

AUSTIN HOUSING FINANCE CORPORATION

INTRODUCTION

The Austin Housing Finance Corporation was created as a non-profit corporation and instrumentality of the City of Austin to carry out the purposes of the Texas Housing Finance Corporation Act. The Act authorizes the corporation to issue its revenue notes and bonds for the public purpose of providing a means of financing decent, safe and sanitary housing intended to be occupied substantially by persons of low and moderate income.

Unless the Board first affirmatively finds such financing and the related multi-family residential development to be in furtherance of the public purpose of the Act and in conformity with Rules and Regulations, no plan of financing any multi-family residential development, as defined in the Act and in the applicable portions of the Rules and Regulations which follow, will be approved by the Board of Directors of the corporation.

These Rules and Regulations relate solely to the requirements and procedures of the Board of the corporation, and, notwithstanding full compliance with all of the requirements hereof, such Rules and Regulations pertain to any obligation issued by the corporation for the purpose of obtaining funds to carry out a program to provide financing for multi-family residential developments.

MULTI-FAMILY RESIDENTIAL DEVELOPMENT RULES AND REGULATIONS

1. Purpose and Scope

1. The corporation was created as a public, non-profit corporation under the provisions of the Act. The Act authorizes the corporation to issue its revenue notes and bonds for the purpose, among others, of obtaining funds to provide financing for multi-family 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 general requirements and procedures applicable to the issuance of obligations by the corporation to provide financing for such multi-family residential developments.
2. These Rules are intended to apply to obligations issued to provide financing for a single multi-family

residential development. The Rules apply to both new construction and acquisitions, as well as refinancing of previously financed multi-family residential developments. These Rules do not apply to any obligations issued by the corporation for the purpose of making or acquiring home mortgages (as defined in the Act).

3. Specific provisions of these Rules may be waived by a majority vote of the Board where good cause is shown and is supported by adequate documentation in accordance with Article VIII.B of these Rules. Any 501(c)(3) Financing must follow these Rules, including the special provisions in Article V.
4. In the event of modifications to the Code or to federal laws or regulations governing these Rules, the corporation reserves, in its sole option, the right to amend these Rules.

2. **Definitions.**

The following words and terms, when used in these Rules, shall have the following meanings, unless the context clearly indicates otherwise.

1. **501(c)(3) Financing** - A bond financing for an Applicant that the Internal Revenue Service has issued a Section 501(c)(3) determination letter evidencing that the entity is a non-profit organization which is exempt from federal income taxation as of the closing date.

2. **Accessible Access** - The requirement that any multi-family residential development comply with the Americans with Disabilities Act of 1990, as amended, the applicable regulations thereunder, and the Voluntary Compliance Agreement, as it may be amended from time to time, entered into by the City of Austin with HUD, dated October 17, 1997, in the same manner as if the corporation was the City of Austin. Further, any newly-constructed multi-family residential development must be adaptable for occupancy by disabled tenants according to the following criteria:

- a. At least five percent (5%) of units within multi-family residential developments that contain 3 to 50 units.

- b. At least ten percent (10%) of units within multi-family residential developments that contain 51 to 150 units.
- c. At least fifteen percent (15%) of units within multi-family residential developments that contain 151 or more units.

In addition to requirements for accessibility in dwelling units as specified within the 1994 Edition of the Uniform Building Code, with local amendments, and as further amended, the following standards must be met:

