



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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OFFICE OF PUBLIC HOUSING

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Mr. Brad Mc Murray  
Asset Manager  
San Antonio Housing Authority  
818 S. Flores Street  
P. O. Box 1300  
San Antonio, TX 78295-1300

Dear Mr. McMurray:

Enclosed is the executed copy of the Implementing Agreement (Part I) for your recently approved Section 32 Homeownership Plan. The Department wishes you continued success in implementing your Homeownership Program.

A copy of this letter has also been mailed to your local HUD Office. Should you have any questions regarding this matter, please contact Phaedra Mapp, Public Housing Revitalization Specialist, Special Applications Center, at (312) 886-9754 extension 2324.

Sincerely,

A handwritten signature in cursive script that reads "Ainars Rodins".

Ainars Rodins, P. E.  
Director

Enclosure

## Section 32 Homeownership Program

### **Introduction**

Since early 1937, when the City Commissioners (city council) adopted a resolution creating the Housing Authority of the City of San Antonio, Texas (better known as SAHA), its Board of Commissioners and staff have been dedicated to providing services in an ever-changing environment.

Through a half-century of economic, social, political change and urban growth in San Antonio, SAHA has remained steadfastly dedicated to providing safe, decent and sanitary housing for the city's low-income population families, senior citizens and people with special needs.

**SAHA's MISSION STATEMENT** clearly outlines the organization's vision and the values by which that vision will be achieved:

**The San Antonio Housing Authority is committed to building and maintaining affordable housing for the citizens in our community. We seek to create safe neighborhoods by partnering with individuals and organizations to provide housing, education and employment opportunities for families of modest means to become self-sufficient and improve their quality of life. We shall serve our clients and all citizens with the highest level of professionalism, compassion and respect.**

Homeownership is the primary means of long-term wealth accumulation and financial security for most American families and plays an important role in promoting neighborhood stability and civic engagement. However, the opportunities of homeownership remain beyond the reach of many low- and moderate-income households. Minority households face additional barriers, particularly in the well-documented disparities in lending patterns. Our Homeownership Program is a modest attempt to reverse this pattern.

SAHA is proposing to HUD for its approval a new homeownership program in compliance with Section 32 of the United States Housing Act of 1937 (42 U.S.C. 1437z-4)(the Act). This new program replaces the homeownership program authorized under Section 5(h) of the Act. SAHA believes this new Section 32 sets more specific restrictions and legal guidelines that adequately ensure compliance with HOPE VI goals.

Pursuant to Section 32, SAHA will make available the housing units and land/lots that have been developed, partially developed, or acquired in connection with SAHA's HOPE VI grants.

### **A. Method of Sale**

The new homeownership program will offer two options – (1) **down payment assistance** in the form of “hard” second mortgages to eligible first-time homebuyers, and (2) SAHA will offer its **lease-purchase program**. More detailed descriptions of these two methods are contained in **Exhibits A and B**, respectively. As part of this effort the San Antonio

HOPE VI Foundation (SAHF), a charitable foundation created by SAHA, will administer this program.

The homeownership program is designed to assist low- and moderate-income families whose incomes are at or below 80% of Area Median Income (AMI).

The policies and procedures are based on current information and may change or be amended as necessary to comply with federal or local policies. If modifications are made, HUD's approval will be requested.

## B. Property Description

The total units available for sale are 171 single-family residences under SAHA's Lease-Purchase program at Mirasol, Victoria Courts and Springview scattered offsite and 70 single-family homes in Springview's Parade of Homes. The units range from three- to five- bedroom homes with central heat and air and vary in size from 1,200 to 1,700 square feet. Also included are 13 lots and 39 condos/townhomes at the site of the former Victoria Courts. The following table provides details on the available units.

**TABLE 1**

Entity	Dev. #	Name	Type	#Units	1Br	2Br	3Br	4Br	5Br
Springview	TX59-P006-125	Springview Scattered Sites	Varied	16			16	0	0
Mirasol	TX59-P006-132	South San Joaquin	Scattered Sites	17			11 1*	5	0
Mirasol	TX59-P006-131	Blueridge	Subdiv.	79			59 4*	12	4
Mirasol	TX59-P006-134	Fortuna	Subdiv.	38			23 3*	8	4
Mirasol	TX59-P006-133	Palm Lake	Subdiv.	12			9 1*	2	0
Springview	TX59-P006-135	Parade of Homes Lease Purchase Units	Subdiv.	9			7	2	0
Springview		Parade of Homes Phase I Private Sell	Subdiv.	18					
Springview		Parade of Homes Phase II	Subdiv.	52					
Victoria Courts /Lots			Subdiv.	13			8	5	0
Victoria Courts Condos/ Townhomes			Subdiv.	39	6	20	13	0	0
Total Number of Units (Excludes homes that have been sold or are under contract)				293	6	20	209 9*	41	8

1. The units to be purchased **must be** located within the San Antonio city limits. Most properties will be properties that have been acquired, partially developed, or will be sold with the benefit of HOPE VI funds from the Mirasol, Springview, and Victoria Courts grants.
2. The properties sold under the program will be sold only to eligible families whose incomes are at or below the 80% AMI level.
3. The property must meet all federal, state, and city standards for occupancy and environmental issues.
4. If the property to be purchased is located in a flood prone area (FPZ), the homeowner **must maintain flood insurance for the term of the loan.**
5. Second-Time assistance for the same household is **not** available.

### **C. Repair or Rehabilitation**

Most homes are new or recently constructed (past 3 years) or developed lots. Any repair costs are expected to be minimal. The homeowner will perform routine maintenance not covered by warranty with training provided through home repair and preventive maintenance workshops sponsored by SAHA.

