

# **North Central Texas Housing Finance Corporation**

## **Rules for Loans in Connection with Obtaining Tax Credits for Multifamily Residential Rental Projects**

**2016**

# North Central Texas Housing Finance Corporation

## Rules for Loans in Connection with Obtaining Tax Credits for Multifamily Residential Rental Projects

### I. PURPOSE AND SCOPE

North Central Texas Housing Finance Corporation (the "Corporation") was created as a public non-profit housing finance corporation under the provisions of the Texas Housing Finance Corporations Act, as amended, Texas Local Government Code, Chapter 394 (the "Act"). The Corporation's primary purpose is to assist individuals of low and moderate income to obtain decent, safe, sanitary, and affordable housing located within the qualified boundaries of the Sponsoring Political Subdivision (as defined below). The Corporation is authorized by the Act to make loans to further its purposes thereunder. Applications for loans in connection with tax credits for multifamily residential rental projects will be considered only in connection with residential developments located within the jurisdiction of the North Central Texas, Texas (the "Sponsoring Political Subdivision"). The Corporation has adopted these Rules for loans in connection with obtaining tax credits for multifamily residential rental projects (these "Rules") to set forth general requirements and procedures applicable to qualifying for a loan (the "Loan") in conjunction with obtaining tax credits from the Texas Department of Housing and Community Affairs (the "TDHCA") in connection with applicant's (the "Applicant") proposed multifamily residential development. The Corporation makes no representation or warranty that the loan will comply with the rules and regulations of the TDHCA and compliance with such rules and regulations is the sole responsibility of the applicant.

A. Application of Rules. These Rules apply to specific multifamily rental residential developments for which the Applicant requests the Corporation to make the Loan to aid in obtaining tax credits in connection with such development.

B. Waiver of Rules. Provisions of these Rules may be waived by a majority vote of the Board of Directors of the Corporation.

C. Amendment of Rules. These Rules may be amended, revised, repealed or otherwise altered by a majority of the Board of Directors of the Corporation at any time and from time to time and with or without notice.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 will not make a loan of funds to any Applicant in connection with any financing for any multifamily residential development (the "Project") that has not satisfied, as determined solely by the Corporation, requirements of the Corporation. The Corporation reserves the right to impose additional requirements at any time with respect to the Project. Compliance with these Rules does not and shall not be deemed to constitute a commitment for or assurance that financing will be provided by the Corporation. In completing and executing the Application for Loan attached below, the Applicant hereby represents and warrants or covenants with respect to the residential development for which tax credits are being obtained as follows:

The residential development will be located entirely within the boundaries of the Sponsoring Political Subdivision, unless the Applicant can provide satisfactory authority to the Corporation that the Corporation has legal authority to finance Projects outside of its jurisdiction.

### III. FILING AND PROCEDURAL REQUIREMENTS

A. Preliminary Applications. Any person desiring the Corporation to make the Loan to facilitate obtaining tax credits in conjunction with the financing or refinancing of a Project shall complete and file with the Corporation an Application for Loan in the form attached to these Rules as exhibit "A". Such Application for Loan shall be accompanied by: (1) a completed copy of the Residential Development Financing Questionnaire attached to these Rules as Exhibit "B"; (2) the nonrefundable application and review fees and professional fees described in Article IV of these Rules; and (3) an executed copy of the Indemnity Agreement in the form attached to these Rules as Exhibit "C". Three original applications and all attachments shall be filed with the Corporation by mailing or delivery to:

Mr. Timothy Earl Nelson  
First Southwest, a Division of Hilltop Securities Inc.  
1201 Elm Street, Suite 3500  
Dallas, Texas 75270  
Phone: (512) 481-2022  
Fax: (512) 481-2010  
E-Mail: [tim.nelson@hilltopsecurities.com](mailto:tim.nelson@hilltopsecurities.com)

A copy of the application shall be provided to the Corporation's Legal Counsel (McCall Parkhurst & Horton):

Mr. Mark Malveaux  
McCall, Parkhurst & Horton L.L.P.  
717 N. Harwood, 9th Floor  
Dallas, TX 75201  
(214) 754-9200  
(214) 754-9250 (Fax)

A separate Application for Loan shall be filed for each residential development. The Corporation will consider such completed Application for Loan on scheduled meeting dates. Applications will be considered administratively complete when all required items are received by the Corporation. The requirements described herein are separate and apart from the requirements of the Corporation to obtaining multifamily bond financing for qualified residential rental projects. In order to apply for such financing from the Corporation a different application must be completed and submitted to the Corporation.

