used, i.e. activity print outs instead of bank statements, to qualify the household but the file contains enough information to determine eligibility that the monitor did not cite noncompliance.
- Details that will further explain the issues of noncompliance on the Detailed Findings Report
- Anything else the monitor wants to make the owner aware of from the review

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The Monitoring Report Flow: Issues of Noncompliance



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Corrective Action: How to Submit CA

How to submit Corrective Action:

- Upload the corrective action to the Electronic Document Attachment system using the development's CMTS account.
 - This must be completed before the end of the 90-day Corrective Action Period, or by the deadline in the extension, if one is granted.
 - Include a dated cover letter to detail the corrective action submission, if needed.
 - For instructions on how to use the attachment system, please see Attaching Documents to CMTS found on the Department's website. To access, on the home page, select "Support and Services" tab; then select "Compliance". From the submenu, select "Online Reporting".
- Failure to submit complete and satisfactory corrections on or before the corrective action deadline will result in a referral to the Department's Enforcement Committee.

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Corrective Action: What if 90 days is not enough?

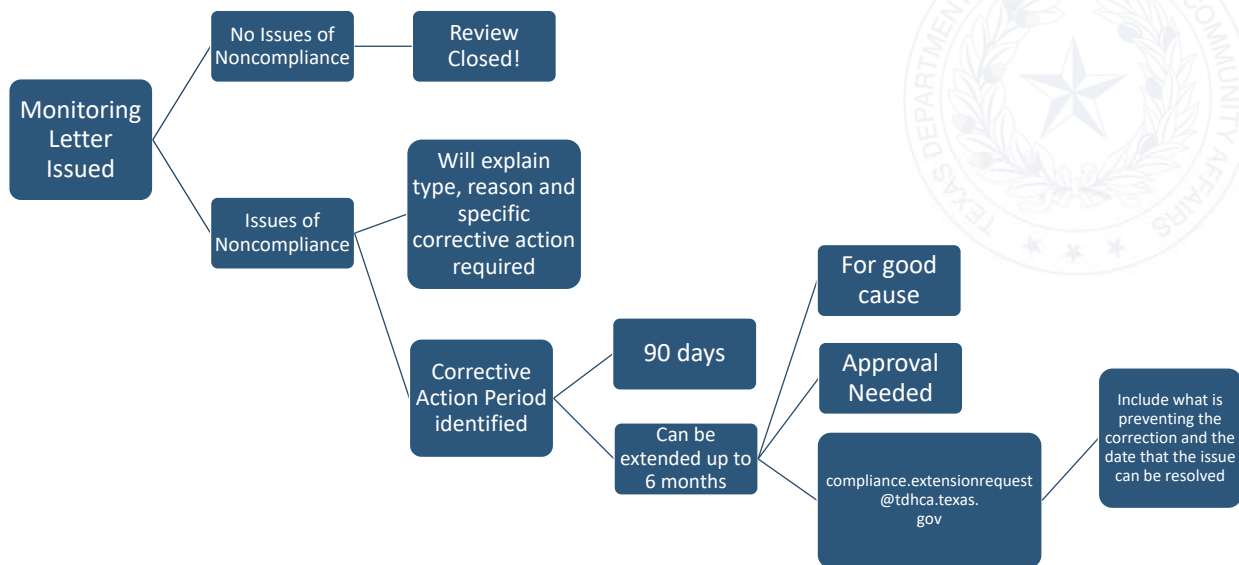
What if 90 days and an extension are not enough time to correct?

- Upload a detailed corrective action plan to the Electronic Document Attachment system using the development’s Compliance Monitoring and Tracking System (CMTS) account.
 - This must be completed before the end of the 90-day Corrective Action Period, or by the deadline in the extension, if one is granted.
- The detailed corrective action plan should include what will be done to correct the issue of noncompliance, how long will it take and when the owner anticipates completion of the corrective action and submission of the documentation to evidence completion.
- While a corrective action plan will prevent the referral, it will not prevent the issuance of the 8823s for Tax Credit communities.

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Monitoring Report



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Notes for Success

- Communication is key!
 - **Make sure that CMTS has current and correct contact information for all parties!**
 - Ask questions when given the opportunity while the monitor conducts the Exit Interview for the Monitoring Review.
 - Contact the monitor when the Monitoring Report is received after a review has been conducted if there are any questions.
 - Contact the monitor as soon as the letter is reviewed so that there are not any unnecessary delays.
- Read the Monitoring Report and Detailed Noncompliance Report carefully and completely. They may all look the same, but the information does change based on the development and the review, so reading the report fully is necessary.
- Respond to Monitoring Reports as required in order to avoid being referred unnecessarily.
 - As soon as the Monitoring Report is uploaded into CMTS, review the report internally and ask questions early-on so that you have the full 90 days to work on the Corrective Action response.
- Owners and Compliance Staff should conduct a review of the Corrective Action response before submission. If the on-site staff puts together a response that is not reviewed by the owner and management/compliance group, it may result in undue delays in correcting the issues and an unnecessary referral.

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What happens if you do not agree?



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Poll #3

How often are BOND Developments monitored by the Department?

- A** Every 2 years
- B** Every 3 years
- C** Every 5 years

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Poll #4

The Corrective Action Period is 6 months, true or false?

- A** True
- B** False

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Compliance & File Requirements

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Rent and Designation Requirements

- A household's lowest designation, as recorded on the Income Certification, at the time of move-in, cannot be increased unless the household was found to never have income qualified for the unit, no longer income qualifies for the unit, or program rules required the change.
- Owners are not permitted to increase the household portion of rent more than once during a 12-month period, even if there are increases in rent limits or decreases in utility allowances, unless the unit or household is governed by a federal housing program that requires such changes or the household transfers to a unit with additional bedrooms.
- If an Owner is increasing a household's rent \$75 or more per month, the Owner is required to provide the household a 75-day written notice of such increase, unless the unit or household is governed by a federal housing program that requires such a change. If an Owner increases the household's rent \$75 or more without providing a 75-day notice, any amounts \$75 or more per month must be refunded or credited to the affected household(s).
 - The Owner must obtain in writing, from the household, the election to receive a full refund check or to have the entire overpaid amount credited to their household account. In absence of a tenant election, a full refund check must be presented to the household.