### **D. Purchaser Eligibility and Selection**

To be eligible for participation in the homeownership assistance program, clients must meet **all** the following criteria:

1. The household's gross annual household income **cannot** exceed eighty percent (**80%**) of the area median income. Household income consists of all money received or earned by any person 18 years of age or older who currently resides (see Table II) with the purchaser or who WILL reside in the structure to be purchased. This includes all consistent income earned, i.e. part-time employment, overtime, child support, bonuses, SSI etc. SAHA reserves the right to re-verify the household's gross income if more than 3 months has lapsed from the initial qualification of the borrower.

**TABLE II**  
**Income Eligibility Table**

Household Size	0% - 30%	30% - 50%	50% - 60%	60% - 80%
1	\$10,600	\$17,700	\$21,200	\$28,300
2	\$12,100	\$20,200	\$24,250	\$32,300
3	\$13,650	\$22,750	\$27,250	\$36,350
4	\$15,150	\$25,250	\$30,300	\$40,400
5	\$16,350	\$27,250	\$32,700	\$43,650
6	\$17,550	\$29,300	\$35,150	\$46,850
7	\$18,800	\$31,300	\$37,550	\$50,100
8	\$20,000	\$33,350	\$40,000	\$53,350

\*Any amounts above the figures listed in a column will fall into the following column (to the right).

2. The borrower **must** be a first-time homebuyer, which is defined as a household that has **not** owned a home during the **three-year** period immediately prior to purchase with SAHF homeownership assistance. Two categories of applicants are exempt from the "first-time homebuyer" requirement:

(a) Displaced Homemaker

An adult individual (21+ years of age) who has not worked full-time, full-year in the labor force for a number of years, but has during such years worked primarily without remuneration to care for the home and family; **and** is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment,

(b) Single Parent

An unmarried or legally separated individual who has custody or joint custody of one or more minor children, or is pregnant at the time the property is occupied.

3. The borrower **must** occupy the home as their homestead and declare it as their homestead for tax purposes during the term of program assistance. Documents will contain a "due on sale" clause in the event of sale.

4. The borrower may **not** hold more than a cumulative total of **\$5,000** in savings or any other form of account (i.e. CD, money market, mutual funds, stock, etc.). This does not include restrictive retirement accounts. **Any funds over the \$5,000 must be used by participants for closing costs and pre-paid expenses.** The amount of assistance available to a household will be reduced by the total of funds over the \$5,000.

5. Purchaser **must** attend a certified homebuyer's training/counseling session and must submit a certificate of completion form.

6. Each applicant must provide its own resources, other than grants, gifts, contributions, or similar amounts, to contribute an amount of the down payment assistance that is not less than one (1) percent of the purchase price of the home.
7. Purchaser must deposit a **minimum** of \$500 in earnest money received by the title company.
8. Purchaser must demonstrate he/she is capable of assuming the financial obligations of homeownership and that the sum of the mortgage principal and interest, plus insurance, real estate taxes, utilities, maintenance, and other regularly recurring homeownership costs does not exceed 35 percent of the applicant's adjusted income.

## **E. Sale and Financing**

### THE STANDARDS AND PROCEDURES TO BE USED FOR HOMEOWNERSHIP APPLICATIONS

Persons who are interested in purchasing one of the properties must submit an application for that specific purpose, and those applications shall be handled separately from applications for other SAHA programs. Applications shall be subject to eligibility and preference factors. Processing shall be made in the order of receipt. Selected applications will be (a) forwarded to a financial institution to be processed for lender financing, or (b) if eligible, considered for a lease/ purchase contract with SAHA. Recommendations for either lease/purchase, below market second mortgages or for homeownership through a financial institution will be based on meeting eligibility criteria as established in the homeownership plan. Applications for homeownership shall not affect an applicant's place on any other SAHA waiting list.

SAHA will inform potential residents of the income range required and that income is only one of several factors of the loan underwriting or lease/purchase criteria. SAHA is aware that residents who are not within the income range will seek the opportunity to apply and SAHA will not deny those residents the opportunity to have their application forwarded to the financial institutions or in-house staff for review. However, the applicant will be informed that they still must meet the underwriting criteria of the program and if they could reach the end of the program and not qualify to buy and have to relocate. SAHA will incorporate affordability standards, which in essence limits eligibility to residents who are capable of assuming the financial obligations of homeownership.

The three major qualifying factors are job stability, credit status, and the annual income for the household. A math computation, which includes debt ratios, will be used to recommend acceptance or denial for the program. SAHA will monitor the program and may from time to time limit the availability of the second mortgage component and/or the lease-purchase component.

SAHA believes that it is reasonable to assume that it will be able to identify potential homebuyers.

It should be understood that eligibility to participate does not guarantee approval for the lease/purchase program or for lender financing. Eligibility in essence allows SAHA staff to proceed with the application process to ensure to the greatest extent practical that the best applications for homeownership are selected.

While income is a primary factor in selecting homebuyers, SAHA will also consider other factors in the selection process. These include rent payment history, employment history, good house keeping, demonstrated commitment to homeownership, and demonstrated good family interrelationships, and good relations with neighbors. In order to determine good interrelationships, SAHA staff will periodically check applicant/resident files to see if there are any reports of unacceptable behavior.

SAHA and SAHF will limit applicants to residents who are capable of assuming the financial obligations of homeownership, under minimum income standards for affordability, taking into account the unavailability of public housing operating subsidies and modernization funds after conveyance of property by the PHA. SAHA will incorporate as part of the eligibility process, the affordability standard in reference to the cost-to-income ratio based on mortgage principal and interest, plus insurance and real estate taxes (PIIT), including maintenance and utilities, which may not exceed thirty five percent (35%) of the applicant's adjusted income.

SAHA has incorporated this affordability standard as part of its homeownership plan. SAHA will also require that applicants have the ability to pay required amounts for closing, such as down payment and other normal closing costs chargeable to purchaser. Every portion of the monthly lease payment in excess of \$200 will be applied as a down payment against the purchase price of the property.