B. Preliminary Approval. If the Corporation, its Legal Counsel and Financial Advisor find that the Application is complete, the Corporation will cause to be provided to the Applicant a term sheet containing the significant terms and conditions to the Loan. After written acceptance of the term sheet by the Applicant, the Corporation will consider such completed Application for Loan and the adoption of resolution approving the Loan based on the terms and conditions contained in the term sheet on the next scheduled meeting date for which proper notice can be given. The Financial Advisor will notify the Applicant's contact of the date, time and place of the meeting. If requested by the Corporation, a representative of the Applicant may be required to appear at the Board of Directors' meeting to answer questions about the Project and the Loan. The Corporation's adoption of a resolution is only a statement of the Corporation's present intent and does not obligate the Corporation make the Loan. No person may represent, directly or indirectly, to a person, except the Texas Department of Housing and Community Affairs, that the Corporation has agreed to make the Loan to the Applicant.

C. Additional Filing Requirements. A requirement of the Corporation providing a Commitment Letter to applicant will be that the developer obtains a support resolution from Government with most local jurisdiction. Following the adoption by the Corporation of a resolution declaring the Corporation's intent to make the Loan to the Applicant, the Applicant shall file with the Corporation such additional materials as the Corporation in its sole discretion may request in writing.

D. Preparation of Documents. Upon approval of the Application for Loan and the adoption of the resolution authorizing the Corporation to make the Loan to the Applicant, Legal Counsel shall prepare and deliver to the Applicant the Loan documentation based on the terms and conditions contained in the term sheet approved by the Applicant and the Corporation. On or prior to the closing of the Loan, the Applicant shall deliver fully executed original signature pages to all loan documentation. Following such approval, the Corporation, the Applicant, and other parties involved in the transaction shall proceed to close the loan at a time and place to be determined mutually by the Corporation and the Applicant.

E. Rejection of Application. The Corporation may reject the Application for Loan in its sole discretion for any reason, including but not limited to, if it is not received by the Corporation on or before the deadline established by the Corporation; if it is not accompanied by the non-refundable Application fee and the non-refundable fees of Legal Counsel and Financial Advisor or if the Corporation determines that the Application is incomplete and the Applicant fails to complete the same within a reasonable time after the Corporation's request for completion.

F. Expiration of Application. An Application for Loan expires if it is withdrawn by the Applicant; if the Corporation does not adopt a resolution within 90 days from the date of the Application; or if the Applicant does not close on the financing for its Project by the date specified in the Application (unless such date is extended and agreed to by the Corporation in its sole discretion). The Corporation's actions taken on an Application for Loan become void when such Application for Loan expires but the provisions of the Indemnity Agreement shall survive any expiration.

G. Sale of Residential Developments. Any Loan made by the Corporation to the Applicant is not assumable and must be prepaid in full upon transfer of the Project.

#### IV. FEES AND COSTS

A. Application Fee. The Application Fee in the amount of \$6,000 is payable by check to the Corporation. In addition the following fees are due at the time the Application is filed: 5,000 payable to First Southwest Company as Financial Advisor and \$5,000 to McCall Parkhurst & Horton as Legal Counsel. Such amounts are not refundable once paid by the Applicant shall be applied by the Corporation, Financial Advisor and Legal Counsel to pay administrative costs incurred by the Corporation and for financial and legal services in connection with the processing of such Application for Loan.

B. Interest Rate Lock Fee. In the event the Project advances to the stage at which time a Commitment Letter for the Loan is requested and the Corporation determines to provide a Commitment Letter, an Interest Rate will be established in conjunction with the Commitment Letter. An Interest Rate Lock Fee of \$5,000 will be due to the Corporation prior to the release of the Commitment Letter. In addition, the following professional processing fees are payable by a check in the amount; \$1,500 payable to the Financial Advisor; \$1,500 payable to Legal Counsel to the Corporation and \$1,500 payable to the Corporation. Such amounts shall be applied by the Corporation, Financial Advisor and Legal Counsel to pay administrative costs incurred by the Corporation and for legal services in connection with the processing and funding reserve requirements of such Commitment for the Loan. Such amounts are not refundable once paid by the Applicant and shall be applied by the Corporation, the Financial Advisor and Legal Counsel to pay administrative costs incurred by the Corporation and for financial and legal services in connection with the processing and funding reserve requirements of such Commitment Letter.