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Compliance: Written Policies and Procedures

Owner initiated review and TDHCA approval does not guarantee future compliance.

In order to request a review the owner must email fair.housing@tdhca.texas.gov to initiate the process.

Maintain current and prior versions of the Tenant Selection Criteria.

```

graph TD
    A[As a result of complaints] --> C((Written Policies and Procedures review process))
    B[Owner initiated review for approval] --> C
    D[Periodically by TDHCA Fair Housing staff] --> C
            
```

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Compliance: Affirmative Marketing Requirements

The purpose of affirmative marketing is to specifically identify potentially eligible tenants who are "least likely to apply" for housing and ensure they are aware of available housing opportunities.

- Marketing efforts must begin 90 days prior to the first building Placed in Service date
- Update the Affirmative Marketing Plan every 5 years
- Conduct Outreach Marketing annually, unless waitlist is closed
- Exception to Affirmative Marketing: Wait List Closed
- Find more information online: <https://www.tdhca.texas.gov/fair-housing-tdhca-monitored-properties>

For training and technical assistance, or to have your Affirmative Fair Housing Marketing Plan reviewed, please contact Fair Housing Division.

Phone: (512) 475-0306
Email: Fair.Housing@tdhca.texas.gov

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Eligibility: The Application

There is no required form

Must screen for ALL sources of income & assets

Must screen all household members for student status

Must provide a space for applicants to indicate if they are a veteran.

Electronic Applications are acceptable

In addition, the application must include the following statement:
 "Important Information for Former Military Services Members. Women and men who served in any branch of the United States Armed Forces, including Army, Navy, Marines, Coast Guard, Air Force, Reserves or National Guard, may be eligible for additional benefits and services. For more information please visit the Texas Veterans Portal at <https://veterans.portal.texas.gov/>"

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Assets: Verification Requirements

- HOTMA requires that all households have assets fully verified once during each 3 years of tenancy, households may then self-certify assets when the total is equal to or less than the applicable asset limitation amount.
 - **BOND must fully verify assets at initial certification and during each 3rd year of tenancy when an income certification is completed**
- There are some exceptions to this rule:
 - HTC, Exchange, TCAP, and THTF may self-certify assets when the amount is less than the asset limitation amount as set by HUD.
 - MFDL Programs: at Initial Certification the assets must be fully verified by third party or first-hand documentation; also during the 6th year of the affordability period certifications the assets must be verified
- All assets can be verified using one (1) statement from the financial institution
 - When verification of assets is required, Owners are required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts
- **HUD Inflationary Adjustments:** <https://www.huduser.gov/portal/datasets/inflationary-adjustments-notifications.html>

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HOTMA: Asset Verifications Outline

What this looks like in a BOND program unit:

- Household moves-in/certifies 5/1/2024 – Verify all assets by third party or first-hand
- 2025 and 2026 – Self-certify all assets if under asset limitation amount
- 2027 – Verify all assets by first-hand documentation or third party verification
- 2028 and 2029 – Self-certify all assets if under asset limitation amount
- 2030 – Verify all assets by first-hand documentation or third party verification

If the development is able to utilize annual data collection requirements then this is not applicable.

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HOTMA: Asset Verifications Outline – Pre-HOTMA Household

What this looks like in a BOND program unit:

- Household moves-in/certifies 5/1/2020 – Pre-HOTMA
- 2024 – Verify all assets by first-hand documentation or third party verification
- 2025 and 2026 – Self-certify all assets if under asset limitation amount
- 2027 – Verify all assets by first-hand documentation or third party verification
- 2028 and 2029 – Self-certify all assets if under asset limitation amount
- 2030 – Verify all assets by first-hand documentation or third party verification

If the development is able to utilize annual data collection requirements then this is not applicable.

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The Income Certification

Must Use the Department Approved Form:

- Income Certification
- Available on TDHCA Website
- Completed after all verifications are gathered
- Executed by all adult household members
- Executed by staff (Owner/Representative)
- **New form for certifications effective in 2024**

INCOME CERTIFICATION
 Initial Certification Recertification Other*
 Effective Date: _____
 Move-in Date: _____ (MM/DD/YYYY)
 *Transfer from unit: _____

PART I - DEVELOPMENT DATA
 Property Name: _____ County: _____ Unit # _____ # Bedrooms: _____
 Address: _____ Unit Number: _____ # Bedrooms: _____ SIN # _____
 CMTS # _____

PART II. HOUSEHOLD COMPOSITION

| HH Member # | Last Name | First Name & Middle Initial | Relationship to Head of Household | Date of Birth (MM/DD/YYYY) | Student Status (Y/N) | Last 4 Digits of Social Security Number |
|-------------|-----------|-----------------------------|-----------------------------------|----------------------------|----------------------|---|
| 1 | | | HEAD | | | |
| 2 | | | | | PT / PT / NA | |
| 3 | | | | | PT / PT / NA | |
| 4 | | | | | PT / PT / NA | |
| 5 | | | | | PT / PT / NA | |
| 6 | | | | | PT / PT / NA | |
| 7 | | | | | PT / PT / NA | |

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

| HH Member # | (A) Employment/Wages | (B) Sal. Security/Pensions | (C) Public Assistance | (D) Other Income |
|---------------------------------------|----------------------|----------------------------|-----------------------|---------------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| TOTALS | \$ | \$ | \$ | \$ |
| Add totals from (A) through (D) above | | | | TOTAL INCOME (E) \$ |