Eligibility will include residents that have been current with their lease obligations over a period of not less than six months. However, if a family has been in residence for less than six months, SAHA may at its own discretion, allow eligibility on a basis of lease compliance for a lesser period. This compliance will include, but is not limited to, payment of rents, other charges and reporting of all income that is pertinent to determination of rental charges as defined in HUD regulations and any subsidy that will be available for such payments. Residence will be required to comply with all rules and regulations consistent with other SAHA Section 8 Housing Choice Voucher and other lease programs.

## **F. Consultation with Residents and Purchasers**

The draft Section 32 Homeownership Program is an attachment to SAHA's Public Housing Agency (PHA) Plan. SAHA has held three meetings regarding the PHA Plan since December 9, 2003. The PHA Plan and all attachments have also been on public display in the lobby of SAHA's Central Office since January 15, 2004. No comments were received regarding the draft Section 32 Homeownership Program.

## **G. Counseling**

SAHA has partnered with Neighborhood Housing Services (NHS) Neighborhood Assistance Corporation of America (NACA) and Consumer Credit Counseling Services. SAHA in-house staff will provide budget counseling, ensure potential homebuyers are familiar with routine maintenance requirements, and provide home maintenance counseling classes.

## **H. Sale via PRE (not applicable)**

## **I. Non-purchasing residents**

Any public housing unit offered for sale under this homeownership program will be first offered to the resident occupying the unit. Should the resident choose not to purchase the unit, SAHA may move the tenant and offer the unit for sale to others. Except in cases of an imminent threat to health or safety, SAHA will not displace the tenant residing in the unit until SAHA provides a written notice to the tenant, at least 90 days prior to the date of displacement, advising the tenant that:

- a. The unit in which the tenant resides is to be sold;
- b. No transfer of possession of the unit will occur until the tenant is relocated;
- c. The tenant will be relocated to comparable housing meeting the requirements of 24 CFR 906.23(b);
- d. SAHA will pay for the actual costs and reasonable relocation expenses of the tenant; and
- e. SAHA will provide counseling to the tenant regarding the tenant's rights to comparable housing, including the tenant's right under the Fair Housing Act to choice of unit on a nondiscriminatory basis, without regard to race, color, religion, national origin, disability, age, sex, or familial status.

## **J. Sale Proceeds**

1. The term "sale proceeds" includes all payments made by purchaser for credit to the purchase price, (e.g., earnest money, down payments, payments out of proceeds of mortgage loans, and principal and interest payments under purchase-money mortgages), along with any amounts upon sale or resale and interest earned on all such receipts.
2. SAHF will target the funds to ensure the success of the plan and protect the interest of SAHF and SAHA.

3. SAHF, as the new Section 32 homeownership entity, will assume all the roles and responsibilities formerly provided by the SAHA Homeownership Corporation under the Section 5(b) homeownership program.
4. All sales proceeds will be used solely in the permitted manner described below to reiterate the homeownership process and expand more homeownership and affordable housing opportunities.
  - a. Reasonable administrative costs necessary to carry out the homeownership plan.
  - b. Reserves for SAHF to repurchase, repair and resale homes in the event of defaults under the defaults of the second mortgages and/or expiration of the lease-purchase agreements.
  - c. Second mortgage assistance for eligible purchasers.
  - d. Marketing costs to promote sales in the HOPE VI neighborhoods.
  - e. Construction or acquisition of additional dwellings for sale to low-income families or to assist such families in purchasing other dwellings from public or private owners.
  - f. Any other residual income may be applied to other SAHA affordable housing purposes.

#### **K. Records, Accounts and Reports**

SAHF will keep and maintain all relevant records and documentation regarding homeownership activities. The obligation will be passed on to any builder or third parties assisting SAHF in its homeownership activities, to include the collection of income verifications, copies of deed restrictions, and tracking of future sales.

#### **L. Budget**

A proforma for SAHF, the proposed HOPE VI foundation, is attached hereto as **Exhibit C**. This budget includes all Section 32 homeownership activities.

#### **M. Timetable**

SAHF has reviewed the current 5(h) homeownership program and provisions of Section 32 to submit this new Section 32 homeownership program. On December 11, 2003, the Board of Commissioners reviewed and provided an endorsement to the program. The following timeline establishes goals for implementation purposes:

- |          |   |
|----------|---|
| 12/11/03 | SAHA introduced San Antonio HOPE VI Foundation with elements of CSS and new homeownership program to Board of Commissioners for endorsement |
| 12/24/03 | SAHA submits program to HUD for preliminary review and comments   |

- 02/04/04 Program is presented to Resident Advisory Board Meeting and comments are incorporated
- 02/18/04 SAHA Board of Commissioners approves Board Resolutions in support of SAHF, new CSS and homeownership program
- 03/15/04 SAHA submits final program to HUD for review and final approval

#### **N. Deed Restriction**

Fee simple title to properties sold under the Section 32 Homeownership Program will be conveyed by a standard Special Warranty Deed commonly used in Texas. As required by 24 CFR 906.39(n), the deed will contain restrictions (1) requiring that the property be used as the buyer's principal residence [24 CFR 906.15(b)], and (2) providing for the recapture of net proceeds in the event of a sale by the homebuyer. **The proposed deed restriction may be found in the Supporting Documentation (Item I, Other Information).**

## SUPPORTING DOCUMENTATION

### A. Purchase and Resale Entities (PREs) Not applicable

### B. Physical Assessment

The properties involved in this program are all new construction. All such properties meet the physical standards described in 24 CFR 906.7. The properties will be inspected again immediately prior to sale.

### C. Feasibility

The vast majority of the eligible applicants for the Section 32 Homeownership Program will be participants in the low rent or Section 8 program. Therefore, the statistics provided are from those two client population groups.

#### Low Rent

The average income for all households is \$8,070, with female-headed families averaging \$7,662. White non-Hispanics earn an average of \$8,589, Blacks \$7,900, Indian/Alaskan \$14,868, Asian/Pacific \$2,220, and Hispanics \$8,048. Elderly have an average income of \$7,769.