C. Closing Fees and Costs. The Corporation's professionals reserve the right to request and receive an escrow deposit to cover actual out-of-pocket time expended and out-of-pocket expenses for any significant additional work during such Loan process prior to Loan closing, including, but not limited to such items as additional required letters, term sheets and other matters which may arise. The Applicant is responsible for Legal Counsel and Financial Advisor fees and expenses in connection with closing the Loan. All of these fees and costs are payable at closing. The minimum fees are as follows:

Legal Counsel:           \$12,500

Financial Advisor:       \$12,500

Lender Origination Fee: 2% of loan amount

Rate:                       not-to-exceed 3% per annum

EXHIBIT A  
APPLICATION FOR LOAN

<u>For Use by Corporation Only:</u>  Application No.: _____ Date Received: _____ Date Admin. Complete: _____ Resolution Date: _____ Closing Deadline: _____ Closing/Withdrawal Date: _____		<u>Intake Checklist</u>  Signed Application _____ All Fees Received _____ Questionnaire Complete _____ Indemnity Signed _____ Admin. Complete _____
---	--	---

TO: North Central Texas Housing Finance Corporation

I, the undersigned duly authorized representative of \_\_\_\_\_ (the "Applicant"), do hereby make application to North Central Texas Housing Finance Corporation (the "Corporation") in accordance with the Corporation's Rules for Loans in Connection with Obtaining Tax Credits for Multifamily Residential Rental Projects (the "Rules"). In connection therewith, I do hereby declare and represent as follows:

1. The Applicant intends to (check all that apply)
  - ( ) develop, construct and operate
  - ( ) acquire, rehabilitate and operate

a multifamily rental residential development to be located entirely within the Sponsoring Political Subdivisions (as defined in the Rules) (the "Project"), and desires that the Corporation make a loan to the Applicant to facilitate the Applicant's receipt of tax credits from the Texas Department of Housing and Community Affairs in connection with such Project.

2. The Applicant desires a loan from the Corporation in the principal amount of \$\_\_\_\_\_ and requests that proceeds of the Loan be paid to the Applicant on \_\_\_\_\_, 20\_\_.

3. The Applicant intends to close the financing for the proposed residential development on \_\_\_\_\_, 200\_\_.

4. The Applicant has received a copy of and reviewed the Rules, 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 or its President.

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

6. The Applicant has submitted herewith an executed copy of the Indemnity Agreement attached to the Rules as Exhibit "C" and the Applicant has sufficient financial resources to fulfill any obligations that may arise under the Indemnity Agreement.

7. The Applicant has submitted herewith the non-refundable Application Fee in amount of \$6,000 to the Corporation; and review fees of Bond Counsel in the amount of \$5,000, and the fees of Financial Advisor in the amount of \$5,000.

Based on the foregoing, the Applicant requests preliminary approval of this Application for Loan in accordance with the Rules.

\_\_\_\_\_  
(Name of Applicant)

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

Name: \_\_\_\_\_

Title \_\_\_\_\_

EXHIBIT B

NORTH CENTRAL TEXAS HOUSING FINANCE CORPORATION  
RESIDENTIAL DEVELOPMENT FINANCING QUESTIONNAIRE

I. INFORMATION RELATING TO THE APPLICANT

1. Owner / Applicant Information:

Full Legal Name \_\_\_\_\_  
Mailing Address (street) \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_  
Soc. Sec. # or Fed. I.D. # \_\_\_\_\_

2. a. Form of organization of the Applicant (Attach organizational documents).

- \_\_\_\_\_ For Profit Corporation
- \_\_\_\_\_ Limited Liability Company
- \_\_\_\_\_ Limited Partnership
- \_\_\_\_\_ General Partnership
- \_\_\_\_\_ Sole Proprietorship
- \_\_\_\_\_ 501 (c) (3) not-for-profit Corporation
- \_\_\_\_\_ Governmental Entity

b. If the Applicant is a 501 (c) (3) not-for-profit corporation, please attach a copy of the IRS determination letter, the application to the IRS requesting the determination letter, and the articles of incorporation and bylaws of the Applicant.

3. Indicate the state under whose laws the Applicant is organized and the date of organization. Also please provide the necessary evidence under Texas and any other state law that the Applicant is in good standing in the state of organization and is authorized to conduct business in the State of Texas.

If the Applicant is a corporation or limited liability company identify its officers and directors and indicate their titles. If the Applicant is a partnership, identify all of its general partners.

5. Name and address of all persons or entities that own a 10% or greater interest in the Applicant.

6. Name, address and telephone number of the representative of the Applicant with whom the Corporation and its consultants should communicate.

