

**SUPPLEMENTAL BOARD BOOK
OF
OCTOBER 10, 2019**



J. B. Goodwin, Chair

Leslie Bingham Escareño, Vice-Chair

Paul Braden, Member

Asusena Reséndiz, Member

Sharon Thomason, Member

Leo Vasquez, III, Member

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
GOVERNING BOARD MEETING**

**A G E N D A
8:00 AM
OCTOBER 10, 2019**

**Texas Capitol Extension, E1.028
1100 Congress Ave
Austin, Texas 78701**

CALL TO ORDER

ROLL CALL

CERTIFICATION OF QUORUM

J.B. Goodwin, Chair

Pledge of Allegiance - I pledge allegiance to the flag of the United States of America, and to the republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

Texas Allegiance - Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.

CONSENT AGENDA

Items on the Consent Agenda may be removed at the request of any Board member and considered at another appropriate time on this agenda. Placement on the Consent Agenda does not limit the possibility of any presentation, discussion or approval at this meeting. Under no circumstances does the Consent Agenda alter any requirements under Chapter 551 of the Tex. Gov't Code, Texas Open Meetings Act. Action may be taken on any item on this agenda, regardless of how designated.

ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:

EXECUTIVE

- a) Presentation, discussion, and possible action on Board meeting minutes summaries for June 27, 2019 and July 25, 2019

J. Beau Eccles
General Counsel

LEGAL

- b) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning related scattered site properties Mitay Inc Scattered Site (HTC 92009 / CMTS 1026), 2512 Thorne (HTC 70046 / CMTS 2344), 2904 Walnut (HTC 70054 / CMTS 2345), 1213 Pecan (HTC 70083 / CMTS 912), and 2503 N Wilson (HTC 70084 / CMTS 913)
- c) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Weldon Blackard (HOME 539112 / CMTS 2706)

Jeffrey T. Pender
Deputy General Counsel

ASSET MANAGEMENT

- d) Presentation, discussion, and possible action a Material Amendment to the Housing Tax Credit Land Use Restriction Agreement
01150 Limestone Ridge Apartments Big Spring

Rosalio Banuelos
Director of
Asset Management

HOME AND HOMELESSNESS PROGRAMS

- e) Presentation, discussion, and possible action on 2020 Homeless Housing and Services Program Youth Set-Aside funds for the City of San Antonio

Abigail Versyp
Director of HOME and
Homelessness Programs

RULES

- f) Presentation, discussion, and possible action on an order proposing amendments to 10 TAC §8.7, Tenant Selection and Screening; an order proposing amendments to 10 TAC §23.61, Tenant-Based Rental Assistance (TBRA) General Requirements; and directing their publication in the *Texas Register*
- g) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC §2.203, Termination and Reduction of Funding for CSBG Eligible Entities; an order adopting new 10 TAC §2.203, Termination and Reduction of Funding for CSBG Eligible Entities; an order adopting the repeal of 10 TAC §2.204, Contents of a Quality Improvement Plan; an order adopting new 10 TAC §2.204, Contents of a Quality Improvement Plan; and directing that they be published for adoption in the *Texas Register*
- h) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, an order adopting new 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, and directing their publication in the *Texas Register*
- i) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 24, Texas Bootstrap Loan Program Rule, and an order adopting new 10 TAC Chapter 24, Texas Bootstrap Loan Program Rule, and directing their publication for public comment in the *Texas Register*

Brooke Boston
Director of
Programs

Gavin Reid
Manager, Planning &
Training

Raul Gonzales
Director of
OCI, HTF, NSP Division

BOND FINANCE

- j) Presentation, discussion, and possible action on Inducement Resolution No. 20-002 for Multifamily Housing Revenue Bonds Regarding Authorization for Filing Applications for Private Activity Bond Authority

19611	Granada Terrace	Houston
19613	THF 333 Holly	The Woodlands
19614	THF The Pines	The Woodlands
19615	Oaks on Clark	San Antonio
- k) Presentation, discussion, and possible action on Resolution No. 20-003 Authorizing the Execution of an Irrevocable Instructions and Agreement relating to the Multifamily Housing Mortgage Revenue Bonds for Churchill at Pinnacle Park Series 2004
- l) Presentation, discussion, and possible action on Resolution No. 20-004 authorizing request to the Texas Bond Review Board for annual waiver of Single Family Mortgage Revenue Bond set-aside requirements; authorizing the execution of documents and instruments relating thereto; making certain findings and determinations in connection therewith; and containing other provisions relating to the subject

