

HOUSTON HOUSING FINANCE CORPORATION
VOLUME CAP TRANSACTIONS

Rules for Financing Multi-Family
Rental Residential Developments

Effective September 21, 2023

I. PURPOSE AND SCOPE

A. Houston Housing Finance Corporation (the “Corporation”) was created as a public non profit corporation under the provisions of the Texas Housing Finance Corporations Act, as amended, Texas Local Government Code, Chapter 394 (the “Act”). The Act authorizes the Corporation to issue its revenue notes and bonds (collectively referred to herein for convenience as “bonds”) for the purpose, among others, of providing financing for multi-family rental residential developments intended to be occupied substantially (at least 90 percent) by persons of low and moderate income. The Corporation has adopted these Rules to set forth the general requirements and procedures applicable to the financing of such residential developments by the Corporation.

B. These Rules apply to specific multifamily residential rental developments for which an applicant requests the Corporation to issue bonds to provide financing. In addition, these Rules apply in the case of amendments to an existing bond issue that results in a “reissuance” under federal income tax rules or a “refunding” under state law. Certain portions of these Rules differ depending on whether the bonds will be issued for the purpose of new construction, acquisition and rehabilitation of an existing project or for refunding of bonds previously issued by the Corporation. These Rules do not apply to any bonds issued by the Corporation for the purpose of making or acquiring home mortgages (as defined in the Act) or for making loans to lending institutions for the purpose of making or acquiring home mortgages.

C. Specific provisions of these Rules may be waived by a majority vote of the Board of Directors of the Corporation where good cause is shown and adequate supporting documentation is provided.

D. These Rules may be amended, revised, repealed or otherwise altered by the Board of Directors of the Corporation at any time and from time to time and with or without notice.

II. GENERAL REQUIREMENTS

The Corporation shall not issue bonds to provide financing for any residential development unless the owner of such residential development (the “Applicant”) has satisfied the general requirements set forth in this Article II. The Corporation reserves the right to impose additional

specific requirements with respect to any residential development. Compliance with these Rules does not and shall not be deemed to constitute a commitment or assurance that financing will be provided by the Corporation.

A. Location. The residential development shall be located entirely within the corporate limits of the City of Houston. **The residential development shall be subject to the City of Houston’s “Concentration Policy for Affordable Multi-Family Housing,” a copy of which is attached hereto as Exhibit “F”.**

B. Notice Regarding Property Tax Exemption or Abatement. Any Applicant seeking an ad valorem tax exemption or reduction shall indicate such on the Application for Financing attached to these Rules as Exhibit “A”. Prior to consideration or final approval of an Application for Financing by the Board of Directors, the Applicant shall make its representatives available to meet with the Executive Director or other staff of the Corporation or any member of the Board of Directors and shall provide information regarding the residential development to the satisfaction of the Corporation.

Applicants shall also provide written notice, in the form provided as Exhibit “D”, within 10 days of receipt of a reservation of the State’s private activity bond volume cap, to (i) the Mayor of the City of Houston, Texas, in care the Deputy Chief of Staff for Neighborhoods and Housing; (ii) each member of the City Council of the City of Houston, Texas; and (iii) each taxing unit from which an exemption will be requested, providing information about the residential development, including the anticipated ad valorem tax impact and other relevant information concerning the residential development and its anticipated effect on the surrounding area (the “Abatement Notice”). Evidence of compliance with the Abatement Notice requirement shall be provided to the Corporation in the form of a copy of the notice and a copy of the certified mail receipt, overnight mail receipt, or confirmation letter from the recipient. **An Applicant will be prohibited from seeking an ad valorem tax exemption or reduction if it fails to send the Abatement Notice within the prescribed time period.**

Any Applicant that expects to seek an ad valorem tax exemption or reduction with respect to a residential development must also review and comply with Sections 11.182, 11.1825 and 11.1826 of the Texas Tax Code and with current City of Houston policies and requirements. Please contact the Executive Director for the current policy. Upon request, the Applicant shall make its representatives available to meet with the Mayor, the Council Members, the taxing entities and the Housing and Community Development Department or other City representatives, as applicable.

C. Public Purpose. Prior to the issuance of bonds, the Board of Directors of the Corporation shall have made a finding that financing of such residential development will promote the public purposes set forth in Section 394.002 of the Act.

D. Residential Rental Property. The owner of the residential development shall have entered into contractual arrangements that demonstrate, to the satisfaction of the Corporation, that such residential development is to be owned and operated as a qualified residential rental project within the meaning of Section 142(a)(7) of the Code and applicable regulations thereunder, for the longer of the Qualified Project Period (as hereinafter defined).

The term “Qualified Project Period” shall mean the period beginning on the first day on which ten percent (10%) of the units in such residential development are occupied and ending on the later of (i) the date which is fifteen (15) years after the date on which at least fifty percent (50%) of the units in such residential development are first occupied, (ii) the first day on which none of the bonds issued to finance or refinance such residential development are outstanding or (iii) the date on which any assistance provided with respect to such residential development under Section 8 of the United States Housing Act of 1937 terminates.

E. Low and Moderate Income Occupancy. The owner of the residential development shall have entered into contractual arrangements that demonstrate, to the satisfaction of the Corporation, that such residential development is substantially (at least 90 percent) for use by or intended to be occupied substantially (at least 90 percent) by persons of low and moderate income at all times during the period during which such bonds remain outstanding. For purposes of these Rules, persons of low and moderate income shall mean, as of the effective date of these Rules, any person whose adjusted gross income, together with the adjusted gross incomes of all persons who intend to reside with such person in one dwelling unit, did not, for the taxable year immediately preceding such person’s initial occupancy in such residential development, exceed 115% of the area median family income, provided that the affordability level for a particular residential development will be determined on a case by case basis by the Board of Directors of the Corporation in connection with the resolution authorizing the bonds.

F. Lower Income Occupancy. The owner of the residential development shall have entered into contractual arrangements that demonstrate, to the satisfaction of the Corporation, that the income requirements of Section 142(d) of the Code are and will be satisfied.