PART IV. INCOME FROM ASSETS

| HH Member # | (F) Type of Asset | (G) CID | (H) ALN | (I) Cash Value of Asset | (J) All | (K) Annual Income from Asset |
|--|-------------------|---------|---------|-------------------------|---------|-------------------------------|
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| (L) TOTAL NON-NECESSARY PERSONAL PROPERTY: \$ | | | | | | (M) Total Annual Income: \$ |
| (N) TOTAL NET FAMILY ASSETS: \$ | | | | | | (O) Total Impacted Income: \$ |
| (P) TOTAL INCOME FROM ASSETS [(M) + (O)]: \$ | | | | | | |
| (Q) Total Annual Household Income from all Sources [Add (E) + (P)]: \$ | | | | | | |

HOUSEHOLD CERTIFICATION & SIGNATURES
 The information on this form will be used to determine a tenant's income eligibility. Tenant must provide the most accurate information on their most recent certification of current anticipated annual income. Tenant agrees to verify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. Tenant agrees to verify the landlord immediately upon any member becoming a full-time student.
 Under penalty of perjury, I/We certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature _____ (Date) _____ Signature _____ (Date) _____
 Signature _____ (Date) _____ Signature _____ (Date) _____

Revised October 18, 2019

Putting it All Together – File Order

The Department has provided the checklist for use in tenant files as a guide.

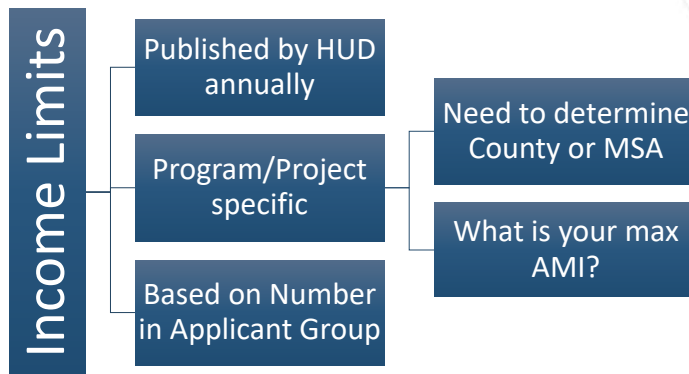
Your program may have additional requirements, you will want to insure that your files contain all of the required items and, if applicable, are in the appropriate order.

<https://www.tdhca.texas.gov/compliance-forms>



Income Limits

- Confirm Applicant is eligible under the required income limits for the program
- Current limits are on the Department’s website



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Income and Rent Limit Tool: Where is it?

Income and Rent Limits

If you or someone you know is in need of assistance, please visit our Help for Texans Page.

Help for Texans

Helpful Tools

- [Reasonable Accommodation and Reasonable Modification Information](#)
- [Tenant Handout: Income and Rent Limits](#) [English \(PDF\)](#) [Spanish \(PDF\)](#)
- [Income and Rent Limits in TDHCA-Supported Properties](#)
- [Archived Income and Rent Limits](#)

Housing Tax Credit, Tax Exempt Bond, HOME, Neighborhood Stabilization and Housing Trust Fund rental development programs

[Income and Rent Tool](#)

<https://www.tdhca.texas.gov/income-and-rent-limits>



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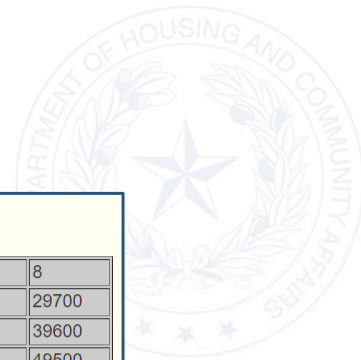
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Income and Rent Limit Tool: Where is it?



| | |
|---|-------------------------|
| County: | ANDERSON |
| Financing: | Tax Exempt Bonds |
| Place: | Not Selected |
| Project PIS Date: | 04/14/2017-05/29/2017 |
| Carryover/Determination Notice/Subaward Agreement date: | 04/21/2015-03/27/2016 |
| For Home and NSP Only: | On or Before 05/31/2024 |
| <input type="button" value="Submit"/> <input type="button" value="Bookmark"/> | |

Income and Rent Limit Tool: Where is it?



MTSP Median Income : 71700

| Income Limits | | | | | | | | |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Income | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| 30 | 15750 | 18000 | 20250 | 22500 | 24300 | 26100 | 27900 | 29700 |
| 40 | 21000 | 24000 | 27000 | 30000 | 32400 | 34800 | 37200 | 39600 |
| 50 | 26250 | 30000 | 33750 | 37500 | 40500 | 43500 | 46500 | 49500 |
| 60 | 31500 | 36000 | 40500 | 45000 | 48600 | 52200 | 55800 | 59400 |
| 80 | 42000 | 48000 | 54000 | 60000 | 64800 | 69600 | 74400 | 79200 |

| Rent Limits | | | | | | |
|--------------------|------|------|------|------|------|------|
| Rent | 0 | 1 | 2 | 3 | 4 | 5 |
| 30 | 393 | 421 | 506 | 585 | 652 | 720 |
| 40 | 525 | 562 | 675 | 780 | 870 | 960 |
| 50 | 656 | 703 | 843 | 975 | 1087 | 1200 |
| 60 | 787 | 843 | 1012 | 1170 | 1305 | 1440 |
| 80 | 1050 | 1125 | 1350 | 1560 | 1740 | 1920 |

[\[print to pdf\]](#)

Poll #5

BOND Developments MUST use the Department Application, true or false?

- A** True
- B** False

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Poll #6

Assets must be fully verified at the time of move-in for all BOND units?

- A** Yes, but never again
- B** No, this is not required
- C** Yes, and then again once every 3 years

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Poll #7

The BOND Program income and rent limits will be the same as the other program, if the property is layered?

- A** True
- B** False

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Poll #8

If layered with another program, the designations for the BOND program will match the other program designations?