7. Development Team Information:

- a. Tax Credit Investor (Firm) \_\_\_\_\_  
Contact Person \_\_\_\_\_  
Address \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_
- b. Tax Credit Investor Counsel (Firm) \_\_\_\_\_  
Contact Person \_\_\_\_\_  
Address \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_
- c. Owner's Attorney (Firm) \_\_\_\_\_  
Contact Person \_\_\_\_\_  
Address \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

d. Contractor (Firm) \_\_\_\_\_  
Contact Person \_\_\_\_\_  
Address \_\_\_\_\_  
Phone Fax \_\_\_\_\_

e. Architect (Firm) \_\_\_\_\_  
Contact Person \_\_\_\_\_  
Address \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_

f. Management Entity (Firm) \_\_\_\_\_  
Contact Person \_\_\_\_\_  
Address \_\_\_\_\_  
Phone \_\_\_\_\_ Fax \_\_\_\_\_

g. Name, address, email address, and telephone number of any financial consultant, investment banker, or mortgage banker advising the Applicant in connection with the Project.

8. Summarize prior development, ownership and management experience of the Applicant or its principals, indicating date of project, type of project, location of project, and method of financing.

9. Does the Applicant anticipate entering into a profits participation or joint venture agreement with a financial institution or other party with regard to the Project? If so, explain and attach any agreements between the parties.

10. Does the Applicant intend to apply for property tax abatement in connection with the Project?

11. Please provide financial statements in a form satisfactory to the Financial Advisor including statements with respect to entities or persons acting as general partner, principal, or persons or entities active as owners of 10% of the stock or interest in any corporation, limited liability company, partnership, or other entity, respectively.

12. Has the Applicant or any person or entity owning a 10% or greater interest in the Applicant ever failed to pay, when due, applicable local, state, or federal taxes? If so, please detail the facts surrounding such failure and the current status of any such failed payment. (Attach separate sheet if necessary)

## II. INFORMATION RELATING TO THE PROJECT

1. Street address and description of exact location of the Project site. Please attach a legal description of the boundaries of the Project site and a map of the area with the Project site highlighted.

2. Describe any existing improvements or structures presently located on the Project site. If none, please write "none."

3. Indicate the approximate size (in acres or square feet) of the Project site.

4. Does the Applicant now own the Project or Project site?  
 Yes  No

5. If the Applicant presently owns the Project or Project site, indicate:

Purchase Date: \_\_\_\_\_

Purchase Price: \_\_\_\_\_

Balance of Existing Mortgage: \_\_\_\_\_

Holder of Existing Mortgage: \_\_\_\_\_

Attach a copy of the deed or other evidence of title in the Applicant to this Application.

6. If the Applicant presently holds an option to purchase the Project or Project site, indicate:

Present Owner: \_\_\_\_\_

Date of Option Agreement: \_\_\_\_\_

Purchase Price: \_\_\_\_\_

Expiration Date of Option Agreement: \_\_\_\_\_

Attach a copy of such option to this Application.

7. If the Applicant has executed a contract to purchase the Project or Project site, indicate:

Present Owner: \_\_\_\_\_

Date of Contract: \_\_\_\_\_

Purchase Price: \_\_\_\_\_

Settlement Date: \_\_\_\_\_

Attach a copy of such contract this Application.

8. If the Applicant does not presently own the Project or the Project site, please describe any relationship which exists by virtue of common control or ownership between the Applicant and the present owner of the Project or Project site. If none, please write "none." Attach a copy of documents demonstrating such relationship to this Application.

9. What is the present number and general description of residential units on the Project site. If none. Please write "none".

10. Does the Project consist of additions to and/or renovation and rehabilitation of existing units?

\_\_\_\_\_ Yes      \_\_\_\_\_ No

If yes, answer the following questions: (Attach separate sheets as necessary.)

(a) Age of units:

(b) Describe the proposed additions and improvements to be made. Include a description of the type of improvements and amount to be spent per unit and for common areas.

(c) Provide data on present vacancy rates and rents by unit size.

(d) Attach recent photos of the Project.

(e) List a breakdown for total project improvements by cost and category.

11. Indicate the number, type (number of bedrooms and bathrooms), approximate size (square footage), and projected monthly rents of the dwelling units included or to be included in the Project.