- d. All ground level apartment units shall have at least one no-step entrance.
- e. All interior doors shall have a minimum width of 32 inches.
- f. The maximum height of thresholds shall be one-half ($\frac{1}{2}$) inch. Thresholds shall be beveled.
- g. If floor surface on one side of an interior door is higher than the other, then the maximum height difference shall be no more than one-half ($\frac{1}{2}$) inch, and the edge shall be beveled.
- h. Electrical switches, outlets, thermostats, breaker boxes, and other environmental controls are in accessible locations for mobility impaired persons.
- i. Lateral 2 x 6 wood blocking or greater shall be installed flush with stud edges within walls at the back and side of toilet stools. The blocking shall serve the purpose of providing anchorage for screws for the attachment of grab bars. Grab bars themselves are not to be installed at the time of construction; they will be installed by the Applicant at the time of occupancy for the convenience of disabled individuals who request them. The centerline of the blocking shall be 30 inches from the parallel to the floor. Blocking on the side shall be a

minimum length of 48 inches and shall extend 24 inches beyond the front of water closet stools. Blocking at the back shall be a minimum length of 36 inches. The ends of lateral blocking shall be attached to studs.

- j. Bathroom layouts wherein toilet stools have no side walls (such that floor mounted or other railings must be installed) shall be submitted for approval by the City's Building Inspection Department.

3. **Act** - The Texas Housing Finance Corporations Act, Texas Civil Statutes, Local Government Code, Chapter 394, as it may be amended from time to time.

4. **Affordable Rent** - Rent paid by a tenant of a residential unit in a multi-family residential development such that the adjusted gross monthly rent of the residential unit does not exceed 30% of the gross family monthly income of the tenant occupying such residential unit. This determination shall be made in accordance with procedures established by the corporation and (a) at the time of initial occupancy of the residential unit and (b) at the time of each increase of the gross monthly rent with respect to such residential unit.

5. **Annual Monitoring Fee** - The fee charged each Applicant submitting an Application for Financing or Transfer and any subsequent owner for which the corporation issues bonds to finance the Applicant's multi-family residential development. The fee shall be paid each month during the Deed Restricted Qualified Project Period by the owner of the multi-family residential development, or at such other time as the corporation may approve. The annual fee is equal to an amount not less than the greater of (a) an amount equal to .0003 times the amount of the Bonds outstanding on January 1, or (b) \$12 times the number of units in the multi-family residential development, or (c) \$1,200.00.

6. **Applicant** - The owner of the multi-family residential development filing the Application for Financing or Transfer.

7. **Application for Financing or Transfer** - The application each Applicant shall file with the corporation substantially in the form more particularly described on **Appendix "A"** attached to these Rules and by this reference incorporated in them in connection with an assumption, transfer, financing or refinancing of a multi-family residential development. The

Processing Fee and Residential Project Financing Questionnaire must be included with the application.

8. **Assumption and Transfer Fee** - The fee charged each subsequent owner applicant concurrently with the closing of any transfer of the multi-family residential development during the deed restricted Qualified Project Period. The fee is an amount not less than the greater of (a) .0025 times the amount of the Bonds outstanding immediately preceding the transfer, or (b) \$10,000.

9. **Board** - The board of directors of the corporation.

10. **Bond Counsel** - McCall, Parkhurst & Horton L.L.P., Austin and Dallas, Texas, or such nationally recognized bond counsel firm, that the corporation from time to time has retained under contract. Documents required to be sent to Bond Counsel shall be mailed or delivered to:

McCall, Parkhurst & Horton L.L.P.
c/o Austin HFC Multi-family Financings
717 North Harwood - Ninth Floor
Dallas, Texas 75201-6587

Telephone 214 / 754-9200
Fax: 214 / 754-9250
E-mail: mmalveaux@mphlegal.com

11. **Bonds** - Any type of interest-bearing obligations, including, without limitation, bonds, notes, bond anticipation notes, or the evidence of indebtedness, issued by the corporation to finance a multi-family residential development, provided the maximum term of any such obligation shall not extend past the economic life of the multi-family residential development.

12. **City** - The City of Austin, a Texas home-rule city and municipal corporation.

13. **Closing Fee** - The fee charged each Applicant submitting an Application for Financing or Transfer for which the corporation issues bonds to finance the Applicant's multi-family residential development. The fee shall be paid concurrently with the closing of the financing pursuant to an approved Application for Financing or Transfer, or at such other time as the corporation may approve. The closing fee is a negotiable amount as set forth in the Inducement Resolution which takes into account the size and the complexity of the

proposed Bond issuance and is not less than an amount equal to .005 times the amount of the Bonds issued by the corporation. This fee is in addition to the Processing Fee and the Cost of Issuance Expenses.