- A** Yes, they will match across programs
- B** No, each program will have requirements

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Utility Allowance

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Utility Allowances: Regulations



Treasury Regulation 1.42-10

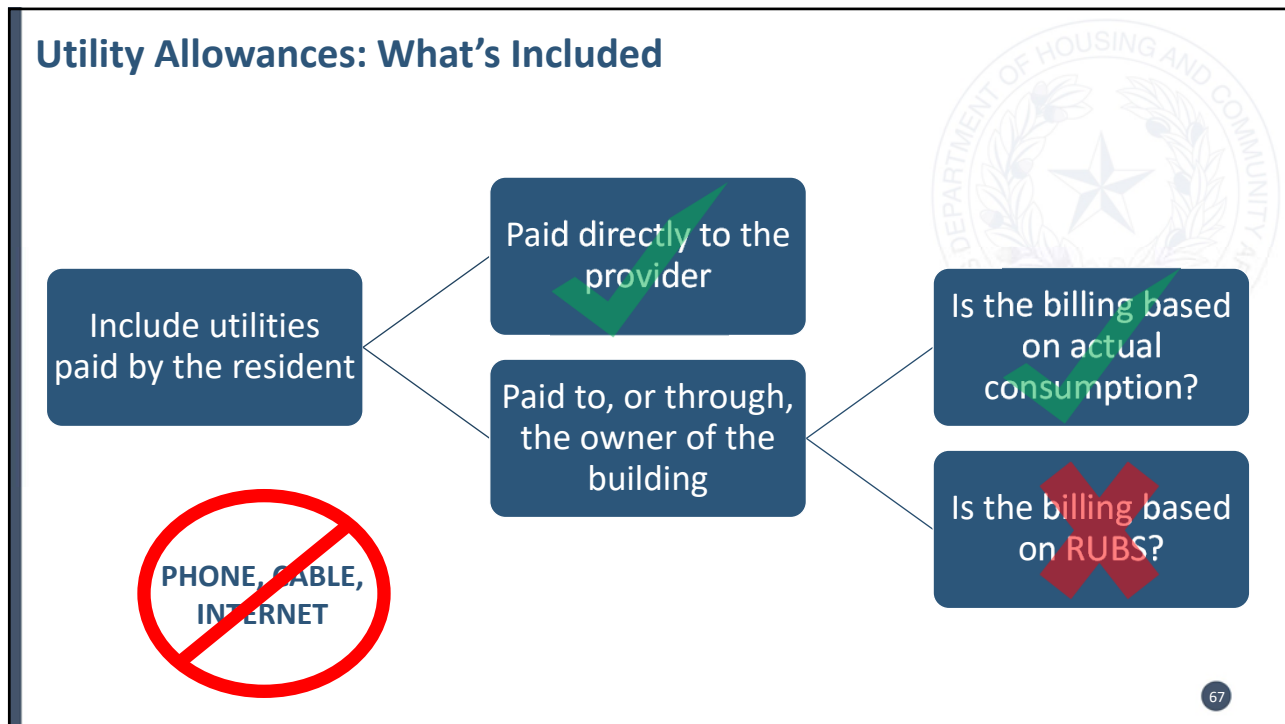
- Federally approved methodologies

10 TAC §10.614

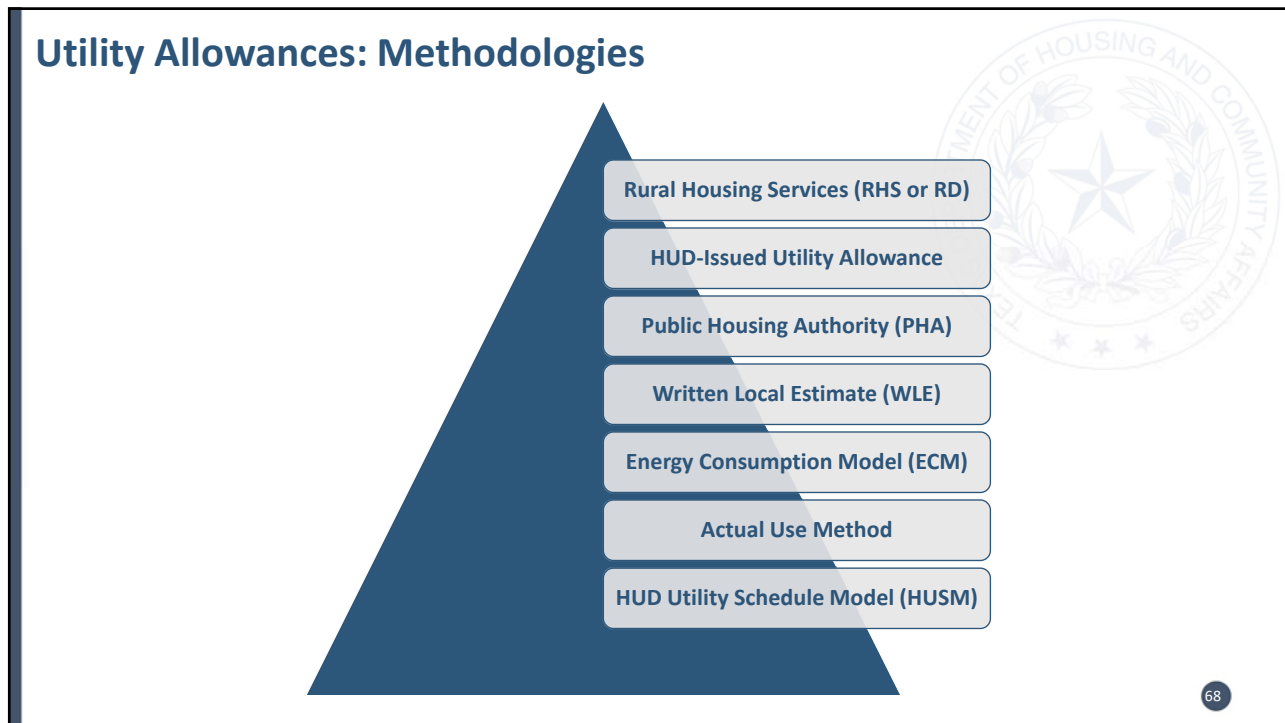
- TDHCA's rule that details how the methodologies are implemented in Texas