Teresa Morales
Director of
Multifamily Bonds

Monica Galuski
Director of
Bond Finance

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:

- a) Outreach and Activities Report (Sept-Oct)
- b) Report on the closing of the Department’s 2019 Series A Single Family Mortgage Revenue Bonds
- c) Report regarding a Request for Proposal for Underwriters issued by the Texas Department of Housing and Community Affairs

Michael Lyttle
Director of
External Affairs

Monica Galuski
Director of
Bond Finance

- d) Report regarding a Request for Proposal for TBA Program Administrator issued by the Texas Department of Housing and Community Affairs
- e) Report regarding a Request for Proposal for Mortgage Warehouse Facility issued by the Texas Department of Housing and Community Affairs

ACTION ITEMS

ITEM 3: GOVERNING BOARD

Presentation, discussion, and possible action on the election of Governing Board Officers for the upcoming biennium pursuant to Tex. Gov't Code §2306.030

J.B. Goodwin
Chair

ITEM 4: COMPLIANCE

Presentation, discussion, and possible action on Dispute of the Compliance Division's assessment of the Applicant's compliance history to be reported to the Executive Award Review Advisory Committee for Estates at Shiloh (19439)

Patricia Murphy
Director of Compliance

ITEM 5: HOME AND HOMELESSNESS PROGRAMS

- a) Presentation, discussion, and possible action on 2020 Ending Homelessness Fund Awards
- b) Presentation, discussion, and possible action on an amendment to the 2018 Emergency Solutions Grants Program Contract for Youth and Family Alliance dba LifeWorks

Abigail Versyp
Director of HOME and Homelessness Programs

ITEM 6: ASSET MANAGEMENT

Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Application

Rosalio Banuelos
Director of Asset Management

18235 Memorial Apartments

McAllen

ITEM 7: RULES

- a) Presentation, discussion, and possible action on an order proposing the repeal of 10 TAC Chapter 10 Subchapter E, Post Award and Asset Management Requirements, and an order proposing new 10 TAC Chapter 10 Subchapter E, Post Award and Asset Management Requirements, and directing their publication for public comment in the *Texas Register*
- b) Presentation, discussion, and possible action on amendments to 10 TAC §10.602 Notice to Owners and Corrective Action Periods; §10.605 Elections under IRC §42(g); §10.607 Reporting Requirements; §10.609 Notices to the Department; §10.610 Written Policies and Procedures, §10.611 Determination, Documentation and Certification of Annual Income; §10.612 Tenant File Requirements; §10.613 Lease Requirements; §10.614 Utility Allowances; §10.615 Elections under IRC §42(g); Additional Income and Rent Restrictions for HTC, Exchange, and TCAP Developments; §10.616 Household Unit Transfer Requirements for All Programs; §10.617 Affirmative Marketing Requirements, §10.618 Onsite Monitoring; §10.622 Special Rules Regarding Rents and Rent Limit Violations; §10.623 Monitoring Procedures for Housing Tax Credit Properties After the Compliance Period; §10.624 Compliance Requirements for Developments with 811 PRA Units; and Figure §10.625; and directing that they be published for public comment in the *Texas Register*
- c) Presentation, discussion, and possible action on the proposed repeal of 10 TAC Chapter 13, the Multifamily Direct Loan Rule, and the proposed new 10 TAC Chapter 13, the Multifamily Direct Loan Rule, and directing the publication for public comment in the *Texas Register*
- d) Presentation, discussion, and possible action on an order proposing new 10 TAC, Chapter 10, Subchapter G, Affirmative Marketing Requirements and Written Policies

Rosalio Banuelos
Director of Asset Management

Patricia Murphy
Director of Compliance

Andrew Sinnott
Multifamily Loan Programs Administrator

Cate Tracz
Manager of Fair Housing

and Procedures, and directing its publication for public comment in the *Texas Register*