G. Rehabilitation Requirement. In the case of bonds issued to provide financing for the acquisition and rehabilitation of an existing residential development, the purchaser and/or the seller of the residential development shall have entered into contractual arrangements that demonstrate, to the satisfaction of the Corporation, that there will be incurred, with respect to such residential development, rehabilitation expenditures (as defined in section 147(d)(3) of the Code) in an amount that equals or exceeds 15% of the contract acquisition price of the residential development financed with the proceeds of such bonds, and that such expenditures will be made within certain time periods.

Applicant must describe proposed rent changes and include a detailed plan and budget for relocation of any tenants expected to be displaced by the rehabilitation of the property, the resulting restrictions or rent changes. The relocation plan must be available for approval by the Corporation on the date the proposed financing is induced.

H. Housing for Elderly and Reporting Requirements. Except with respect to refunding bonds issued by the Corporation, Section 394.092 of the Act requires that the Corporation require the Applicant to set aside for the lifetime of the residential development at least 5% of the rental units (if there are twenty (20) or more units in the residential development) for elderly individuals of low income or families of low or moderate income in which an elderly individual is the head of household. “*Elderly*” means sixty (60) years of age or older. If the Applicant determines to set aside a reservation of units pursuant to the immediately preceding sentence, the design engineer for the residential development must certify to the Corporation that the units in the development

reserved for the elderly meet standards, if any, set by the Texas Health and Human Services Commission for elderly persons. Alternatively, the Applicant may pay the Texas Health and Human Services Commission a one-time fee, payable at initial closing of the bond transaction, equal to 0.10% of the total principal amount of the bond issue. A check for payment of such fee payable to the Texas Health and Human Services Commission must be provided by or on behalf of the Applicant to Bond Counsel on behalf of the Corporation at least one (1) week prior to closing on the bonds.

The owner of the residential development shall have entered into contractual arrangements that demonstrate, to the satisfaction of the Corporation, that such owner will comply with Section 394.027 of the Act with respect to an annual report required to be filed by the Corporation with the Texas Department of Housing and Community Affairs. Specifically, to the extent required by the Act and the Texas Department of Housing and Community Affairs, the Corporation shall require that the owner report to the Corporation certain geographic and demographic information relating to the residential development financed by the Corporation, including the location of the development and the household size and total household income of persons residing therein.

I. Rating or Private Placement. Bonds issued to provide financing for a residential development: (i) shall have been rated “A” or higher by Standard & Poor’s Ratings Group or Moody’s Investors Service, Inc.; or (ii) shall be sold in a private placement transaction subject to the requirements of Attachment A to these Rules.

J. Project Underwriting. Unless otherwise approved by the Board of Directors of the Corporation, the owner of the residential development shall have demonstrated, to the satisfaction of the Corporation, that the underwriting with respect to such residential development has been performed by, and that the loan to the owner made by the Corporation with bond proceeds to provide financing for such residential development will be originated and serviced by, a mortgage lender or other institution having significant recent experience in the underwriting of loans for multifamily residential rental developments. In each case, the owner shall provide the Corporation with the corporate resume of the mortgage lender or other materials indicating the lender’s experience in providing similar financing for multifamily residential rental developments. The owner is to provide such other information as the Corporation may reasonably request.

K. Trustee. The Corporation will select a qualified trustee for the bond issue from the list set forth below. The fees and expenses of such party are the responsibility of the Applicant.

- (1) BOKF, NA
- (2) Wilmington Trust

L. Bond Counsel. The Corporation has retained Bracewell LLP as Bond Counsel (“Bond Counsel”) for its bond issues. The fees and expenses of Bond Counsel are the responsibility of the Applicant.

M. Financial Advisor. The Corporation has retained Hilltop Securities, Inc. as Financial Advisor for its bond issues. The fees and expenses of the Financial Advisor are the responsibility of the Applicant.

N. Rebate Analyst. The Corporation has retained Hilltop Securities Asset Management, LLC as Rebate Analyst for its bond issues. The fees and expenses of the Rebate Analyst are the responsibility of the Applicant.

O. Bidding Agent. The Corporation will require that the Applicant retain Hilltop Securities Inc. as investment bidding agent for its bond issues. The fees and expenses of the Bidding Agent are the responsibility of the Applicant.

P. Administrative Expenses. Unless otherwise approved by the Board of Directors of the Corporation, the owner of the residential development shall have entered into satisfactory contractual arrangements providing substantially that: (a) such owner shall pay interest on the loan made by the Corporation to the owner with bond proceeds to provide financing for the residential development at a rate that includes 0.10% per annum of the total principal amount of bonds that are issued, plus an amount required to pay the fees and expenses of the trustee, the paying agent and any tender agent; (b) such amounts shall be paid over to the trustee and held in a separate account or fund established for such purpose; and (c) such amounts shall be applied at least annually (1) to pay the fees and expenses of the trustee and any paying agent and tender agent and (2) to defray administrative expenses of the Corporation.

Q. Filing and Procedural Requirements. The Applicant shall have complied in full with the filing and procedural requirements set forth in Article III of these Rules.

R. Payment of Fees and Costs. The Applicant shall have paid, or entered into satisfactory contractual arrangements to pay, the fees and costs described in Article IV of these Rules.

S. Section 168(h) Election. The Corporation, including any limited liability corporation of which the Corporation is sole member, will not make the irrevocable election under Section 168(h) of the Internal Revenue Code.

T. Related Party/Substantial User. The Applicant shall ensure that the bond purchaser and equity investor partner are not affiliated entities, unless agreed to by the Corporation, and there shall be no requirement to limit the fees payable to Corporation to 0.125% of the bonds due to a substantial user issue under Internal Revenue Code Section 147(a).

U. Memorandum of Understanding. If the Applicant desires to engage the Corporation to serve as general partner or managing member of the tax credit partnership for financing of the project, the Applicant and the Corporation will negotiate a memorandum of understanding (“MOU”) outlining the terms of such relationship. By its submission of an Application, the Applicant expressly acknowledges and consents to the Corporation’s partnership agreement requirements, a copy of which is attached hereto as Exhibit “G” and a substantial copy of which will be required to be incorporated into any MOU. In the event of a conflict between these rules and such MOU, the terms of the MOU shall control.

V. Imposition of Additional Requirements. The Corporation reserves the right to impose additional requirements or conditions not specifically set forth in these Rules. Such additional requirements may include, but are not limited to, the engagement of disclosure counsel

to the Corporation, the fees and expenses of which shall be paid by the Applicant, and additional appraisal requirements.