New Construction Hard Costs	
Rehabilitation Hard Costs	
Contractor Overhead	
Contractor Profit	
Construction Contingency	
Architect Fee - Design	
Architect Fee - Supervision	
Permits	
Construction Insurance	
Construction Interest	
Loan Origination - Construction	
Loan Origination - Permanent	
Credit Enhancement Fees	
Taxes	
Title and Recording	
Property Appraisal	
Market Study	
Environmental Study	
Start Up - Marketing	
Surveys and Soil Testing	
Organizational	
Bridge Loan Fees	
Tax Opinion	
Developer's Overhead	
Developer's Fee	
Rent-up Reserve	
Operating Reserve	

Cost of Issuance	
Other	
Other	
Other	
Other	
Total Development Costs	

18. Indicate the percentage of the Project costs for which the Applicant will obtain financing and the amount of equity investment in the Project which the Applicant proposes to make.

19. Indicate the type and amount of costs expended (including orders for any Project equipment or furnishings) with respect to the Project to the current date. If none, please write "none."

20. Have any costs (including orders for any Project equipment or furnishings) been incurred but not paid? If yes, identify and explain, including the date each expenditure was made.

21. Describe any restrictions to be imposed by the Applicant on Project tenants, including family size, pets or others.

22. Management Information: Attach information concerning prior management experience of the management entity including projects managed, number of units in each project and number of years of multifamily residential rental management. Estimate the fee to be paid to such management entity.

23. State best estimates as to the minimum family income levels of the expected tenants required in order to pay anticipated monthly rent amounts.

24. Indicate number of residences or businesses displaced by construction or rehabilitation of the Project, if any. (If none, please write "None.") Describe procedures to be used to minimize impact of any displacement. If relocation is necessary attach Relocation Plan.

### III. INFORMATION RELATING TO CONSTRUCTION

1. Has construction of the Project begun?  
 Yes                       No

If yes, give date construction began: \_\_\_\_\_

If no, give estimated date for commencement of construction: \_\_\_\_\_

2. State estimated date of completion: \_\_\_\_\_

3. State estimated date Project will be initially available for occupancy: \_\_\_\_\_

4. Contractor Information: Attach information concerning projects previously completed by the contractor. Include location, year of completion, and number of units and approximate construction cost of each project.

5. Architect Information: Attach information concerning projects designed by the architect.

#### IV. INFORMATION RELATING TO THE FINANCING

1. Indicate any other rent supplement, loan guarantee, grant or mortgage insurance for which the Applicant has made, or intends to make, application with respect to the Project. If none, please write "none."

2. Please describe all sources of financing for the Project.

EXHIBIT C

INDEMNITY AGREEMENT

North Central Texas Housing Finance Corporation

\_\_\_\_\_ (the Applicant") has filed or is concurrently filing with North Central Texas Housing Finance Corporation (the "Corporation") an Application for Loan in accordance with the Corporation's Rules for Loans in Connection with Obtaining Tax Credits for Multifamily Residential Rental Projects. For the purpose of inducing the Corporation to accept, review and act upon the Application for Loan and to make the loan therein contemplated, the Applicant hereby agrees to indemnify and hold harmless the Corporation, its officers, directors, employees, agents, advisors, attorneys, consultants, and representatives, from and 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 the Application for Loan, or the delivery of the Loan therein contemplated, or the design, acquisition, construction, rehabilitation, installation, operation, use, occupancy, maintenance or operation of the residential development described in the Application for Loan. The Applicant understands that the Corporation is under no obligation to make the Loan and may withdraw its intention so to do at any time in its sole determination, that the Rules may be amended, revised, repealed, or otherwise altered by a majority of the Board of Directors at any time and from time to time and with or without notice, that the Corporation reserved the right to impose additional requirements at any time and from time to time with respect to the Loan and/or the Project, that the fees paid to the Corporation and the Corporation's consultants and advisors are non-refundable once paid, and that the Corporation's adoption of the resolution is only a statement of the Corporation's present intent and does not obligate the Corporation to make the Loan. It is expressly agreed that the provisions of the Indemnity Agreement shall survive any approval or disapproval of such Application for Loan and the delivery of or failure to delivery any such Loan.

This Indemnity Agreement shall be effective upon its execution by the Applicant this \_\_\_\_\_, and its acceptance by the Corporation as indicated by its execution below.

\_\_\_\_\_  
(Name of Applicant)  
[Must be an entity with sufficient financial resources to fulfill the potential obligations of this indemnity agreement]

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ACCEPTED THIS \_\_\_\_\_.

NORTH CENTRAL TEXAS HOUSING FINANCE CORPORATION

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_