14. **Code** - The Internal Revenue Code of 1986, as it may be amended from time to time, and the applicable regulations thereunder.

15. **Corporation** - The Austin Housing Finance Corporation created in accordance with Chapter 394, Texas local Government Code, as a non-profit corporation and public instrumentality of the City of Austin, Texas.

16. **Cost of Issuance Expenses** - The expenses charged each Applicant submitting an Application for Financing or Transfer for which the corporation issues bonds to finance the Applicant's multi-family residential development. The expenses shall be paid concurrently with the Closing Fee or at such other time as the corporation may approve. The cost of issuance expenses are equal to the actual expenses accrued by the corporation in issuing the bonds and include, without limitation, the professional fees and costs defined in Article VII.C of these Rules.

17. **Deed Restricted Qualified Project Period** - A period ending on the last to occur of: (a) twenty (20) years after the date on which 90% of the units in the multi-family residential development are occupied as defined by the Code, or (b) one-half of the life of the Bonds.

18. **Energy Conservation Measures** - The measures to be incorporated into a multi-family residential development shall include, but not be limited to, weatherization, siting considerations, landscaping and passive energy conservation design features, as described in the Green Building Program. Both excessive glass reflection and the elimination of direct solar gain to adjacent structures will be discouraged.

19. **Financial Advisor** - Public Financial Management, Inc., Austin, Texas, or such nationally recognized financial advisor firm that the corporation from time to time has retained under contract. Documents required to be sent to Financial Advisor shall be mailed or delivered to:

Public Financial Management, Inc.
c/o Austin HFC Multi-family Financings
700 Lavaca, Suite 1500

Austin, Texas 78701

Telephone 512 / 472-7194
Fax: 512 / 472-0932
E-mail: allenc@publicfm.com

20. **Green Building Program** - The city's program of energy conservation, non-toxic materials, recycling and water conservation measures designed to reduce the ongoing housing cost to consumers.

21. **HFC Corporate Counsel** - City of Austin, Law Department. Documents required to be sent to HFC Corporate Counsel shall be mailed or delivered to:

City of Austin
Law Department
c/o Austin HFC Multi-Family Financings
301 West 2nd Street- Fourth Floor
P.O. Box 1088 (78767-8828)
Austin, Texas 78701

Telephone 512 / 974-2190
Fax: 512 / 974-2912
E-mail: jim.williams@ci.austin.tx.us

22. **HUD** - The United States Department of Housing and Urban Development.

23. **Inducement Resolution** - The Board resolution declaring the corporation's intent to issue obligations to provide financing for a multi-family residential development in such form as may be recommended by Bond Counsel.

24. **Lower Income Tenants** - Households of low or moderate income as determined in accordance with the Code, §167(k)(3)(B), whose incomes are less than or equal to sixty percent (60%) of the median income limit of the Austin Standard Metropolitan Area, as determined annually by HUD.

25. **Minority Participation** - The goal established by the City Code, Chapter 5-7, applied to the corporation and by the corporation's Board in the same manner the ordinance otherwise applies to the City.

26. **Multi-family residential development** - A multi-family residential development financed or to be financed by the

corporation pursuant to the provisions of the Act and within the meaning of the Act, §394.003(13).

27. **Processing Fee** - The **non-refundable** fee charged each Applicant submitting an Application for Financing or Transfer. The fee shall be submitted to the corporation with the Application for Financing or Transfer and is (i) in the amount of \$5,000.00 (in the case of a transaction applying for Low Income Housing Tax Credits or a portion of the State Bond Cap, the non-refundable fee is \$1,000.00 with the remaining \$4,000.00 balance due within fifteen calendar days following issuance of the tax credit or bond cap allocation, as applicable, by the State of Texas) for a financing or refinancing application, or (ii) in the amount of \$2,000.00 for an assumption or transfer to a new Applicant. This amount is not credited against the Closing Fee or the Assumption and Transfer Fee, even if Bonds are issued.