III. FILING AND PROCEDURAL REQUIREMENTS

A. Preliminary Applications. Any person desiring that the Corporation issue or reissue bonds to provide financing or refinancing for a residential development shall complete and file with the Corporation the Application for Financing attached to these Rules as Exhibit "A". If additional space is needed for responses, attach separate sheets and label the responses. Such Application for Financing shall be accompanied by: (1) a completed copy of the Residential Development Financing Questionnaire attached to these Rules as Exhibit "B"; (2) the non-refundable fees described in Article IV of these Rules; and (3) an executed copy of the Indemnity Agreement attached to these Rules as Exhibit "C". Such materials shall be filed with the Corporation by mailing or delivery to the Corporation, the Corporation's financial advisor, the Corporation's bond counsel and the City of Houston at the addresses listed on the attached Exhibit "E".

A separate Application for Financing shall be filed for each residential development which is to consist of only one location, representing one contiguous rental project. The Board of Directors of the Corporation will consider such Applications for Financing on its regular monthly meeting dates (generally the third Tuesday of each month). In order to be considered for preliminary approval at such a meeting, the complete application including the fee shall have been received by the Corporation at least three weeks prior to such meeting date. Subsequent requests for documents and other information must be provided at least 5 business days prior to the posting of the Corporation's agenda (generally 72 hours prior to the meeting).

B. Preliminary Approval. Upon satisfaction of the requirements set forth in Section III(A) above, the Board of Directors of the Corporation shall convene a meeting to consider such Application for Financing. The Board of Directors of the Corporation shall give the Applicant reasonable advance notice of such meeting and shall provide the Applicant with an opportunity to appear at such meeting for the purpose of making an oral presentation.

If the Board of Directors of the Corporation determines to grant preliminary approval of an Application for Financing, the Board of Directors of the Corporation shall adopt a resolution declaring the Corporation's intent to issue bonds to provide financing for such residential development, in such form as may be provided by Bond Counsel. The Corporation reserves the right to include in such Resolution any specific requirements pertaining to such residential development or the bonds deemed necessary by the Board of Directors of the Corporation.

Neither the Applicant nor any other party is entitled to rely on such Resolution as a commitment to loan funds, and the Corporation reserves the right not to issue the bonds either with or without cause and with or without notice, and in such event the Corporation shall not be subject to any liability or damages of any nature. Neither the Applicant nor any one claiming by, through or under the Applicant, nor any investment banking firm or potential purchaser of the bonds shall have any claim against the Corporation whatsoever as a result of any decision by the Corporation not to issue the bonds.

C. Additional Filing Requirements. Following the adoption by the Board of Directors of the Corporation of a resolution declaring the Corporation's intent to issue bonds to provide financing for a residential development or developments, the Applicant shall file with the Corporation such additional materials as the Corporation may reasonably request in writing.

D. Public Hearing. The Corporation shall not grant final approval of an Application for Financing until there shall have been held, with respect to such Application for Financing, a public hearing meeting the requirements of Section 147(f) of the Code and applicable regulations thereunder.

Bond Counsel shall be responsible for implementation of the requirements set forth in this Paragraph D, including the publication of the notice of public hearing and the preparation of the report to the Mayor or other elected official, or the City Council. The Applicant shall cooperate fully with Bond Counsel and shall provide such information as Bond Counsel may reasonably request for such purpose.

E. Preparation of Documents. Bond Counsel shall have primary responsibility for the preparation of the legal instruments and documents to be utilized in connection with the bonds to be issued by the Corporation. All such documents shall be subject to review and approval by the Corporation's general counsel for compliance with these Rules and any other policies and procedures of the Corporation and by the Corporation's financial advisor.

F. Approval by Elected Official. To the extent required by the Code, the issuance of bonds by the Corporation shall be subject in each case to the written approval of the Mayor the City of Houston, Texas, or other elected officials designated by the Mayor for such purpose, or the City Council, in a form and manner which satisfies the requirements of Section 147(f) of the Code and applicable regulations thereunder and the Corporation's bylaws.

Bond Counsel shall be responsible for the implementation of the requirements set forth in this Paragraph F, including obtaining such written approval.

G. Private Activity Bond Volume Cap. To the extent applicable, the issuance of bonds by the Corporation shall also be subject in each case to receipt by the Corporation of a valid allocation of a portion of the State of Texas' unified volume cap. Bond Counsel shall be responsible for the implementation of the requirements set forth in this Paragraph G. The Applicant shall be responsible for paying any fees required in connection with securing an allocation. Two checks, each payable to the Texas Bond Review Board, in the amounts of the 1/3 balance and the 2/3 balance of the private activity bond closing fee calculated in accordance with Chapter 1372, Texas Government Code, as amended, shall be remitted by the owner of the residential development to Bond Counsel on behalf of the Corporation at Bond Counsel's request, but not later than the 30th day following the private activity bond reservation date.

H. Report by Financial Advisor. The Corporation shall not grant final approval of an Application for Financing until the Corporation's financial advisor shall have reviewed such Application for Financing. The Applicant shall cooperate fully with the Corporation's financial advisor in connection with such review and shall provide such additional information as the financial advisor may reasonably request.

I. Final Approval and Closing. If the Board of Directors of the Corporation determines to grant final approval of an Application for Financing, the Board of Directors of the Corporation shall adopt a resolution, in such form as may be provided by Bond Counsel and approved by the Corporation's general counsel, authorizing the issuance of bonds to provide the financing described in such Application for Financing. Such final approval shall be conditioned upon compliance with all provisions of these Rules. Following such final approval by the Corporation and by the City Council, the Corporation, the Applicant, and the other parties involved in the transaction shall proceed to close the financing at a time and place to be determined with the consent of the Board of Directors of the Corporation.

J. Expiration of Application. An application expires (i) if it is withdrawn by the Applicant, (ii) if the Corporation does not adopt a resolution of official intent within ninety (90) days from the date of the application, (iii) if the Applicant does not receive an allocation reservation from the Texas Bond Review Board (if required), (iv) if the Applicant does not receive the Low Income Housing Tax Credits applied for from the Texas Department of Housing and Community Affairs, (v) if the reservation or the tax credits are withdrawn, cancelled or expire or (vi) if the Corporation does not issue the requested bonds within one hundred eighty (180) days from the later of (x) the date of the adoption of the resolution of official intent or (y) if applicable, the date of the allocation reservation from the Texas Bond Review Board. All action taken by the Corporation on an application becomes void when the application expires.