Overall, the source of income for all households breaks down in the following manner: 72% received social security/pensions, 10% public assistance, 42% wages, and 21% other source of income.

#### Section 8

The average income for all households is \$8,731, with females averaging \$4,339, males \$3,758, White non-Hispanic \$4,800, Blacks \$7,620, Indian/Alaskan \$2,435, Asian/Pacific \$4,848, and Hispanics \$8,702. Overall, the source of income for all households breaks down in the following manner: 34% receive social security/pension, 10% public assistance, 35% wages, and 19% other source of income.

SAHA believes that, with the assistance provided, it will be able to dispose of each property to qualified buyers.

#### **D. PHA Performance in Homeownership**

SAHA believes it has the demonstrated capability to implement a Section 32 homeownership program as evidenced in its Lease-Purchase program and lot development activities. SAHA has constructed or acquired 191 homes under its Mirasol and Springview projects, of which 120 homes are occupied and available for purchase under the program. Additionally, seven homes have already been sold and 12 are under contract in the first year of its implementation, and SAHA is effecting the development of an additional 118 homes at Springview.

#### **Coordination With Other SAHA Programs**

SAHA will continue to honor the current lease-purchase agreements in effect. SAHA's Lease-Purchase program will be incorporated into this new homeownership program as an option to be used in limited cases. If a resident gives notice under their lease-purchase agreement of their intent not to purchase or their lease expires, they will be required to relocate and the home will be placed for sale. Subsequent eligible buyers will be able to acquire the home utilizing only the second mortgage program.

If a lessee opts not to purchase their home, they will be required to pay all deposits, outstanding balances such as rent and maintenance charges, and any moving expenses. The resident will be given an opportunity to relocate in another Public Housing or Section 8 property through the SAHA transfer requirements.

SAHA is requesting a waiver from the current transfer requirement that places transferred individuals at the bottom of the Section 8 waiting list. SAHA would prefer to place individuals who took part in the Lease-Purchase program on "Next Available" status for the waiting list.

#### **Section 32 Compliance for Third Party Sellers**

In order to promote its goals of creating replacement housing in its HOPE VI project neighborhoods, SAHA can extend benefits of its homeownership program to the purchase of homes owned by a third party seller. In the event that the benefits of the program are extended, the third party sellers will be required to provide their own funding sources and deed restrict the sale of homes to income eligible owner-occupants.

SAHA will adopt the following guidelines to ensure proper compliance with Section 32 principles.

- i. A deed restriction will be placed on all parcels of land providing that the property must be sold or otherwise transferred only to income-eligible families.
- ii. The developer will have to provide an accountability report on a quarterly basis demonstrating compliance with the income eligibility requirements.

iii. The developer will provide assurances that the units will be sold on a nondiscriminatory basis.

iv. The developer will provide all records as required by HUD.

#### **E. Nondiscrimination Certification**

As required by 24 CFR 906.40(c), SAHA hereby certifies that it will administer the plan on a nondiscriminatory basis, in accordance with the Fair Housing Act, Title VI of the Civil Rights Act of 1964, Executive Order 11063, other authorities cited in 24 CFR 5.105(a), and the implementing regulations, and will assure compliance with those requirements by any other entity that may assume substantial responsibilities for implementing the program.

#### **F. Legal Opinion**

The required legal opinion is attached hereto as Exhibit D.

#### **G. Board Resolution**

The adopted board resolution is attached hereto as Exhibit E.

#### **H. Section 8(y)**

SAHA does currently administer a Section 8(y) homeownership program. Participants in that program may use that assistance to purchase one of the properties described in this Section 32 program. The certification required by 24 CFR 906.40(h) is attached hereto as Exhibit F.

#### **I. Other Information**

Deed restriction required by 24 CFR 906.39(n)

All deeds used in the Section 32 program will contain restrictions substantially as follows:

1. Grantee, by acceptance and recordation of this instrument, warrants and represents that the Property will be used as Grantee's principal residence, as required by the Section 32 Homeownership Program regulations at 24 CFR 906.15(b).

**2. Grantee, by acceptance and recording of this instrument, understands and agrees to the following provision. The term "net proceeds" as used below shall have the meaning given to such term in 24 C.F.R. 906.27:**

**To the extent Grantee shall be entitled to receive net proceeds from a future sale of the Property, the following portion of the net proceeds shall be due to and payable to Grantor or its successor or designee:**

- a. If the sale occurs prior to the first anniversary date of this deed: 100%.**
- b. If the sale occurs on or after the first anniversary date of this deed but prior to the second anniversary date: 80%**
- c. If the sale occurs on or after the second anniversary date of this deed but prior to the third anniversary date: 60%**
- d. If the sale occurs on or after the third anniversary date of this deed but prior to the fourth anniversary date: 40%**
- e. If the sale occurs on or after the fourth anniversary date of this deed but prior to the fifth anniversary date: 20%**

## EXHIBIT A

### Description of Second Mortgage Program

A second mortgage loan may be made available to qualified applicants that shall not exceed \$12,000. The loan shall bear interest at an annual rate of one percent (1%) with a term of 5, 10, 15, or 20 years. The assistance is secured by a second lien loan attached to the property with the balance due upon transfer of title or sale of the property. It will be subordinate only to a bona fide financial institution's first mortgage loan. This program may be used with other down payment assistance programs that provide "granted funds."

SAHA may retain a mortgage servicing company to represent the organization in processing mortgage payment collections and other requirements contained in the second mortgage.