28. **Qualifying Tenants** - Tenants whose adjusted household income does not exceed the income limitations of the corporation which are automatically adjusted annually immediately upon receipt of revised income determinations from HUD. The income limitations established by the Board are equal to 80% of the median income limit of the Austin Standard Metropolitan Area adjusted for family size, as determined annually by HUD, which as of March 2006 is as follows:

	Adjusted	Annual	Income
	Maximum		
<u>Persons in Household</u>	<u>Lower Income</u>		<u>Amount</u> <u>Qualifying</u>
1	\$ 29,850		\$ 39,850
2	34,150		45,500
3	38,400		51,200
4	42,650		56,900
5 or more	46,050		61,450

29. **Residential Project Financing Questionnaire** - The questionnaire each Applicant shall file with the Application for Financing or Transfer in such form as required by the corporation.

30. **Restrictive Covenant** - The restrictive covenant running with the land that restricts the use of each multi-family residential development during the Deed Restricted Qualified

Project Period and covenants that the multi-family residential development will have Accessible Access, adhere to the Green Building Program, utilize Energy Conservation Measures, and provide Minority Participation.

31. **Rules** - These multi-family rules and regulations.

32. **SMART Housing certification** The city of Austin has adopted the SMART housing initiative to embody the city's housing policies. SMART stands for **Save, Mixed-income, Accessible, Reasonably-priced, and Transit-oriented**. Multifamily projects that embody the city's initiatives included in SMART housing will be certified and be eligible to receive the waiver of certain city fees. See SMART housing manual for further details.

3. **TEFRA Public Hearing** - The public hearing required by the federal Tax Equity and Fiscal Responsibility Act of 1982 prior to approval of the Bonds. Notice of such hearing must be published at least 14 days in advance of the hearing, in accordance with federal regulations, and at Applicant's expense.

4. **Very Low Income Tenants** - Households of low or moderate income as determined in accordance with the Code, §167(k)(3)(B), whose incomes are less than or equal to fifty percent (50%) of the median income limit of the Austin Standard Metropolitan Area adjusted for family size, as determined annually by HUD.

3. **General Requirements**

The corporation shall not issue obligations to provide financing for any multi-family residential development unless the Applicant has satisfied the general requirements set forth in this Article III. The corporation reserves the right to impose additional specific requirements with respect to any multi-family residential development.

1. **Location.** The corporation shall not issue obligations to provide financing for any multi-family residential development unless such multi-family residential development is located entirely within the corporate limits of the City.

2. **Public Purpose.** The corporation shall not issue obligations to provide financing for any multi-family

residential development unless the Board has made a finding that such financing of such multi-family residential development will promote the public purposes set forth in Section 3 of the Act.

3. **Statement of Policy.** In addition to the general purpose stated by the Act and described in Article I.A of these Rules, the corporation has adopted as its goal for multi-family residential developments increasing the availability of affordable, quality rental housing stock in the City and achieve certain other goals of the corporation. To this end, the corporation will not issue bonds for the financing the new construction of multifamily projects that are not SMART housing certified. In this regard each owner of a multi-family residential development must execute a Restrictive Covenant.
4. **Issuance of Bonds.** As a general rule, bonds issued by the corporation for multi-family housing developments must be rated no lower than the "A" category by at least one nationally recognized rating agency. It is the responsibility of Applicant at its expense to secure a credit enhancement or plan of finance that accomplishes this rating. Series of bonds not so rated may be issued by the corporation when: (1) investment letters generally in the form attached to these Rules as **Appendix "B"** and by this reference incorporated in them (satisfactory in form and content to the corporation and its advisors) are obtained from all initial investors, each of which must be an accredited investor, and (2) Bond denominations are no smaller than \$100,000, both initial and subsequent offerings. Applicants may nominate the bond underwriter and underwriter's counsel, subject to the approval of the corporation. Bond Counsel and Financial Advisor are retained by the corporation.