K. Consents to Sale of Residential Developments. So long as the bonds are outstanding, the owner of a residential development financed with the proceeds of bonds issued by the Corporation shall not sell, transfer or otherwise convey such residential development without the prior written consent of the Corporation, which shall be conditioned upon receipt by the Corporation of (i) evidence satisfactory to the Corporation that the owner's purchaser or transferee has assumed in writing and in full and is capable of performing the owner's duties and obligations under the legal instruments securing such bonds, (ii) a certificate of the owner to the effect that no event of default has occurred and is continuing under the legal instruments securing the bonds (unless such requirement is specifically waived by the Board of Directors of the Corporation), (iii) an assumption transfer fee of .25% of bonds outstanding or \$15,000, whichever is greater, as a Transfer/Assumption Fee in connection with any sale or transfer of the project and (iv) any restrictions imposed by Bond Counsel in order to maintain the tax exempt status of the bonds. All requests for consent to such a sale, transfer or other conveyance shall be submitted to the Corporation in writing (along with payment of such fee) at least two weeks prior to the date of the Board meeting at which such consent will be considered.

IV. FEES AND COSTS

A. Application Fee. Concurrently with the filing of an Application for Financing the Applicant shall pay (i) to the Corporation a nonrefundable application fee in the amount of (a) \$4,500 for each location, representing one contiguous rental project, or (b) \$6,000 in the case of a refinancing of a residential development for which the Corporation has previously issued bonds or a restructuring or amendment of an existing bond issue; and (ii) to Bracewell LLP, the Corporation's bond counsel, a nonrefundable fee in the amount of \$5,000 for each residential development being financed. An additional deposit of \$5,500 to the Corporation will be required

within 30 days upon receipt of a reservation of the State's volume cap. Applicants will be required to reimburse the Corporation for all actual out of pocket expenses related to a transaction.

B. Closing Fees and Costs. The Applicant shall pay to or on behalf of the Corporation:

- (1) The fees and expenses of the Corporation's general counsel;
- (2) The fees and expenses of Bond Counsel (retainer required – generally \$60,000 will be deposited prior to closing in \$20,000 installments);
- (3) The financial advisor's closing fee of a \$20,000 base fee plus \$2.00 per \$1,000 par amount of bonds issued;
- (4) The fees and expenses of disclosure counsel to the Corporation, if any;
- (5) A closing fee equal to one percent (1.0%) of the total principal amount of the bonds issued, payable to the Corporation by the Applicant upon delivery of the bonds;
- (6) An annual administrative fee equal to one tenth of one percent (0.10%) per annum of the original principal amount of the bonds issued and payable annually in advance on the date of closing and each anniversary thereafter.

Except as otherwise agreed to by the Corporation, on any transaction where the bonds are expected to be outstanding for less than 10-years, 10-years of capitalized administrative fees will be due at the bond closing – on all other transactions, two-years will be due at the bond closing;

(7) Additional fees to the Corporation for services as general partner/managing member and/or general contractor, as may be negotiated in a MOU; and

(8) All costs or fees incurred by or on behalf of the Corporation in connection with the financing or refinancing of such residential development, including, without limitation, trustee or escrow agent fees, rating fees, printing fees, appraisal review fees, inspection fees and fees in connection with securing an allocation.

C. Post-Issuance Request Fee. Concurrently with the submission of each request for any post-issuance amendment, consent, waiver or other approval relating to bonds previously issued by the Corporation, the party requesting such amendment, consent, waiver or other approval shall pay (i) to the Corporation a non-refundable fee in the amount of \$1,000, plus out-of-pocket costs of any required special meeting, and (ii) the fees and expenses of the Corporation's general counsel and/or Bond Counsel and any financial advisory expenses in connection with such request.

V. MISCELLANEOUS

A. No person shall represent, directly or indirectly, to any potential purchaser of the Corporation's bonds, or to any other person, that the Corporation has irrevocably agreed or is firmly committed to issue bonds to provide financing for any specific residential development

unless and until the Corporation and City Council have granted final approval with respect to such residential development as provided in Article III(I) of these Rules.

Attachment A

Requirements Related to Private Placement

The bonds may be sold solely to one or more qualified institutional buyers, in which case the bonds shall only be issued in denominations of not less than \$100,000 and shall be sold in a private placement to such buyers. For purposes of this paragraph, “qualified institutional buyer” shall have the same meaning as provided in Rule 144A adopted by the Securities and Exchange Commission. In the case of a private placement transaction to a financial institution, the Applicant shall provide the Corporation with an executed investment letter from the financial institution purchasing the bonds substantially to the effect that it: (1) is engaged in the business, among others, of investing in securities like the bonds; (2) has made an independent investigation of the financial position and business condition of the owner of the residential development and has received such other information that it desires in order to enable it to make an informed decision regarding investment in such bonds, and waives any right to receive such information from the Corporation and relieves the Corporation and its agents and representatives of any liability for failure to provide such information; (3) has received copies of the financing and security documents pursuant to which such bonds are issued and secured and has had the opportunity to review such documents to its satisfaction; and (4) is purchasing such bonds for its own account, with the purpose of investment and not with a view to the distribution or resale thereof (subject, however, to its rights to sell, pledge, transfer or otherwise dispose of such bonds at some future date). In connection with any proposed transfer or exchange of the bonds, the transferee must deliver an investment letter substantially to the same effect as the original investment letter.

EXHIBIT "A"

APPLICATION FOR FINANCING

TO: Houston Housing Finance Corporation
Houston, Texas

I, the undersigned duly authorized representative of _____ (the "Applicant"), the owner of the proposed residential development described in this Application for Financing, do hereby make application to the Houston Housing Finance Corporation (the "Corporation") in accordance with the Corporation's Rules Regarding Financing for Multi Family Rental Residential Developments (the "Rules"). In connection therewith, I do hereby declare and represent as follows:

1. The Applicant intends to (check one):

- develop, construct and operate
 acquire, rehabilitate and operate
 refund or reissue (e.g. by restructuring or substantial amendment) bonds previously issued by the Corporation for

a multifamily rental residential development to be located entirely within the corporate limits of the City of Houston, Texas, and desires that the Corporation issue bonds to provide financing or refinancing for such residential development in accordance with the provisions of the Texas Housing Finance Corporations Act and the Rules.