**Unlike the lease/purchase program, the second mortgage program is not limited to public housing tenants, recipients of Section 8 assistance, or those on a waiting list for those programs. Participants in the second mortgage program must, however, meet the other requirements described in Section D above.**

During the term of the loan, the following conditions will constitute **defaults**, which may at the option of SAHA or SAHF cause the entire amount of the Second Mortgage to become immediately due and payable if not cured within thirty (30) days of notice to the homeowner:

- a. Failure to make timely payments of all amounts pursuant to the second mortgage note and deed of trust.
- b. Failure to make timely payments of all amounts pursuant to the first mortgage note and deed of trust.
- c. Failure of the borrower to occupy the home and claim it as their homestead.
- d. Failure to maintain the property in a safe, sanitary and decent condition, in accordance with City of San Antonio Building Codes and applicable ordinances.
- e. Failure to pay all property taxes and assessments when due.
- g. Failure to maintain adequate insurance on the property, including, at a minimum, fire and extended coverage (**and flood insurance, if applicable**) in

an amount equal to the first and second mortgage loans. Purchaser is required to name SAHA or SAHF as applicable, as co-insured, and to forward a copy of the insurance policy immediately upon each renewal of the policy and no less than on an annual basis to SAHA or SAHF at 818 S. Flores, San Antonio, TX 78204 or such other address as may be designated in writing. Said copy shall be provided at least one month of renewal and/or modifications. The insurance company must agree to give SAHA or SAHF at least 10 days notice of any proposed cancellation of the policy.

Applicants for down payment assistance must qualify for an FHA-insured 203B, 203K, VA or conventional loan from a bona fide institutional lender. Applicants who succeed in obtaining a loan must arrange to escrow property taxes and insurance expenses on a monthly basis with their first mortgage lender.

#### AFFIRMATIVE FAIR HOUSING MARKETING STRATEGY

Affirmative efforts will be made to notify eligible families of the availability of properties through the second mortgage program. These efforts will include:

1. Newspaper advertisements in English and Spanish
  2. Public service TV and radio ads in English and Spanish
  3. Notices to local nonprofit organizations involved in affordable housing
  4. Notices to former tenants of the HOPE VI projects
  5. Notices to organizations providing services to those with disabilities
- Other media deemed appropriate to reach eligible prospective purchasers.

## EXHIBIT B

### Description of Lease Purchase Program

SAHA and SAHF will utilize this plan in selected cases.

After initial screening and the determination that the families have met all requirements, they will be offered a lease/purchase contract with the ultimate objective being homeownership. The term of the lease will range between 30 days to 60 months. Families entering into a lease/purchase contract will pay 30% of their adjusted gross income according to public housing guidelines with \$200 being the "base rent" (minimum rent). Any portion of the payment beyond the base rent will be placed into the lessee's credit accumulation account. The rent will be increased annually \$75.00 for as long the family chooses to maintain the lease/purchase contract, with the base rent remaining the same while the amount of set aside funds in the credit accumulation account increases yearly. This enables the family to reduce the cost of the home by applying their accrued credit accumulation account towards the down payment so that it can be affordable to them once they are ready for permanent financing.

For example, if a family's portion (based on 30% of their adjusted gross family income) is \$300, \$200 is the base rent and \$100 is set aside monthly in a "Credit Accumulation Account" for the family. In future years, if \$300 was the family's monthly rent for year 1, then for year 2 the lease payment will increase to \$375 per month. So in year 2, \$175.00 per month is accrued in their accumulation account since \$200.00 remains the base rent for the family throughout the duration of the lease/purchase contract.

Residents of the re-revitalized developments as well as those who have applied were informed that SAHA would sell these homes to the residents at appraised value established shortly before the date of closing. However, creative financing mechanisms would take place once a person reached the end of the lease-purchase agreement. For example, if after their duration of the lease the family qualified for a mortgage which is less than the appraised price of the home, after applying their accumulation account to this sale, the San Antonio Housing Authority, will take a second lien for the remainder of the balance. A second lien will not exceed the amount of \$20,000.00 and must be repaid upon sale. After a 5-year period of occupancy from the date of purchase from SAHA, the debt will start to be forgiven based on years of occupancy at 10% per year. The 10% annual reduction will begin on the 6<sup>th</sup> anniversary of the sale of the property to the family.

Applicants for the lease/purchase program must be (a) residents receiving assistance under Section 8, (b) current public housing tenants, or (c) on the waiting list for these programs. This restriction does not apply to the second mortgage program. Since this restriction does not cover all sales, an affirmative fair housing marketing strategy is required by 24 CFR 906.39(d).

The underwriting criteria for the SAHA lease/purchase program is similar to the mortgage underwriting process. Although the program is a gradual process, the probability that a family will be successful in homeownership must be high. The income amount is taken into consideration as well as job stability and credit worthiness. The lease/purchase program is flexible in that it will take into consideration imperfections in an applicant's credit report. Family members will be expected to payoff old debts during the lease/purchase period in order to re-establish or repair credit.

#### WHO IS ELIGIBLE TO PARTICIPATE IN THE LEASE/PURCHASE PROGRAM?

The following order of preference shall be observed for the lease/purchase program:

1. Former Spring View, Mirasol or Victoria Courts site residents who (a) are current public housing tenants or receive Section 8 assistance, and (b) are current in all of their lease obligations.
2. Family Self-Sufficiency (FSS) and/or Moving to Work (MTW) Participants who have completed job training and/or employment goals outlined in their FSS Contract of Participation (either Public Housing or Section 8 Residents) and are current in all of their Lease obligations.
3. All other public housing or Section 8 housing residents who are current in all of their lease obligations.
4. Families who are on the waiting list for public housing or the Section 8 housing programs.

All eligible applicants who require accommodations that are contained in a vacant unit will receive a priority for that unit over all other eligible families. In order to qualify in one of the above categories the resident must have been in lawful occupancy for a minimum of not less than (30) days. It is understood that residents of Section 8 must terminate their Housing Assistance Contract in accordance with all established procedures prior to entering the lease/purchase program. SAHA will also extend the eligibility to families on its waiting lists, if SAHA considers that it is needed to make a sufficient pool of eligible applicants for the purchase of units. Such non-resident applicants would also be subject to the requirement for admission to public housing, including the income limits and preferences for admissions.