4. **Program Guidelines - Financing**

In furtherance of the public purpose of the Act and the corporation's goal as described above, the corporation has adopted the following program guidelines for the financing of multi-family residential developments:

1. The corporation will not issue bonds exempt from federal taxation unless, in the opinion of Bond Counsel, interest thereon is exempt from Federal income taxes, and the following requirements are met:
 1. Substantially all (not less than 90%) of the net proceeds of the bonds must be used for the development of a multi-family residential development or related and subordinate facilities (such as parking or recreational facilities for residents).
 2. As to each multi-family residential development, and at the election of the Applicant (made prior to issuance of an Inducement Resolution), either (a) at least forty percent (40%) of the living units are occupied or reserved for occupancy by Lower Income Tenants who pay Affordable Rent, or (b) at least twenty percent (20%) of the living units are occupied or reserved for occupancy by Very Low Income Tenants who pay Affordable Rent; provided, that at least ninety percent (90%) of the tenants occupying the living units are Qualifying Tenants.
 3. The housing units in the multi-family residential development must be available for use by members of the general public. (For example: a building for use by employees of a particular corporation will not qualify). Units may be located anywhere in the City.
 4. The facilities of each living unit must be complete, including kitchen facilities, and must not be used on a transient basis (such as a hotel or dormitory).
 5. The multi-family residential development (or any part thereof) may not be converted to condominiums.
 6. The bonds must be issued in fully registered form and in accordance with Article III.D.
 7. The Bonds include a provision that allocates to the corporation, or to an affordable housing program designated by the corporation, a portion of any residual value remaining in the Indenture when the Indenture has been discharged or when any excess

distribution is made to the Applicant or any related or affiliated party.

8. The limitations required by these Rules must be applicable for the Deed Restricted Qualified Project Period.
2. For the purposes of these Rules, occupancy requirements pertaining to household income will be governed by the following:
 1. Household income will be determined by the landlord at the time of initial occupancy of a unit; recertification of household income will not be required until and unless the number of persons constituting the household changes or the household relocates to another unit in the multi-family residential development.
 2. The size of the household shall mean the total of all individuals residing in the unit, and household income shall mean the total annual income of all members of the household, determined in the manner prescribed by the corporation.
 3. Any person claimed as a dependent for Federal income tax purposes by any person(s) residing at another address will be considered eligible if the adjusted annual income of the household claiming the dependent, combined with that of said dependent, meets the income limitations set forth herein. This provision shall not apply to handicapped tenants.
 4. For purposes of the calculation of the percent of units so occupied, particular units may be designated as reserved for Low Income Tenants and Very Low Income Tenants, but no more than 20% of the unoccupied units may be reserved for such tenants.
 3. Financing provided through this program may be utilized for new construction, rehabilitation, acquisition and rehabilitation, or certain refunding of the outstanding bonds of the corporation of multi-family rental housing.
 4. Costs of any items of furniture, equipment, or other appointments not an integral part of the real property

are not eligible for financing from this program, nor is financing of existing debt eligible for inclusion.

5. Each multi-family residential development will be evaluated by the corporation based upon its overall desirability and conformance with the following general guidelines:
 1. If units are designated by the Applicant for occupancy by Low Income Tenants or Very Low Income Tenants, these must be distributed throughout the multi-family residential development and must be generally of the same sizes and configurations, quality of construction, furnishing, decor, and maintenance, as the other units of the multi-family residential development.
 2. The Applicant must provide information in accordance with the City's special permit site plan requirements as identified in the City's Zoning Ordinance.
 3. Proposed site locations should be reasonably accessible to public transportation routes.
 4. Multi-family residential developments must incorporate Energy Conservation Measures.
 5. Multi-family residential developments must have Accessible Access.
 6. Displacement of tenants should be minimized under this program. However, if a multi-family residential development is to displace tenants, the extent of such displacement and any plans to reduce the effects thereof must be disclosed in the Application for Financing or Transfer.
 7. These Rules shall apply to all multi-family housing developments for which Inducement Resolutions are granted subsequent to the date of the acceptance of these Rules by the Board.
6. **Filing and Procedural Requirements.** The corporation shall not issue obligations to provide financing for any multi-family residential development unless the Applicant has complied in full with the filing and procedural requirements set forth in Article VI of these Rules.