2. The Applicant has received a copy of the Rules, has reviewed same and hereby agrees to comply with all terms and provisions thereof, except as such provisions as may be expressly waived by the Board of Directors of the Corporation.

3. The Applicant has submitted herewith a completed copy of the Residential Development Financing Questionnaire attached to the Rules as Exhibit "B". To the best of my knowledge, the information contained therein is true and correct.

4. The Applicant has submitted herewith the nonrefundable application fee required by the Rules in the amount of _____.

5. The Applicant has submitted herewith an executed copy of the Indemnity Agreement attached to the Rules as Exhibit "C".

6. To the extent required, the Applicant has provided notice of the proposed financing in compliance with the Rules.

Based on the foregoing, the Applicant requests that the Board of Directors of the Corporation grant preliminary approval of this Application for Financing in accordance with the Rules.

WITNESS MY HAND this _____ day of _____, 20____.

(Name of Applicant)

By _____
Title _____

FOR USE BY CORPORATION ONLY:
APPLICATION NO. _____

EXHIBIT "B"

HOUSTON HOUSING FINANCE CORPORATION
RESIDENTIAL DEVELOPMENT FINANCING QUESTIONNAIRE

See the attached separate Residential Development Financing Questionnaire excel spreadsheet.



Application for Financing Qualified Residential Rental Project

1. Applicant information

Name:			
Address:			
Telephone:		Fax:	
E-mail:			

2. Applicant's contact person information

Name:			
Telephone:		Fax:	
E-mail:			

3. Applicant's legal counsel information

Name:			
Address:			
Telephone:		Fax:	
E-mail:			

4. Project information

Project name:	
County of location of project:	

5. Amount of financing required

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6. Priority election

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7. Brief description of project

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The individual signing this Application represents that he or she read and understands the Instructions, that the information contained in the Application form is correct and Complete, that the Applicant agrees to the terms and conditions set out in the Instructions

Signature

--

Typed Name and Title

--

Date

--

APPLICANT INFORMATION

1.1 Legal form of Applicant (Check One)

- Sole Proprietorship General Partnership (includes joint venture)
 Business Corporation Limited Partnership
 501(c)(3) Corporation Limited Liability Company

1.2 If the Applicant is a corporation or limited liability company, is it incorporated or authorized to transact business in Texas?

- Yes No

If the Applicant is a limited partnership, does it have a current certificate on file with the Texas Secretary of State?

- Yes No

1.3 If the Applicant is a corporation or limited liability company, attach a list with the name, title, address, and telephone number of each of its officers.

1.4 If the Applicant is a 501(c)(3) corporation, attach a copy of its Internal Revenue Service exemption letter and its most recently filed IRS Form 990.

1.5 If the Applicant is a 501(c)(3) corporation, the Corporation will require the Applicant to furnish at the closing an opinion of nationally recognized tax counsel satisfactory to the Corporation confirming the Applicant's 501(c)(3) exemption status.

1.6 If the Applicant is a partnership, attach the name, address, and telephone number of each general partner.

1.7 Has the Applicant, any of its officers or directors, or any person who owns a 10% or greater interest in the Applicant ever been found in violation of any rules or regulations of HUD or of any other federal or state agency or been the subject of an investigation by HUD or of any other federal or state agency? If yes, attach a full explanation.

- Yes No

1.8 Attach a list with the name, address, and telephone number of every individual who owns a 10% or greater beneficial interest in the Applicant (other than a 501(c)(3) corporation).

1.9 Attach the name, address, telephone, fax number and E-mail address of each financial adviser, investment banker or mortgage banker advising the Applicant in connection with the project. Check here if none:

- None

1.10 Attach a summary of the Applicant's (or its principal's) development experience in terms of project types and dates, cost, locations, and methods of financing.

1.11 Unless the Applicant is a 501(c)(3) corporation, attach copies of the Applicant's most recent audited balance sheet and profit and loss statement of the Applicant's majority owner.

PROJECT INFORMATION

2.1 Do you want financing for (check one)

- | | |
|--|---|
| <input type="checkbox"/> New Construction | <input type="checkbox"/> Acquisition/rehabilitation |
| <input type="checkbox"/> Business Corporation | <input type="checkbox"/> Limited Partnership |
| <input type="checkbox"/> 501(c)(3) Corporation | <input type="checkbox"/> Limited Liability Company |

2.2 Describe the location of the project site, including the zip code and its street address if there is one. This description will be used in the public hearing advertisement and must be complete enough to permit someone interested in the project to find the site.

2.3 Attach (1) a legal description of the site boundaries and (2) that portion of a county highway or city street map showing the site and surrounding area. Mark on the map all schools, churches, public parks, and shopping centers within a half-mile radius of the site. Note that the legal description attached must match that in the option agreement or purchase contract described in 2.5 or 2.6, if there is one. If the project site is located in a qualified census tract, please give the tract number:

2.4 If the Applicant owns the project site, give the:

Purchase date:		Purchase price:	
Balance of existing mortgage:			

Name and address of holder of existing mortgage:

Applicant does not own the project site.

2.5 If the Applicant holds an option to purchase the project site, attach a copy of the option agreement and give the following details of the present owner:

Name:			
Address:			
Telephone number:			
Date of Option agreement:		Expiration date of option agreement:	
Purchase price of project site:			

Applicant does not hold an option to purchase the project site.

2.6 If the Applicant has executed a contract to purchase the project site, attach a copy of the purchase contract and give the following details of the present owner::

Name:			
Address:			
Telephone number:			
Date of Contract:		Closing Date:	
Purchase price:			

Applicant has not executed a contract to purchase the project site.

2.7 Attach a copy of the receipt for the consideration paid for the option or earnest money paid under the purchase contract.

Not Applicable

2.8 If the option or purchase contract is not in the name of the Applicant, attach a copy of the assignment of the option or purchase contract to the Applicant.