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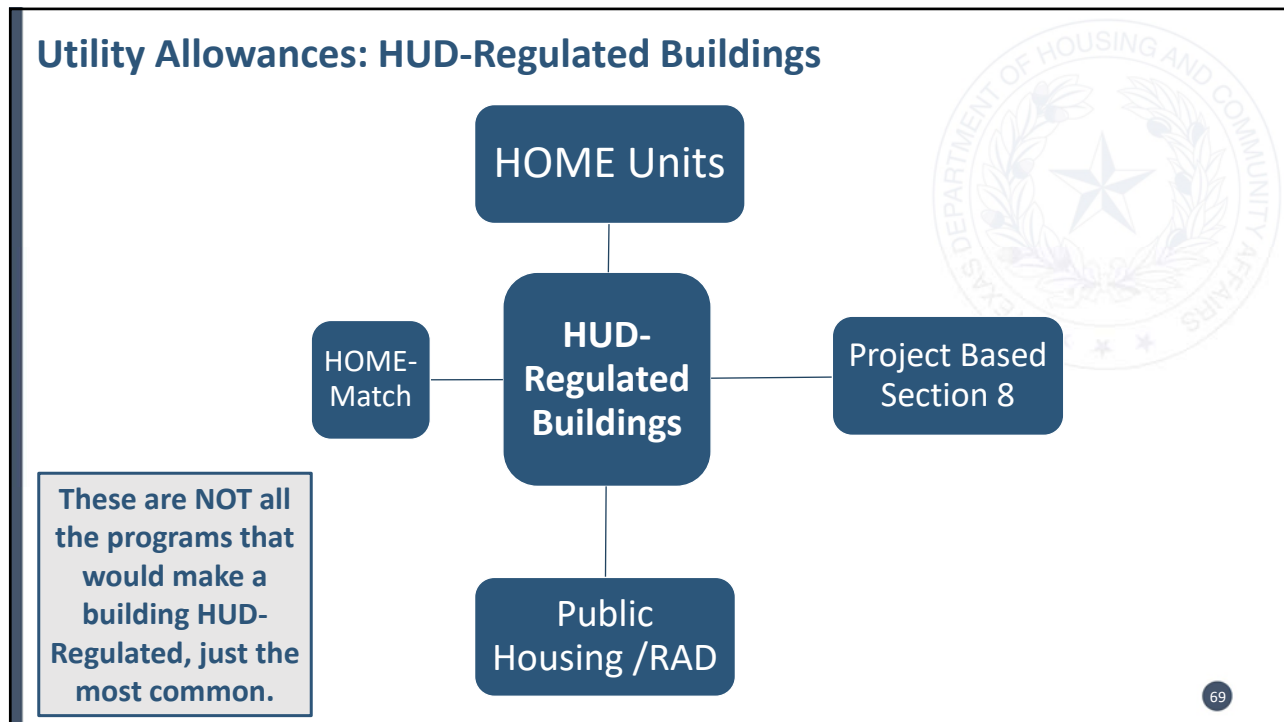
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Utility Allowances: Annual Review

- **Requirements for Annual Review**
 - RHS and HUD-Issued Utility Allowances
 - The owner must demonstrate that the utility allowance has been reviewed annually and in accordance with RHS and HUD regulations
 - PHA Method
 - Owners are responsible for periodically determining if the applicable PHA released an updated schedule to ensure timely implementation. When a new allowance is made available by the PHA, it can be implemented immediately, but must be implemented for rent due 90 days after the effective date
 - Written Local Estimate (WLE), HUD Utility Schedule Model (HUSM) and Energy Consumption Model (ECM)
 - Owners must update the allowance once a calendar year. The update and all back-up documentation MUST be submitted to the Department **no later than October 1st** of each year
 - Actual Use Method
 - Owners must update once a calendar year. The update and all back-up documentation MUST be submitted **no later than August 1st** of each year
 - **A utility allowance is considered implemented once the Unit Status Report is updated and rents are restricted.**

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Utility Allowances: Annual Review Not Submitted

With the exception of MFDL developments, if an Owner fails to submit for annual review during the calendar year, the Development's Utility Allowance will default to the applicable PHA allowance. If the Development is located in an area that does not have a PHA, the Development fails to have a properly calculated Utility Allowance.

Having HOME-Match units will follow the MFDL rules for Utility Allowances.

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Utility Allowances: How to Handle Changes

An Owner may not change methodologies or the utilities that a resident is financially responsible for without prior written Department approval.

- The Department will review all requests, with the exception of the "Actual Use" methodology, within 90 days of the receipt of the request
- If the owner fails to post the notice to the residents AND simultaneously submit the request to the Department by the beginning of the 90-day period, the approval or denial will be delayed for up to 90 days after the Department notification

***** Once approval to start or stop charging for a utility is received, owners must implement the change in utilities charged at the time of each household's lease renewal, and no sooner. *****

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Utility Allowances: Combining Methodologies

- In general, owners may combine any methodology described in §10.614 for each utility service type paid directly by the resident and not by or through the owner of the building
 - Example: If residents are responsible for electricity and gas, an owner may use the appropriate PHA allowance to determine the gas portion of the allowance and use the HUD Model to determine the electric portion of the allowance
- RHS and HUD-Regulated buildings (including those HUD-Regulated by MFDL funds) are not allowed to combine methodologies

Be careful... different methods have different annual review requirements and effective dates.

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Poll #9

BOND Developments without rent restrictions are not required to have the UA reviewed by the Department?

- A** True, there are no rent restrictions so no UA
- B** False, the Department still reviews the UA
- C** Maybe, are there other layered programs with rent restrictions?