7. **Payment of Fees and Costs.** The corporation shall not issue obligations to provide financing for any multi-family residential development unless the Applicant has paid, or entered into satisfactory contractual arrangements agreeing to pay, the fees and costs described in Article VII of these Rules.

5. **Special Rules for 501(c)(3) Financings**

For a 501(c)(3) Financing the following special rules will apply:

1. At the closing the legal counsel to the Applicant or a Special Counsel retained by Applicant must provide a non-qualified 501(c)(3) opinion letter acceptable to the corporation and Bond Counsel.
2. The corporation will not be required to obtain an allocation of authority under the state bond ceiling cap.

6. **Filing and Procedural Requirements**

1. **Preliminary Application.** Any person desiring that the corporation issue obligations to provide financing for a multi-family residential development shall complete and file with the corporation the Application for Financing or Transfer, a completed copy of the Residential Project Financing Questionnaire, and the non-refundable Processing Fee. Three copies of the Application for Financing or Transfer and a market feasibility study, if applicable, shall be filed with the corporation by mailing or delivery to:

Austin Housing Finance Corporation
c/o Multi-family Bond Financing Program
Post Office Box 1088
Austin, Texas 78767-1088

Telephone 512 / 974-3100
Fax: 512 / 974-3161
E-mail: martin.gonzalez@ci.austin.tx.us

with a copy of the Application for Financing or Transfer delivered to Bond Counsel, AHFC Corporate Counsel and Financial Advisor.

2. **Preliminary Approval.** Within sixty (60) days after receipt by the corporation of the Application for Financing or Transfer, the Board shall convene a meeting to consider such Application for Financing or Transfer. The Board shall provide the Applicant with an opportunity to appear at such meeting for the purpose of making an oral presentation.

If the Board determines to grant preliminary approval of the Application for Financing or Transfer, the Board shall adopt an Inducement Resolution. The corporation reserves the right to include in such Inducement Resolution any specific requirements pertaining to such multi-family residential development deemed necessary by the Board. The corporation shall mail a certified copy of such Inducement Resolution to the Applicant at the address shown in the Application for Financing or Transfer.

If the Board determines not to grant preliminary approval of an Application for Financing or Transfer, the corporation shall so advise the Applicant in writing at the address shown on the Application for Financing or Transfer.

3. **Additional Filing Requirements.** Following the adoption by the Board of an Inducement Resolution with respect to the multi-family residential development, the Applicant shall file with the corporation such additional materials as the corporation may reasonably request in writing.

4. **Bond Counsel.** Bond Counsel shall have primary responsibility for the preparation of the legal instruments and documents to be utilized in connection with the financing of any multi-family residential development by the corporation. No bonds or other obligations will be sold and delivered unless the legality and validity thereof shall have been approved by Bond Counsel. The Applicant and its legal counsel shall cooperate fully with the corporation's agents, Financial Advisor, HFC Corporate Counsel and Bond Counsel in the preparation of such materials.

5. **Review Process.**

1. **Staff Contact.** The primary point of contact between Applicant and the corporation is:

Martin Gonzalez, Bond Program Manager
Telephone: 512 / 974-3103
Fax: 512 / 974-3161
E-mail: martin.gonzalez@ci.austin.tx.us

Mailing Address:
The Austin Housing Finance Corporation
c/o Martin Gonzalez, Bond Program Manager
P.O. Box 1088
Austin, Texas 78767-1088

For legal issues contact the AHFC Corporate Counsel office.