**EXHIBIT C**

**BUDGET**



# San Antonio HOPE VI Foundation

Sources of Funds	Start-Up Funding	CY 2004 Operating Budget
Start-Up Funds from Miraval HOPE VI Per Budget Revision #4	\$1,875,000	
Start-Up Funds Springview HOPE VI Per Budget Revision #4		
Endowment Funds from Victoria Courts HOPE VI	\$555,000	
Funds from Single Family Home Sales Held By SA HomeOwnership Corp	\$475,000	
Accumulated Funds from Facility Operations at Miraval	\$110,000	
Interest Income	Rate = 3.000%	\$132,191
Sales Proceeds from Single Family Sales		\$2,813,500
Income from Servicing of Second Mortgages (Down Payment Assistance Program)		\$58,692
Mortgage Prepayments		
Net Operating Income from the Service Facilities		\$25,000
Home Ownership Program Grants/Matching Funds (HOM: Funds etc)		
Other Grant/Foundation Sources of Revenue		\$0
Invested Reserves For Future Programs, Loan Defaults and Cash Flow Management		\$4,585,000
<b>Total Sources of Funds</b>	<b>\$4,585,000</b>	<b>\$7,614,383</b>

## Uses of Funds

Invested Reserves For Future Programs, Loan Defaults and Cash Flow Management	\$4,585,000	\$4,406,363
Reserve For Miraval Parcel "B" Environmental Remediation		
Reserve for Springview South Multi-family Construction Contract Open Issues		
Reserve for North Multi-family Architectural-Construction Issues		
Springview Parade of Homes Marketing Program		\$40,000
Development Cost Phase III Springview Parade of Homes		
Marketing Expense for Homeownership Program		\$30,000
Home Ownership Plan - Down Payment Assistance/Soft Second Mortgages		\$866,200
Distributions to SAHA For Equity to Construct Affordable Housing		\$1,947,300
Fund a Core Staff of Support Service Professionals		
CSS Manager - Annual Salary \$45,100 + Benefits (27%)		\$45,100
CSS Manager - Annual Salary \$45,100 + Benefits (27%)		\$45,100
HomeOwnership Manager - Annual Salary \$45,100 + Benefits (27%)		\$45,100
HomeOwnership Manager - Annual Salary \$45,100 + Benefits (27%)		\$45,100
Administrative Support Salary - Annual Salary \$23,000 + Benefits (27%)		\$29,120
San Antonio HOPE VI Foundation Scholarships (for residents of HOPE VI communities)		\$10,000
Child Care Support Grants		\$50,000
Marketing Expenses to Expand the Network of Service Providers		\$25,000
Foundation General & Administrative Expense		\$30,000
<b>Total Sources of Funds</b>	<b>\$4,585,000</b>	<b>\$7,614,383</b>

Home Sales	# Units	Price Per Unit	Total Funding Required			
Miraval Subdivisions	150	\$ 71,500	\$ 10,725,000	\$	2,145,000	30
Springview Off-Site Houses	21	\$ 75,000	\$ 1,575,000	\$	750,000	10
Springview (Lae-Purchase Homes)	10	\$ 80,000	\$ 800,000	\$	160,000	2
Springview Parade of Homes Phase I	18					
Springview Lot Sales Phase II	52	\$ 1,500	\$ 78,000	\$	37,500	25
Springview Lot Sales Phase III	64	\$ 1,500	\$ 96,000	\$	-	
Springview Undeveloped Lot Sales	43	\$ 3,000	\$ 129,000	\$	15,000	5
Less: Estimated Closing Cost (Finished Houses Only)	181	\$ 500	\$ (90,500)	\$	(21,000)	42
Less: Estimated Make-Ready (Finished Houses Only)	181	\$ 4,000	\$ (724,000)	\$	(168,000)	42
Less: Reserve for Warranty Repairs Miraval Target Only	181	\$ 2,500	\$ (452,500)	\$	(105,000)	42
<b>Net Proceeds From Sales</b>	<b>358</b>		<b>\$ 12,136,000</b>	<b>\$</b>	<b>2,813,500</b>	<b>5</b>
<b>Second Mortgage/Down Payment Assistance Program Cost</b>						
Miraval Subdivisions	150	\$ 12,000	\$ 1,800,000	\$	360,000	30
Springview Off-Site Houses	21	\$ 12,000	\$ 252,000	\$	120,000	10
Springview (Lae-Purchase Homes)	10	\$ 12,000	\$ 120,000	\$	24,000	2
Springview Parade of Homes Phase I	18	\$ 12,000	\$ 216,000	\$	168,000	14
Springview Parade of Homes Phase II	52	\$ 12,000	\$ 624,000	\$	180,000	15
Springview Parade of Homes Phase III	64	\$ 12,000	\$ 768,000	\$	-	0
Mortgage Underwriting Expense	315	\$ 200	\$ 63,000	\$	14,200	71
<b>Total Cost of Down Payment Assistance Program</b>			<b>\$ 3,843,000</b>	<b>\$</b>	<b>866,200</b>	<b>5</b>
<b>Net Program Proceeds Available for Other Affordable Housing Projects</b>			<b>\$ 8,293,000</b>	<b>\$</b>	<b>1,947,300</b>	<b>5</b>

<b>Proforma Mortgage Servicing Revenues</b>			
Program Interest Rate	1.000%	\$	109,231.23
Term (Years)	20		\$
Payment	\$130.82		
Less: Mortgage Servicing Expense	2.000%	(\$2.62)	
Mortgage Principle and Interest Payment	\$128.21		
		\$	109,231.23
Legal Expense		\$	15,000.00
Default Factor	60.000%	\$	(65,538.74)
Income From Mortgage Servicing		\$	58,692.49

**EXHIBIT D**  
**LEGAL OPINION**

# ESCAMILLA & FONECK, INC.

Attorneys and Counselors  
100 Travis Park Plaza Building  
711 Navarro  
San Antonio, Texas 78205  
P. O. Box 200 (18471-0200)  
(210) 225-0001 · Fax (210) 225-0041