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Poll #10

BOND Developments can use any methodology for the Utility Allowance, true or false?

- A True**
- B False**

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Poll #11

An Owner can change the UA methodology without Department approval?

- A Yes, it is their property, they can change if they want to**
- B No, the Department must approve changes to methodology and/or utilities for tenants**

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Supportive Services

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Monitoring for Supportive Services

- If a development's LURA requires the provision of supportive services the Department will confirm this requirement is being met in accordance with the LURA.
- Owners are required to maintain sufficient documentation to evidence that services are being provided. Documentation will be reviewed during monitoring reviews, beginning with the first review.
 - Planned services with specific dates may suffice as evidence of compliance during the first monitoring review.
- Evidence of services must be submitted to the Department upon request.
- If the development's LURA requires a monthly expenditure for the provision of services, the Department will monitor to confirm compliance.

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Required Monthly Expenditures

If the development's LURA requires a monthly expenditure for the provision of services, the Department will monitor to confirm compliance.

- Includable costs to support the expenditure include those costs directly related to providing the service(s). Such costs can include, but are not limited to, the cost of contracting the services with a qualified provider, cost of notification of such services (for example, a monthly newsletter), and other costs that can be documented and would only be incurred as a result of the service.
- An Owner cannot include any costs related to the normal expense of maintaining or operating a development, utility bills of any kind, in-kind contributions or services, cleaning or contracted janitorial services, office supplies, cost of copier or fax, costs incurred for maintenance of machinery, or volunteer hours.
- This list is not inclusive, but any other costs identified by the Owner shall be reviewed for consistency with this subsection.

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Poll #12

For example: The owner has 250 units, 40% are required to be restricted at 60% with 100% of the units reserved for Eligible Tenants and the expenditure requirement is \$10 per unit. How much must the owner expend monthly?

$$\bigcirc \times \bigcirc = \bigcirc$$

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Changes to Supportive Services

- A substantive modification of the scope of tenant services requires Board approval.
 - Such requests must comply with procedures in 10 TAC §10.405 (relating to Amendments and Extensions).
- It is not necessary to obtain prior written approval to change the provider of services unless the scope of services is being changed.
- Failure to comply with the requirements of this section shall result in an issue of noncompliance.

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How can you be successful with Supportive Services?

- Be familiar with the development's LURA and the Supportive Services requirements outlined therein.
- Advertise effectively with the tenants about the available services. If on-site staff is excited and energetic about the services then tenants will "feel" the energy and be more interested in attending the event.
 - Send out monthly notifications (newsletters, calendars, flyers, etc.).
 - Setup events on the development's social media platforms.
 - Use any other avenues available to the development to publicize the services being held at the property.
- Properly document all services held, even if there are no attendees.

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Who, What, Where and When of Supportive Services



- Who?
 - The LURA will outline **who** is required to conduct the Social Services.
- What?
 - The LURA will outline **what** services are required for the specific development and program.
- Where?
 - Generally, this will be on-site at the development or require that transportation is provided at no cost when the services are offered off-site.
- When?
 - The LURA will dictate **when** a service is to be offered; daily, weekly, monthly, quarterly, annually, etc.

Who, What, Where and When of Supportive Services



EXHIBIT C

TENANT SUPPORTIVE SERVICES

The tenant supportive services to be provided **must include at least eight (8) points** selected from the following list which are grouped primarily for organizational purposes. The Borrower is not required to select a specific number of services from each section. The Borrower may change, from time to time, the services offered; however, the overall points as selected at Application must remain the same. Should the Governmental Lender's rules in subsequent years provide different services than those listed below, the Borrower may be allowed to select services listed therein upon written consent from the Governmental Lender, and any services selected must be of similar value to the service the Borrower is intending to replace. The services provided should be those that will directly benefit the Target Population of the Development. Tenants must be provided written notice of the elections made by the Borrower.

(A) Transportation Supportive Services include:

- (i) shuttle, at least three days a week, to a grocery store and pharmacy or a major, big-box retailer that includes a grocery store and pharmacy, OR a daily shuttle, during the school year, to and from nearby schools not served by a school bus system for children who live at the Development **(3.5 points)**; and
- (ii) monthly transportation to community/social events such as mall trips, community theatre, bowling, organized tours, etc. **(1 point)**.

(B) Children Supportive Services include:

- (i) provide a High Quality Pre-Kindergarten (HQ Pre-K) program and associated educational space at the Development Site meeting the requirements of §11.101(b)(5)(C)(i)(I). (Half of the points required under §11.101(b)(7)); and
- (ii) Twelve hours of weekly, organized, on-site services provided to K-12 children by a dedicated service coordinator or third-party entity. Services include after-school and summer care and tutoring, recreational activities, character building programs, mentee opportunities, test preparation, and similar activities that promote the betterment and growth of children and young adults **(3.3 points)**.

(C) Adult Supportive Services include:

EXHIBIT C

TENANT SUPPORTIVE SERVICES

- Child Care
- Transportation
- Basic Adult Education
- Legal Assistance
- Counseling Services
- GED Preparation
- English as a Second Language Classes
- Vocational Training
- Home Buyer Education
- Credit Counseling
- Financial Planning Assistance or Courses
- Health Screening Services
- Health and Nutritional Courses
- Youth Programs
- Scholastic Tutoring
- Social Events and Activities
- Community Gardens
- Computer Facilities

Any other program described under Title IV-A of the Social Security Act (42 U.S.C. Section 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families, and

Any other services approved in writing by the Issuer.