2. **Timing Consideration.** To ensure adequate time for review, public input, and discussion, the Applicant should expect that its Inducement Resolution will be considered by the corporation at its first Thursday meeting that is at least five weeks subsequent to the date the Application for Financing or Transfer is received by the corporation in final form. Within a short time after the Application for Financing or Transfer is received, the Applicant will receive a memorandum from the corporation staff representative giving the tentative schedule of staff review, presentation of requests for setting a public hearing by the Board and City Council, if necessary, the public hearings, and consideration by the Board. This schedule may be subsequently modified by the staff or the Applicant should difficulties arise during the review process which would prevent the presentation of a comprehensive review to the Board at the originally-scheduled meeting. It is the intent of the Board to take no action on an Inducement Resolution until the opportunity for public input is made available. Applicants should be aware that their legal counsel has certain responsibility in ensuring that the public hearing is properly and legally posted in sufficient time to make public comment possible prior to consideration of the Inducement Resolution.
3. **Public Hearing.** One TEFRA Public Hearing is required prior to inducement on 501 c 3 bond transactions or prior to approval of sale of bonds on Private Activity Volume cap transactions.

4. **Subsequent Filing Requirements.** Prior to review of the Application for Financing of new construction projects for final approval by the Board, the Applicant must file the SMART housing Application and receive SMART housing Certification for its project. The applicant may file such additional documents or statements in support thereof as the Applicant considers relevant and appropriate and shall file the following (substantive changes, as judged by HFC Corporate Counsel and Bond Counsel, submitted after final approval by the corporation shall be resubmitted to the corporation and a \$1,000 penalty fee shall be charged to the Applicant):
 1. such additional information as shall be requested of the Applicant by the corporation and its legal and financial consultants;
 2. such additional information, as may be necessary to demonstrate the Applicant's ability to comply with the preliminary approval requirements;
 3. if any such material is to be so used, a pro-forma copy of the official statement, prospectus and any other offering memoranda, through the use of which the proposed obligations are to be offered, sold or placed with any lender, purchaser or investor, which offering, sales or placement material shall contain prominent disclosure substantially to the effect (i) that neither the corporation nor the City has undertaken to review or has assumed any responsibility for the matters contained therein except solely as to matters relating to them and the description of the obligations being offered thereby; (ii) that such obligations are payable solely from the funds and secured solely by funds or property furnished and to be furnished and provided by the Applicant and any guarantor and are not in any manner payable wholly or partially from any funds or properties otherwise belonging to the corporation or the City;

4. a copy of any "investment letter" is required to be delivered by the original purchaser of the obligations to the corporation, in addition to such legal opinions or other documents as shall be required by the Board;
 5. proposed final legal documents and documents authorizing and relating to the issuance of the proposed obligations and all loan agreements, purchase agreements or other documents related thereto; and
 6. when deemed necessary or advisable by the Board, a market study demonstrating the feasibility of the multi-family residential development.
6. **Final Approval and Closing.** If the Board determines to grant final approval of an Application for Financing or Transfer, the Board shall adopt a resolution, in such form as may be recommended by Bond Counsel, authorizing the issuance of obligations to provide financing for the multi-family residential development described in such Application for Financing or Transfer. Such final approval shall be granted only upon:
1. the satisfaction of the general requirements set forth in Article III of these Rules;
 2. the recommendation of the financing by Bond Counsel and Financial Advisor; and
 3. the satisfaction of any additional specific requirement imposed by the corporation with respect to such multi-family residential development.

Following such final Board and Texas Attorney General approval, the corporation, the Applicant, and other parties involved in the transaction shall proceed to close the financing at a time and place to be determined by the corporation.

7. **Fees and Costs**

1. **Processing Fee.** Concurrently with the filing of the Application for Financing or Transfer, the Applicant

described therein shall pay to the corporation the non-refundable Processing Fee.