Not Applicable

2.9 Give the name, address, telephone, fax number and E-mail address of the architect and registered professional engineer for the project.

Architect:

Name:			
Address:			
Telephone:		Fax:	
E-mail:			

Engineer:

Name:			
Address:			
Telephone:		Fax:	
E-mail:			

2.10 Give the number, type (number of bedrooms and bathrooms), approximate size (square feet), estimated rents, and estimated construction or rehabilitation cost per square foot of each type of dwelling unit in the project. Attach a site sketch (if available) showing the location of the dwelling units on the site.

# of Units	Type of Units	Size of Units	Monthly Rent	Cost per Sq. Ft.

2.11 Describe any additional facilities to be included in the project - for example, parking laundry, recreational office. If any of these facilities is expected to generate income, estimate the total annual amount expected. (Please limit descriptions to the size of the box.)

2.12 Check which of the following furnishings and equipment will be included in the dwelling units:

- | | | |
|--|---------------------------------------|-------------------------------------|
| <input type="checkbox"/> Air Conditioning | <input type="checkbox"/> Range | <input type="checkbox"/> Carpet |
| <input type="checkbox"/> Disposal | <input type="checkbox"/> Fireplace | <input type="checkbox"/> Dishwasher |
| <input type="checkbox"/> Refrigerator | <input type="checkbox"/> Washer/Dryer | <input type="checkbox"/> Cable TV |
| <input type="checkbox"/> Other (describe): _____ | | |

2.13 Check which of the following utilities project tenants will be required to pay for on an individual basis:

- | | |
|--|---|
| <input type="checkbox"/> Electricity | <input type="checkbox"/> Water and Wastewater |
| <input type="checkbox"/> Gas | <input type="checkbox"/> Garbage Pickup |
| <input type="checkbox"/> Other (describe): _____ | |

2.14 Describe any restrictions the Applicant intends to impose on project tenants - for example, family size, no children, no pets. If none, write None.

2.15 Do you intend to pay the Texas Department of Aging and Disability Services at closing a one-time fee equal to 0.10% of the total principal amount of the bond issue?

- Yes No

2.16 Give the estimated cost of constructing and furnishing, or of rehabilitating, the project:

Land:	
Improvements (rehabilitation):	
Design:	
Construction:	
Developer fee:	
Furnishings and Equipment:	
Construction insurance:	
Construction period interest:	
Marketing/Advertising:	
Taxes:	
Legal:	

Accounting:	
Bond issuance costs:	
Reserves:	
Other (Describe):	
Total:	

2.17 Give the estimated annual cost of operating and maintaining the project during its first year of occupancy:

Management Fee:	
Administrative Costs:	
Operating Costs:	
Maintenance Costs:	
Taxes:	
Other (Describe):	
Total:	

2.18 Has construction or rehabilitation work on the project begun?

Yes No

If yes, give the beginning date:	
and estimated completion date:	
If no, give the anticipated beginning date:	
and completion date:	

2.19 Give the total cost expended or incurred with respect to the project up to the date of this application.
If none, write None.

2.20 Describe briefly the anticipated arrangements for the project management. If a professional management company will be employed, attach a resume for the company and estimate the monthly management fee to be paid.

2.21 For a bond issue that requires private activity bond volume cap, attach a completed Residential Rental Attachment in the current form prescribed by the Texas Bond Review Board.

2.22 The election made under Section 142 of the Internal Revenue Code of 1986, as amended is:

- 20% of the units are set-aside for tenants whose adjusted income is 50% or less of median gross income for the area in which the Project is located with adjustments for family size.
- 40% of the units are set-aside for tenants whose adjusted income is 60% or less of median gross income for the area in which the Project is located with adjustments for family size.

FINANCING INFORMATION

3.1 Does the Applicant want the Corporation to finance construction of the project?

Yes No

If no, identify the source of construction financing:

3.2 Does the Applicant want the Corporation to provide permanent (including rehabilitation) financing for the project?

Yes No

If no, identify the source of permanent financing:

3.3 For what percentage of the total project cost does the Applicant want financing?

What amount of equity investment does the Applicant intend to make in the project:

which equals % of the total project cost.

Briefly describe the nature of the equity investment:

3.4 What percentage of the requested financing will be applied for working capital?

% , or None

3.5 What percentage of the requested financing will be applied to refinance an outstanding loan secured by the project site?

% , or None

3.6 If the Applicant is a limited partnership, does it anticipate making a syndicated offering of partnership shares in connection with financing of the project?

Yes No Not a limited partnership

3.7 If the proposed financing will include obligations (in any form) issued by an insurer, lending institution, or governmental agency to secure the bonds, describe the security, identify the insurer, lending institution, or agency and attach a copy of the letter of commitment or intent (if you have one) from the insurer, institution, or agency.

3.8 Describe any other important aspects of the proposed financing:

3.9 (a) Does the Applicant plan to seek a property tax exemption for the project?

Yes No

(b) Does the Applicant intend to partner with the Corporation for the property tax exemption?

Yes No

EXHIBIT "C"

INDEMNITY AGREEMENT

Board of Directors
Houston Housing Finance Corporation
Houston, Texas

(the "Developer"), on behalf of the Applicant, has filed or is concurrently filing with the Houston Housing Finance Corporation (the "Corporation") an Application for Financing in accordance with the Corporation's Rules Regarding Financing for Multi Family Rental Residential Developments. For the purpose of inducing the Corporation to accept, review and act upon such Application for Financing and to issue the obligations therein contemplated, the Developer, on behalf of the Applicant, hereby agrees to indemnify and hold harmless the Corporation, its officers, directors, agents and representatives, against all costs, losses, damages, expenses and liabilities of any kind arising from or in connection with the Corporation's acceptance, review, approval or disapproval of such Application for Financing, or the issuance, offering, sale or delivery of the obligations of the Corporation therein contemplated, or the design, acquisition, construction, rehabilitation, installation, operation, use, occupancy, maintenance or operation of the residential development described in such Application for Financing. It is expressly agreed that the provisions of this Indemnity Agreement shall survive any approval or disapproval of such Application for Financing and the issuance or failure to issue any such obligations. The Developer, on behalf of the Applicant, acknowledges that the Corporation is not responsible or liable for any approval or disapproval of tax credits for the residential development by the Texas Department of Housing and Community Affairs.