March 9, 2004

**Via Hand-Delivery**

Mr. Phil Nelson  
Chairman, Board of Commissioners  
San Antonio Housing Authority  
818 South Flores  
San Antonio, Texas 78204

Re: Homeownership Plan—Section 32 Program

Dear Chairman Nelson:

At the request of Bill Phillips, Vice President of Asset Management, I have reviewed the proposed Section 32 Homeownership Program, Resolution 4693, Approving a Section 32 Homeownership Program; the Submission of the Section 32 Homeownership Program to HUD for its Approval; the Execution of a Written Implementing Agreement with HUD; and Authorizing all Action Necessary to Secure HUD Approval of the Program and its Implementation, and the applicable Code of Federal Regulations provisions for the Section 32 Homeownership Program, as well as other applicable laws and regulations.

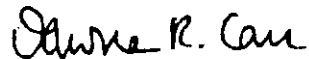
It is my legal opinion that the Program document submitted to the SAHA Board of Commissioners on March 4, 2004 sets forth a plan which meets the legal requirements of a Section 32 Homeownership Plan as defined in 24 C.F.R. Part 906 by defining San Antonio Housing Authority's criteria for:

1. Eligibility and selection of participants (Section 906.15);
2. Sales and Financing;
3. Consultation with Residents and Purchasers;
4. Counseling;
5. Sales via Purchase and Resale Entity (not applicable);
6. Non-purchasing Residents;
7. Sale Proceeds (Section 906.27);
8. Records, Accounts and Reports;
9. Budget;
10. Timetable; and
11. Deed Restrictions.

Mr. Phil Nelson  
Page 2  
March 9, 2004

furthermore, the Program document ensures compliance and is consistent with applicable federal, state and local laws, rules and regulations, including existing contracts. If any revisions or amendments are made to the Program document, we must review those revisions and amendments in order to opine on the continued compliance with the applicable laws and regulations.

Very truly yours,



Dawna R. Carr

DRC/cda

cc: Mr. Melvin L. Braziel  
President & CEO  
(via hand-delivery)

~~Mr.~~ Bill Phillips  
Vice President Asset Management  
(via hand-delivery)

Board of Commissioners  
(via First Class mail)

**EXHIBIT E**

**BOARD RESOLUTION**

**San Antonio Housing Authority**

**Resolution No. 4693**

**APPROVING A SECTION 32 HOMEOWNERSHIP PROGRAM; THE SUBMISSION OF THE SECTION 32 HOMEOWNERSHIP PROGRAM TO HUD FOR ITS APPROVAL; THE EXECUTION OF A WRITTEN IMPLEMENTING AGREEMENT WITH HUD; AND AUTHORIZING ALL ACTIONS NECESSARY TO SECURE HUD APPROVAL OF THE PROGRAM AND ITS IMPLEMENTATION**

WHEREAS, Section 536 of the Quality Housing and Work Responsibility Act of 1998 ("QHWRA") amended Title I of the United States Housing Act of 1937 ("1937 Act") by adding a new Section 32; and

WHEREAS, Section 32 authorizes a new public housing homeownership program ("Section 32 Homeownership Program"), which replaces the public housing agency homeownership program formerly authorized under Section 5(h) of the 1937 Act; and

WHEREAS, the U.S. Department of Housing and Urban Development ("HUD") has issued final regulations ("Regulations"), contained at 24 CFR Part 906, governing the Section 32 Homeownership Program; and

WHEREAS, the Regulations require the adoption of a resolution by the Board of Commissioners approving a Section 32 Homeownership Program prior to its implementation; and

WHEREAS, the Regulations further require that a proposed Section 32 Homeownership Program be submitted to HUD for its review and approval prior to implementation; and

WHEREAS, the Board of Commissioners of the San Antonio Housing Authority desires to approve the Section 32 Homeownership Program attached to this Resolution; the submission of such program to HUD for its review and approval; the execution of a written implementing agreement with HUD following HUD approval; and all actions deemed necessary or advisable by the President and CEO to secure HUD approval of the Section 32 Homeownership Program and the implementation of such program.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of SAHA as follows:

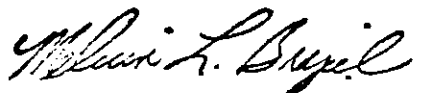
1. The Section 32 Homeownership Program attached to this Resolution is hereby approved.
2. The President and CEO is hereby authorized to submit the Section 32 Homeownership Program to HUD for review and approval.

3. The President and CEO is hereby authorized to approve any revisions to the Section 32 Homeownership Program as he may, in his discretion, deem necessary or advisable as a result of public comment or HUD comment on the proposed program, without the necessity of further action by the Board of Commissioners.
4. Any revisions, amendments or changes or modifications to the attached Section 32 Homeownership Program will be provided to the Board of Commissioners as information requiring no further action.
5. The President and CEO is hereby authorized to negotiate and execute an implementing agreement with HUD, and such other documents as he deems necessary or advisable to accomplish the approval and implementation of the Section 32 Homeownership Program, as authorized by and pursuant to the terms set forth in this Resolution, including any and all amendments, changes, or modifications thereto, without the necessity of further action by the Board of Commissioners.

Passed and approved the 4th day of March, 2004, and executed in duplicate.

  
\_\_\_\_\_  
CHAIRPERSON

Attest:

  
\_\_\_\_\_  
Secretary

## EXHIBIT F

### SECTION 8(y) CERTIFICATION

The San Antonio Housing Authority hereby certifies that any Section 8(y) assistance provided to a family in connection with the Section 32 homeownership program will be provided in compliance with Section 8(y) of the United States Housing Act of 1937 [42 U.S.C. 1437f(y)] and the 8(y) regulations contained in 24 CFR part 982, subpart M.