2. **Closing Fee or Assumption and Transfer Fee.** Concurrently with the closing of any financing pursuant to an approved Application for Financing or Transfer, or at such other time as the corporation may approve, the Applicant, from the proceeds of the obligations, shall pay to the corporation a Closing Fee. Any assumption or transfer will require an Assumption and Transfer fee in lieu of a Closing fee.
3. **Other Costs.** Concurrently with the closing of any financing or refinancing pursuant to an approved Application for Financing or Transfer or any assumption or transfer of the property, the Applicant, from the proceeds of the obligations, shall pay the Cost of Issuance Expenses, which shall include, but not be limited to, the following professional fees and other costs, to-wit:
 1. the fees and expenses of Bond Counsel;
 2. the fees and expenses of Financial Advisor;
 3. the fees and expenses of HFC Corporate Counsel, special legal counsel and feasibility consultant for services rendered to the corporation if and when deemed necessary by the corporation in connection with the multi-family residential development or the issuance of the obligations; and
 4. the actual amount of any closing or acceptance fees of any trustee for the obligations, any fees and premiums for casualty and title insurance, any security filing costs, any fees for placing the obligations, any credit enhancement fees, any out-of-pocket expenses incurred by professionals acting on behalf of the corporation and any other costs and expenses, including issuance expenses, relating to the obligations, their security, and the multi-family residential development.
4. **Continuing Costs.** Each Applicant shall pay to the corporation, within thirty (30) days after receipt of a bill or statement therefore, the following amounts:
 1. an Annual Monitoring Fee; and

2. any amount payable pursuant to any indemnity contract or agreement executed in connection with any financing hereunder; and
 3. the amount allocable to each Applicant (whose financing has been completed) of costs and expenses incurred by the corporation in the administration of the agreement and the outstanding obligations, including an annual accounting and/or audit of the financing records and affairs of the corporation. The amount of costs or expenses paid or incurred by the corporation under this clause shall be divided and allocated equally among all Applicants whose financings have been completed.
5. **Changes in Fees.**
1. The corporation reserves the right at any time to change, increase or reduce the fees payable under these Rules and to make the same effective as to any Applicant whose Application for Financing or Transfer is filed subsequent to the date of such change.
 2. All fees imposed subsequent to closing by the corporation under these Rules will be imposed in such amounts as will provide funds, as nearly as may be practical, equal to that amount necessary to pay the administrative costs of conducting the business and affairs of the corporation, plus reasonable reserves therefor.
 3. The Applicant must have completed all real estate issues, other than receiving and disbursing funds and filing and recording real estate documents, prior to the day of the bond closing. Failure to do so will result in a penalty fee of \$3,000 to be paid to the corporation.
6. **Ongoing Administrative Fees.** Fees of this type may be imposed by the Board as to any multi-family residential development deemed to require special post-closing monitoring or inspection. The Applicant will be notified of such fee after Board review of the multi-family residential development.

8. Miscellaneous

1. UNAUTHORIZED REPRESENTATIONS. NO APPLICANT SHALL REPRESENT, DIRECTLY OR INDIRECTLY, TO ANY LENDER, INTERIM OR OTHERWISE SUPPLIER, CONTRACTOR OR OTHER PERSON, FIRM OR ENTITY THAT THE CORPORATION HAS AGREED OR IS FIRMLY COMMITTED TO ISSUE ANY OBLIGATIONS IN RELATION TO ANY MULTI-FAMILY RESIDENTIAL DEVELOPMENT OR APPLICATION FOR FINANCING OR TRANSFER UNTIL THE BOARD HAS GRANTED FINAL APPROVAL WITH RESPECT TO SUCH MULTI-FAMILY RESIDENTIAL DEVELOPMENT AS PROVIDED IN ARTICLE IV OF THESE RULES.

2. **Amendments, Waivers.** The corporation reserves the right at any time to amend these Rules effective as to any Application for Financing or Transfer filed subsequent to the effective date of any such amendment.

Appendices:

Appendix A - Application for Financing or Transfer

Rules Modified : November 5, 2001