This Indemnity Agreement shall be effective upon its execution by the Developer, on behalf of the Applicant, this ____ day of _____, 20 __, and its acceptance by the Corporation as indicated by its execution below.

(Name of Developer)

By _____
Title _____

ACCEPTED THIS ____ day of _____, 20 __.

By _____
Title _____

EXHIBIT "D"

FORM OF ABATEMENT NOTICE FOR PROJECTS
SEEKING AD VALOREM TAX REDUCTION OR EXEMPTION

[Date]

Re: Notice Regarding Intent to Seek Ad Valorem Tax Exemption for Proposed Project
to be Financed with Tax-Exempt Bonds Issued by Houston Housing Finance
Corporation

Dear _____:

_____ (the "Applicant") has submitted an application to Houston Housing
Finance Corporation ("HHFC") for the financing of the hereinafter-described project through the
issuance by HHFC of its tax-exempt bonds and expects to receive a reservation of the State's
private activity bond volume cap for such project:

Name of Project: _____

HCAD Tax ID #: _____

Location of Project: _____

Number of Units: _____

Attach a copy of prior year's ad valorem tax bill.

The Applicant intends to seek a reduction or exemption from such property taxes beginning
in year _____.

If you need additional information, please contact Richard Mudd,
Assistant Director, Houston Housing Finance Corporation, 11750 Katy Freeway,
Suite 1030, Houston, Texas 77079; (713) 461-2749; rmudd@Houstonhfc.com.

Very truly yours,

EXHIBIT "E"

APPLICATION DELIVERY INFORMATION

Note: Due to the typical large file size of multifamily applications, the Applicant may need to coordinate with the Corporation, Financial Advisor or Bond Counsel on the best way deliver the application.

Corporation: Houston Housing Finance Corporation
11750 Katy Freeway
Suite 1030
Houston, Texas 77079
(Attention: Kristin Shelton)

Corporation's financial advisor: Timothy Earl Nelson
Hilltop Securities Inc.
2700 Via Fortuna (Building 2), Suite 410
Austin, Texas 78746
tim.nelson@hilltopsecurities.com

Corporation's bond counsel: Bracewell LLP
111 Congress Avenue, Suite 2300
Austin, Texas 78701-4061
(Attention: Elizabeth Bowes)
elizabeth.bowes@bracewell.com

City of Houston: Housing and Community Development Department
2100 Travis, 9th Floor
Houston, Texas 77002
(Attention: Ryan Bibbs)

EXHIBIT “F”

CITY OF HOUSTON CONCENTRATION POLICY FOR AFFORDABLE MULTI-FAMILY HOUSING

Background:

The City of Houston (“City”) acknowledges the need to establish standards designed to limit or mitigate the concentration of new multi-family units it finances or sponsors within its borders. It is recognized that over concentration has a damaging and costly effect on neighborhoods and the City as a whole. At the same time the City recognizes the need for increasing the stock of affordable housing for its low to moderate income citizens.

Policy Objective:

The primary objectives of the City’s Concentration Policy are to 1) encourage site selection of new or planned projects away from areas of existing concentration, 2) encourage renovation of older or substandard projects and the rebuilding and revitalizing of distressed neighborhoods and communities, 3) protect economic viability of all affordable multi-family housing in the City, and 4) incorporate the policy objectives in the City’s Consolidated Plan.

Policy Provisions:

Applications for financing through a City or City related entity for proposed new developments are subject to review. Applications will be evaluated according to threshold criteria for concentration as listed below:

- 1) Compliance with applicable TDHCA concentration and site requirements (tax credit applications only).
- 2) The number of existing multi-family units (regardless of how financed) within a 1 mile radius of the proposed site shall not exceed 4,500 units.
- 3) The proximity to the closest, non-stabilized tax credit or Federally Subsidized Rent Regulated (FSRR) may not be less than 1,500 feet.
- 4) The average physical occupancy of the “B” product or better in the sub-market of the proposed project may not be less than 87%.
- 5) The density of the proposed project may not exceed 25 units per acre for garden style projects of 3 stories or less. Projects greater than 3 stories will be evaluated on a case by case basis.
- 6) Neighborhood input will be solicited.

Administration

The mayor of the City of Houston will designate a committee to be responsible for implementation and decisions for all matters relating to this policy. Approval of compliance with this policy shall be a pre-requisite of any of the following actions potentially considered by the City’s Housing and Community Development Department, the Houston Housing Authority, Victory Street Public Facility Corporation, the Houston Housing Finance Corporation or any of the above entities’ affiliates as they relate to multi-family applications.

- 1) Approval or issuance of letters of consistency with the City’s Consolidated Plan;
- 2) Bond inducement resolutions;
- 3) Conditional commitment letters;
- 4) Loan or grant commitments;

5) Letters of project support or opposition.

The designated committee shall be authorized to consider waivers to this policy at its discretion based on mitigating conditions.

The designated committee shall be responsible for establishing its procedures and process, and for communicating the policy to the affordable housing industry, relevant community groups and all other interested parties.

EXHIBIT “G”

LIMITED PARTNERSHIP AGREEMENT TERMS

The following is a preliminary summary of provisions that Houston Housing Finance Corporation (“HHFC”) will require in any Limited Partnership Agreement (“Limited Partnership Agreement”) creating the Partnership (the “Partnership”) which is to involve a HHFC-affiliated entity. The following list is not intended to be exhaustive and is intended to supplement and not limit the terms of the Memorandum of Understanding (“MOU”) entered into relating to the subject project(s) (the “Residential Development”).

Representations

- The General Partner (the “General Partner”) will make representations only as to its own existence and due authorization and execution of Partnership documents.
- The General Partner will become the general partner of the Partnership no later than 35 days after the date the Residential Development receives a reservation of volume cap from the Texas Bond Review Board. HHFC or its affiliate will only become the sole member of the General Partner at the closing of the transaction, therefore pre-closing items must be addressed by a Class B Limited Partner (the “Class B Partner”) or another affiliate of the Developer. Under no circumstances will the General Partner execute documents on behalf of the Partnership that are effective prior to HHFC’s admission to the General Partner.
- The General Partner is not performing due diligence on the Residential Development. Therefore, any representations regarding the Residential Development must be provided by the Class B Partner.
- Any General Partner’s representations are only as to its own knowledge. The knowledge of the General Partner may not be qualified by phrases such as “after due inquiry.” The General Partner will make no inquiry.