~~The Program Plan for tenant supportive services submitted for review and approval of the Issuer, must contain a plan for coordination of services with state workforce development and welfare programs. The coordinated effort will vary depending upon the needs of the tenant promise at any given time as outlined in the Program Plan.~~

How to Document Supportive Services

Maintain documentation to evidence the Services offered

- Newsletters with calendars of events that are sent to the tenants
- Flyers for specific events that are used to advertise the event to the tenants of the development
- Sign-in Sheets must be maintained and available for all events held, even if no one attends
- Upload into CMTS evidence of two current consecutive services for each service provided (example: monthly = 2 months, quarterly = 2 quarters, weekly = 2 weeks' worth, weekday = 2 weeks' worth, annually = most recent offering and next scheduled date)

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Poll #13

Supportive Services for the BOND program end when they property is 15 years old?

- A** Yes, the Federal Compliance Period is only 15 years
- B** No, Services are required for the term of the BOND LURA

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Poll #14

All BOND Developments have a monthly expenditure requirement for Services, true or false?

- A True**
- B False**

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Poll #15

If tenants do not attend the offered services, they no longer have to be offered?

- A True**
- B False**

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BOND and Other Programs

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BOND Only

- When a property only has BOND funding, we will monitor according to the BOND Regulatory Agreement/LURA
 - BOND does not “go Post-15”
 - BOND Supportive Service requirements continue through the term of the LURA
 - BOND Annual Certifications will be dictated by the set-asides
 - 100% BOND at 50% and/or 60% AMI – Annual Eligibility Certifications may be used
 - Mixed Income BOND Development, with Market or Eligible Tenant units – Full Annual Income Certifications must be conducted
 - Market and ET units do not require annual recertification
- BOND program units that become OI will follow the Next Available Unit Rule
- BOND Projects are property wide, there are no building applicable fractions
- Some BOND LURA’s do not have rent restrictions
- Key to success with the BOND program; read the LURA and ask questions!

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BOND Layered with Housing Tax Credit

- When two, or more, programs are layered on the same development, each qualified low-income unit must qualify under the programs that are applicable to the unit
- 100% Housing Tax Credit layered with 100% BOND; all units meet both requirements
 - Annual Certification can be done on an Annual Eligibility Certification (AEC) form
- 100% Housing Tax Credit layered with 40% BOND; all units meet the HTC requirements and 40% of the units meet the BOND requirements.
 - Annual Certification can be done on an Annual Eligibility Certification (AEC) form
 - Unit Status Report (USR) must reflect which units have BOND, not all units should be designated as BOND 60%; the Eligible Tenant Units should be designated as BOND ET
- Mixed Income for Housing Tax Credit and 40% BOND with Eligible Tenants on remaining 60% of units under BOND program...

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Mixed Income HTC and Eligible Tenants for BOND

- Mixed Income for Housing Tax Credit and 40% BOND with Eligible Tenants on remaining 60% of units under BOND program...
 - Property has 400 units
 - 80% of those units are designated as 60% AMI under the Tax Credit program (320 units)
 - Remaining 80 units are market units; USR should reflect this designation
 - 40% of those units are designated as 60% AMI under the BOND program (160 units)
 - Remaining 240 units are Eligible Tenant (ET) units; USR should reflect this designation
- Annually, all low-income units (320 HTC and 160 BOND) must be fully Income Certified
 - Market Units in the HTC program, do not require initial or annual certification
 - BOND Eligible Tenant units require initial certification as outlined in the LURA but there are no annual certification requirements
- When the HTC program goes Post-15; the 160 BOND units must continue to be fully Income Certified annually

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Mixed Income HTC and Eligible Tenants for BOND

(a) That the Development will be owned, managed and operated as a "qualified residential rental project" within the meaning of Section 142(d) of the Code, on a continuous basis during the Qualified Project Period, to the end that the interest on the Bonds shall be excluded from gross income for federal income tax purposes. In particular, the Owner covenants and agrees, at all times during the Qualified Project Period, as follows:

(i) that the Development will qualify as residential rental property and will be owned, managed and operated at all times during the Qualified Project Period as a qualified residential rental Development comprised of residential Units and facilities functionally related and subordinate thereto, in accordance with Section 142(d) of the Code;



(d) Qualified residential rental project
For purposes of this section-

(1) In general
The term "qualified residential rental project" means any project for residential rental property if, at all times during the qualified project period, such project meets the requirements of subparagraph (A) or (B), whichever is elected by the issuer at the time of the issuance of the issue with respect to such project:

(A) 20-50 test
The project meets the requirements of this subparagraph if 20 percent or more of the residential units in such project are occupied by individuals whose income is 50 percent or less of area median gross income.

(B) 40-60 test
The project meets the requirements of this subparagraph if 40 percent or more of the residential units in such project are occupied by individuals whose income is 60 percent or less of area median gross income.

"Eligible Tenants" means (i) individuals and families of extremely low, low and very low income, (ii) families of moderate income (in each case in the foregoing clauses (i) and (ii) as such terms are defined by the Issuer under the Act), and (iii) Persons with Special Needs, in each case, with an Annual Income not in excess of 140% of the area median income for a four person household in the applicable standard metropolitan statistical area; provided that all Low-Income Tenants shall count as Eligible Tenants.

Average Income: LIHTC and BOND; Mixed Income

AVERAGE INCOME RESTRICTION

The Development Owner has represented to the Department in the Development Owner's Application, authorized by the Department Rules, that among other things, the Development Owner shall lease **79.83%** of the Units in the Development to individuals or families whose imputed incomes do not exceed an average of **60%** of the area median gross income (including adjustments for family size), as more specifically provided herein, such Application, and the representations and undertakings set forth therein, being incorporated herein by reference for all purposes.



119 Total Units
95 Low-Income Units

HTC Designations:
20%, 30%, 40%, 50%, 60%, 70% & 80%

BOND Designations:
48 Units at 60% AMI
71 Units are Eligible Tenants (ET)

Let's discuss and climb this mountain together!