SAN ANTONIO HOUSING AUTHORITY



---

Melvin L. Brazier/President and CEO

**San Antonio Housing Authority**

**Resolution No. 4693**

**APPROVING A SECTION 32 HOMEOWNERSHIP PROGRAM; THE SUBMISSION OF THE SECTION 32 HOMEOWNERSHIP PROGRAM TO HUD FOR ITS APPROVAL; THE EXECUTION OF A WRITTEN IMPLEMENTING AGREEMENT WITH HUD; AND AUTHORIZING ALL ACTIONS NECESSARY TO SECURE HUD APPROVAL OF THE PROGRAM AND ITS IMPLEMENTATION**

WHEREAS, Section 536 of the Quality Housing and Work Responsibility Act of 1998 ("QHWRA") amended Title I of the United States Housing Act of 1937 ("1937 Act") by adding a new Section 32; and

WHEREAS, Section 32 authorizes a new public housing homeownership program ("Section 32 Homeownership Program"), which replaces the public housing agency homeownership program formerly authorized under Section 5(h) of the 1937 Act; and

WHEREAS, the U.S. Department of Housing and Urban Development ("HUD") has issued final regulations ("Regulations"), contained at 24 CFR Part 906, governing the Section 32 Homeownership Program; and

WHEREAS, the Regulations require the adoption of a resolution by the Board of Commissioners approving a Section 32 Homeownership Program prior to its implementation; and

WHEREAS, the Regulations further require that a proposed Section 32 Homeownership Program be submitted to HUD for its review and approval prior to implementation; and

WHEREAS, the Board of Commissioners of the San Antonio Housing Authority desires to approve the Section 32 Homeownership Program attached to this Resolution; the submission of such program to HUD for its review and approval; the execution of a written implementing agreement with HUD following HUD approval; and all actions deemed necessary or advisable by the President and CEO to secure HUD approval of the Section 32 Homeownership Program and the implementation of such program.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of SAHA as follows:

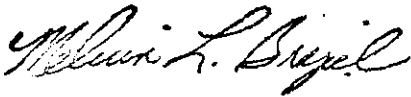
1. The Section 32 Homeownership Program attached to this Resolution is hereby approved.
2. The President and CEO is hereby authorized to submit the Section 32 Homeownership Program to HUD for review and approval.

3. The President and CEO is hereby authorized to approve any revisions to the Section 32 Homeownership Program as he may, in his discretion, deem necessary or advisable as a result of public comment or HUD comment on the proposed program, without the necessity of further action by the Board of Commissioners.
4. Any revisions, amendments changes or modifications to the attached Section 32 Homeownership Program will be provided to the Board of Commissioners as information requiring no further action.
5. The President and CEO is hereby authorized to negotiate and execute an implementing agreement with HUD, and such other documents as he deems necessary or advisable to accomplish the approval and implementation of the Section 32 Homeownership Program, as authorized by and pursuant to the terms set forth in this Resolution, including any and all amendments, changes, or modifications thereto, without the necessity of further action by the Board of Commissioners.

Passed and approved the 4th day of March, 2004, and executed in duplicate.

  
CHAIRPERSON

Attest:

  
Secretary

## **EXHIBIT D**

### **LEGAL OPINION**

(to be added after local HUD approval)

# **EXHIBIT E**

## **BOARD RESOLUTION**

(schedule to be presented to the Board Sept 1, 2005)

## **EXHIBIT F**

### **SECTION 8(y) CERTIFICATION**

The San Antonio Housing Authority hereby certifies that any Section 8(y) assistance provided to a family in connection with the Section 32 homeownership program will be provided in compliance with Section 8(y) of the United States Housing Act of 1937 [42 U.S.C. 1437f(y)] and the 8(y) regulations contained in 24 CFR part 982, subpart M.

SAN ANTONIO HOUSING AUTHORITY

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Henry A. Alvarez III,  
President and CEO

## EXHIBIT G

### SECTION 32 CLARIFICATIONS FOR LEASE-PURCHASE PARTICIPANTS ORIGINALLY APPROVED UNDER THE FORMER 5(H) PROGRAM

SAHA will continue to honor the current lease-purchase agreements in effect. SAHA's Lease-Purchase program will be incorporated into this new homeownership program.

For purposes of this document, the credit, formerly referred to as Cash Accumulation Account in the 5(h) program, will be known as "Accumulated Credit." The Accumulated Credit can be applied to the down payment, closing costs, buyer pre-paid expenses, and/or to reduce the purchase price for the following:

1. The SAHA-owned property, in which you currently reside, at the original appraisal price pursuant to your existing 5(h) lease-purchase agreement;
2. A SAHA-owned property, not the subject of your existing 5(h) lease-purchase agreement, at the current appraisal price; or
3. A non-SAHA-owned property through a credit transfer to a title company;
4. The borrower may **not** hold more than a cumulative total of **\$5,000** in savings or any other form of account (i.e. CD, money market, mutual funds, stock, etc.). This does not include Accumulated Credit or restrictive retirement accounts. **Any funds over the \$5,000 must be used by participants for closing costs and pre-paid expenses.** The amount of assistance available to a household will be reduced by the total of funds over the \$5,000;
5. Applicants must provide their own resources, other than grants, gifts, contributions, or similar amounts, but may utilize Accumulated Credit to contribute an amount of the down payment assistance that is not less than one (1) percent of the purchase price of the home.

#### **Non-purchasing participant**

If a lessee gives notice under their lease-purchase agreement of their intent not to purchase their current residence, or their lease expires, they will be required to relocate and the home will be placed for sale. Additionally, the non-purchasing lessee will be required to pay all outstanding balances such as rent and maintenance charges. The non-purchasing lessee will be given an opportunity to relocate to another Public Housing unit or will be given a Section 8 administrative preference for the Housing Choice Voucher Program. Subsequent eligible buyers will be able to acquire the home utilizing the Section 32 program.