Covenants

- The General Partner may covenant not to take affirmative actions, but the General Partner cannot covenant not to permit or allow others to take actions. The General Partner cannot covenant to maintain the property tax exemption, but the General Partner may agree to cooperate with the Class B Partner in making any required filings.
- Any covenants relating to the operation of the Partnership, or the construction or operation of the Residential Development should be made by the Class B Partner (including, but not limited to, qualification for tax credits).
- The General Partner will not covenant to maintain adequate capital.

Indemnities and Guarantees

- The General Partner and HHFC should be indemnified by the Partnership and by the Class B Partner for all losses, costs, damages, expenses and liabilities of whatsoever nature (including but not limited to attorneys’ fees, litigation and court costs, amounts paid in

settlement and amounts paid to discharge judgments) directly or indirectly resulting from, arising out of or related to the Residential Development, including without limitation the design, construction, installation, operation, use, leasing, occupancy, maintenance or ownership thereof, other than those caused by their respective gross negligence or willful misconduct.

- The General Partner's indemnification should not be conditioned on a court determination.

The General Partner will indemnify others only for its own gross negligence or willful misconduct. The General Partner will not indemnify for actions or inactions of the Class B Partner. Any indemnification by the General Partner will be limited as follows which shall be set forth in the Limited Partnership Agreement:

“Limitation of Liability of the General Partner and the Owner of the General Partner. The Partners acknowledge and agree that the General Partner has been adequately capitalized to fulfill its obligations under the documents governing the Partnership. The obligations and liabilities of the General Partner under this Agreement are solely the obligations and liabilities of the General Partner and not of the owner of the General Partner, which shall have no liability under this Agreement. The clawback of payments made to the General Partner prior to the time a liability of General Partner accrues shall be prohibited. The liability of General Partner under this Agreement shall be limited to the positive balance of its Capital Account, provided, however, that in all events, the full amount of the insurance policy maintained by Partnership on General Partner's behalf shall apply and be accessible and subrogated as necessary to cover the liability of General Partner, to the extent such liability is covered by the applicable policy.”

- Neither the General Partner nor HHFC will provide completion guarantees, environmental guarantees, credit guarantees, or covenant to make up for cash flow short falls.
- The General Partner will not be required to make loans to the Partnership.
- If the Partnership is required to provide a guarantee, the guarantee should either be limited to the assets of the Partnership or should explicitly state that the guarantee is not intended to be recourse to the General Partner.

INSURANCE

- The Class B Partner will be responsible for obtaining any insurance required by the Limited Partnership Agreement or other Partnership documents and will name the General Partner and any contractor as additional insured parties where applicable.
- The Partnership or the Class B Partner shall obtain and maintain a liability insurance policy covering the Development with umbrella coverage covering HHFC and the General Partner with a policy limit of \$5,000,000 and the Partnership shall pay the premium for the same each year.

Duties and Obligations for Administration of Partnership

- The General Partner will approve changes to the Residential Development budget and plans and specifications for the Residential Development except for Minor Field Changes and change orders under \$200,000 per incident and \$600,000 cumulatively; otherwise, the

General Partner will make a broad delegation to the Class B Partner with respect to the administration of the Partnership and the operation of the Residential Development which shall include, but not be limited to, the right of the Class B Partner to execute any documents related to construction draws, trust requisitions, and capital contributions.

- The Class B Partner will be responsible for ensuring any requirements for maintaining the ad valorem tax exemption are met, including any ongoing correspondence with the applicable appraisal district. The General Partner will agree to provide reasonable cooperation at the direction of the Class B Partner with respect to the ad valorem tax exemption.
- All reports that are required shall be made by the Class B Partner, and any penalties imposed for late reports shall be imposed only on the Class B Partner.

Options/Rights of First Refusal

- HHFC will be granted the option and right of first refusal as agreed to in the Agreement of Limited Partnership. HHFC will be granted a right of first refusal at the price described in Section 42(i)(7) of the Internal Revenue Code.
- The Class B Partner will not be granted an option or right of first refusal to acquire the Investor's Partnership interests or the Residential Development.
- Under its right of first refusal, the General Partner shall be given the right to put the Residential Development up for sale after the tax credit compliance period without the consent of any other partner, and upon receipt of a bona fide offer may exercise the right of first refusal without consent of any other partner. The Investor will have to obtain the consent of the General Partner to sell its interest in the Residential Development except to a fund it controls. The Investor will be prohibited from selling its interest to Wentwood Property Management, Orix, SunAmerica, Hunt Capital Partners or Alden Torch Financial LLC or any affiliate, parent organization, parent of a parent organization or subsidiary of any of the foregoing or a fund that acquires any of the aforementioned entities, and any other entity with whom the Issuer, General Partner, Special Limited Partner, or an Affiliate of either has actively engaged in litigation regarding exit provisions on a Tax Credit transaction.

Taxes and Allocations

- The Class B Partner will be responsible for the preparation, organization and filing of the tax return and tax filings including the General Partner's, if any. The General Partner will cooperate with the Class B Partner to the extent its signature is required. Any fees relating to the preparation or filing of the tax return or other tax filings will be the sole responsibility of the Partnership.
- Losses in excess of capital accounts are allocated to the Class B Partner rather than the General Partner.
- The General Partner will not have a deficit restoration obligation either annually or on liquidation.

- The Class B Partner will be the “Partnership representative” for the purposes of tax audits.
- If the Partnership has an adjustment on audit, the General Partner will pay its allocated share out of future distributions but will not put additional funds into the Partnership.

Removal

- Unless a removal is caused by its own gross negligence or willful misconduct, the General Partner will not be liable for the costs related to removal or replacement.
- Notwithstanding the removal or replacement of the General Partner, the Partnership will remain obligated to repay any loan(s) made to the Partnership by the General Partner or HHFC.
- The General Partner will not be liable for events after removal.

Miscellaneous

- HHFC may require the entering of a master agreement between the general partner and the special limited partner relating to the further division of duties and responsibilities.
- The governing law, jurisdiction, and venue will be Harris County, Texas.