Section 2. **Tax-Exempt Status of the Governmental Lender Note.** The Owner will not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the Federal Tax Status of the Governmental Lender Note. With the intent not to limit the generality of the foregoing, the Owner covenants and agrees:

(a) That the Development will be owned, managed and operated as a "qualified residential rental project" within the meaning of Section 142(d) of the Code, on a continuous basis during the Qualified Project Period. In particular, the Owner covenants and agrees, continuously during the Qualified Project Period, as follows:

(viii) that each Restricted Unit will be rented or available for rental on a continuous basis to Eligible Tenants (subject to the limitations and exceptions contained in this Regulatory Agreement, the Tax Exemption Agreement and the Borrower Loan Agreement) at all times during the longer of (A) the term of the Governmental Lender Note or (B) the Qualified Project Period, that the Owner will not give preference in renting Units to any particular class or group of persons, other than Persons with Special Needs, Low-Income Tenants, and other Eligible Tenants as provided herein, and that at no time will any portion of the Development be exclusively reserved for use by a limited number of nonexempt persons in their trades or businesses;

Average Income: LIHTC and BOND, 100% Low-Income

AVERAGE INCOME RESTRICTION

The Development Owner has represented to the Department in the Development Owner's Application, authorized by the Department Rules, that among other things, the Development Owner shall lease 100% of the Units in the Development to individuals or families whose imputed incomes do not exceed an average of 60% of the area median gross income (including adjustments for family size), as more specifically provided herein, such Application, and the representations and undertakings set forth therein, being incorporated herein by reference for all purposes.



119 Total Units
119 Low-Income Units

HTC Designations:

20%, 30%, 40%, 50%, 60%, 70% & 80%

BOND Designations:

48 Units at 60% AMI

71 Units are Eligible Tenants (ET)

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Average Income: LIHTC and BOND, 100% Low-Income

AEC forms can be used for the Housing Tax Credit program, BUT the 48 BOND units will require full, annual Income Certifications.

119 Total Units
119 Low-Income Units

HTC Designations:

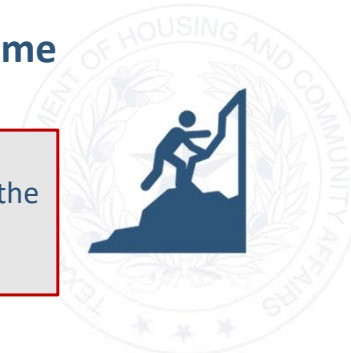
20%, 30%, 40%, 50%, 60%, 70% & 80%

BOND Designations:

48 Units at 60% AMI

71 Units are Eligible Tenants (ET)

Let's discuss and climb this mountain together!



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BOND Student Restrictions

- BOND has the same student eligibility requirements as the Housing Tax Credit (HTC) program
- Eligible Tenant Units may be full-time student households without meeting an exception
- A BOND and Post-15 HTC Property will still have to qualify student households in their low-income BOND units

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Poll #16

If the development has market units in the Tax Credit program and Eligible Tenants under the BOND program, AEC forms can be used?

- A** True
- B** False

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Poll #17

A Mixed Income Post-15 Tax Credit Property with BOND units has to complete full annual Income Certifications on BOND units?

- A True**
- B False**

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Reporting Requirements

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Reporting Requirements: 10 TAC §10.607

Annual Owner's Compliance Report (AOCR)

- 3 Parts, the Annual Owner Financial Certification, Forms 8703 for the BOND Program
- **Due April 30th** for the previous calendar year
- 1st report is due the second year after an award

Periodic Unit Status Reports (USR)

- Due on the 10th day of January, April, July and October
- 1st report is due after leasing commences

Monitoring Reviews

- Due date is identified in the notification of the review

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Reporting Requirements: 10 TAC §10.607

(g) Owners are encouraged to continuously maintain current resident data in the Department's CMTS. Under certain circumstances, such as in the event of a natural disaster, the Department may alter the reporting schedule and require all Developments to provide current occupancy data through CMTS.

(h) All rental Developments funded or administered by the Department will be required to submit an accurate Unit Status Report prior to a monitoring review and/or a physical inspection.

(j) Within six (6) months but at least 90 days prior to the end of the Affordability Period and/or the end of the Land Use Restriction Term, the Owner must provide written notice to the current tenants and applicants. If the Development Owner has been approved for new funding, through the Department, and/or awarded new credits such notice is not required. The Notice must contain the following: proposed new rents, any rehabilitation plans and information on how to access the Department's Vacancy Clearinghouse to locate other affordable housing options.

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Notices to the Department: 10 TAC §10.609

Updating CMTS:

- Within 10 days of a change in the contact information (including contact persons, physical addresses, mailing addresses, email addresses, phone numbers, and/or the name of the property as know by the public) for the Ownership entity, management company, and/or Development the Department's CMTS must be updated.
- Separate contact information must be provided for Ownership entity, management company, and on-site manager at the Development. A single contact may be used for the owner and management if they are the same entity.
- Failure to comply is an issue of noncompliance.

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Poll #18

Developments with BOND only are not required to comply with the reporting requirements in 10 TAC §10.607?

- A True**
- B False**

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More Detailed Training Opportunities

- **Income Determination Training**
 - The Department conducts this training every quarter, in-person at the Rusk Building, registration opens about 30 days beforehand; <https://www.tdhca.texas.gov/compliance-training>
- **Housing Tax Credit Training and Multifamily Direct Loan Training**
 - The Department conducts this with the Texas Apartment Association, registration and schedule are available online; <https://www.taa.org/event-category/affordable-housing/>
- **Monthly Office Hours**
 - Office hours are conducted monthly, registration opens about a month before the scheduled date and can be found on the Calendar; <https://www.tdhca.texas.gov/calendar>
- **Recorded Webinars and Resources**
 - <https://www.tdhca.texas.gov/compliance-program-training-presentations>

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Poll #19

BOND Initial Income Certifications require asset and income verifications by first hand or third party documentation?



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Poll #20

Can you email a compliance monitor for help with your BOND program questions?



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THANK YOU

The Tax Exempt Bond Program (BOND) Training

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
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