- e) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 20, Single Family Programs Umbrella Rule, and an order adopting new 10 TAC Chapter 20, Single Family Programs Umbrella Rule, and directing their publication in the *Texas Register*
- f) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 26, Texas Housing Trust Fund Rule, and an order adopting new 10 TAC Chapter 26, Texas Housing Trust Fund Rule, and directing their publication in the *Texas Register*
- g) Presentation, discussion, and possible action on an order proposing the repeal of 10 TAC Chapter 90, Migrant Labor Housing Facilities; an order proposing new 10 TAC Chapter 90, Migrant Labor Housing Facilities; and directing its publication for public comment in the *Texas Register*

Raul Gonzales
Director of
OCI, HTF, NSP Division

Tom Gouris
Director of HOME and
Special Initiatives

ITEM 8: MULTIFAMILY FINANCE

- a) Presentation, discussion and possible action on requests for return and reallocation of tax credits under 10 TAC §11.6(5) related to Credit Returns Resulting from Force Majeure Events
 - 17028 The Vineyard on Lancaster Fort Worth
 - 17295 Legacy Trails of Decatur Decatur
 - 17327 Legacy Trails of Lindale Lindale
 - 17736 Providence at Ted Trout Drive Hudson
 - 17290 Golden Trails West
 - 17259 Mistletoe Station Fort Worth
- b) Presentation, discussion, and possible action on a timely filed appeal of the expiration of a Commitment of Housing Tax Credits for 19223 Bamboo Estates Apartments
- c) Presentation, discussion, and possible action regarding the issuance of a Determination Notice for 4% Housing Tax Credit Applications
 - 19407 Norwood Estates Austin
 - 19436 Bridge at Granada Austin
 - 19440 Ventura at Parmer Austin ETJ
 - 19441 Decker Lofts Austin ETJ
 - 19437 Residences at Stillwater Georgetown
- d) Presentation, discussion, and possible action regarding the issuance of a Determination Notice for 4% Housing Tax Credit Applications and a determination of eligibility under 10 TAC §11.101 of the Qualified Allocation Plan
 - 19429 Govalle Terrace Austin
 - 19433 Wayman Manor Temple
- e) Presentation, Discussion and Possible Action on a Determination regarding Eligibility under 10 TAC §11.101(a)(3) related to Neighborhood Risk Factors for Bridge at Canyon View (#19411) in Austin
- f) Presentation, discussion, and possible action on a Determination Notice for Housing Tax Credits and an Award of Direct Loan Funds (#19418, Bridge at Loyola Lofts, Austin)**
- g) Presentation, discussion, and possible action regarding a determination of eligibility under 10 TAC §13.5(d)(2) of the 2018 Multifamily Direct Loan Rule
 - 18509 El Sereno Apartments Cibolo
- h) Presentation, discussion and possible action regarding an Award of Direct Loan

Marni Holloway
Director of
Multifamily Finance

Teresa Morales
Director of
Multifamily Bonds

Andrew Sinnott
Multifamily Loans Program
Administrator

funds from the 2019-1 Multifamily Direct Loan Notice of Funding Availability
19503 Sierra Royale Robstown

- i) Presentation, discussion, and possible action on the Fifth Amendment to the 2019-1 Multifamily Direct Loan Annual Notice of Funding Availability and approving its publication in the *Texas Register*

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS

EXECUTIVE SESSION

The Board may go into Executive Session (close its meeting to the public):

J.B. Goodwin
Chair

The Board may go into Executive Session Pursuant to Tex. Gov't Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee;

Pursuant to Tex. Gov't Code §551.071(1) to seek the advice of its attorney about pending or contemplated litigation or a settlement offer;

Pursuant to Tex. Gov't Code §551.071(2) for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't Code Chapter 551; including seeking legal advice in connection with a posted agenda item;

Pursuant to Tex. Gov't Code §551.072 to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department's ability to negotiate with a third person; and/or

Pursuant to Tex. Gov't Code §2306.039(c) the Department's internal auditor, fraud prevention coordinator or ethics advisor may meet in an executive session of the Board to discuss issues related to fraud, waste or abuse.

OPEN SESSION

If there is an Executive Session, the Board will reconvene in Open Session. Except as specifically authorized by applicable law, the Board may not take any actions in Executive Session.

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Michael Lyttle, 512-475-4542, TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information. If you would like to follow actions taken by the Governing Board during this meeting, please follow TDHCA account (@tdhca) on Twitter.

Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact MeLissa Nemecek, ADA Responsible Employee, at 512-475-3959 or Relay Texas at 1-800-735-2989, at least five days before the meeting so that appropriate arrangements can be made. Non-English speaking individuals who require interpreters for this meeting should contact Elena Peinado, 512-475-3814, at least five days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Elena Peinado, al siguiente número 512-475-3814 por lo menos cinco días antes de la junta para hacer los preparativos apropiados.

NOTICE AS TO HANDGUN PROHIBITION DURING THE OPEN MEETING OF A GOVERNMENTAL ENTITY IN THIS ROOM ON THIS DATE:

Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly.

De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista.

THIS RESTRICTION IS APPLICABLE TO THE IDENTIFIED MEETING ROOM ON THIS DATE AND DURING THE MEETING OF THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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SONOMA HOUSING ADVISORS, LLC
16800 DALLAS PARKWAY, SUITE 215
DALLAS, TX 75248
214-608-7201

Bill.Fisher@sonomaadvisors.com

Via Email: marni.holloway@tdhca.state.tx.us

Texas Department of Housing and Community Affairs
Governing Board
Attn: Honorable JB Goodwin
221 East 11th Street
Austin, Texas 78701-2410

October 6, 2019

RE: Memorial Apartments, McAllen, Texas (the "Project");
Our File No. 51718.2—the issue is simple and clear

Dear Governing Board:

This letter is to discuss and set forth the position of TX McAllen Memorial II Apartments, LP (the "Partnership") with regard to whether the Project satisfies the requirements of being an "at-risk" development. I have been requested to write you by the Hidalgo County Housing Authority, the sponsor for the partnership with RISE Residential, concerning the Department's position that the Project fails to satisfy the at-risk requirements under TX Gov't. Code §2306.6702(a)(5)(A) (the "Statute").

Although the file provided by staff and the rebuttal of the sponsor is detailed and voluminous. The issue is simple for the following reasons:

Memorial qualifies to retain their funding, as awarded, under the AT RISK set aside. The development as presented and underwritten to date is feasible and complies with this set aside.

1. Sponsors applied for, were processed, underwritten and awarded under both AT RISK and USDA set asides. From pre application to full application to award list to commitment notice. Every document in the record supports the Sponsor's position they complied with either or both AT RISK and USDA. The documentation is clear and unambiguous.
2. The Commitment notice shows both set asides, this documents the award agreement with the Department.
3. The Award Listing shows Memorial as the only double set aside USDA acquisition rehab in the AT RISK set aside. This set aside was not fully subscribed in 2018.
4. Staff does not communicate nor document in any of the communication, until this amendment request, their new position Memorial is only AT RISK because they are a USDA Acquisition rehab. The commitment notice shows both set asides, AT RISK and USDA, and does not contain the statutory reference they now claim is why they allocated Memorial as both AT RISK and USDA.

5. The application showed the pay-off of the 514 loan in the original submission. Contrary to staff trying to tell the Board the Sponsors only advised pre-payment AFTER the award. This statement is false and misleading. The commitment notice and underwriting report both document the Sponsor's notification related to pre-payment of the USDA 514 loan. Prior to Award. E-mail communication prior to award led to these conditions.
6. The AT RISK application claimed by the Sponsors and Awarded by TDHCA complies with both the Statute and the Rules related to AT RISK. If there is any conflict, the Statute controls. The USDA rental subsidy, EXPIRES, with the pay-off of the 514 loan.

If the Board determines the development is AT RISK under the Statute. Then the amendment should be approved to allow the Hidalgo County Housing Authority to use their award to complete the rehabilitation of the 246 units in McAllen as underwritten, using the September 2019 underwriting report completed by REA.

The sponsors have documentation in the record to support the request for the amendment and the award under the AT RISK set aside. Please include by reference here all the documentation on record with TDHCA related to this application and award including the back-up provided in the board book, as supplemented.

As it relates to any need for a determination of Good Cause under the rules, the following are noted and requested:

1. Developer and Sponsor could not reasonably foresee this mis-communication by Staff that although they applied for AT RISK, were listed in the award log as AT RISK, and were awarded as AT RISK in the commitment notice.
2. To the extent the Board is being asked to use its discretion related to the application processing, Hidalgo County is one of the lowest income areas of the State. This development as presented provides significant rental subsidy from the Housing Authority for a large % of residents at the lowest income levels in this Region of Texas.

Your careful consideration of this request is appreciated.

Sincerely,


James R. (Bill) Fisher
Development Consultant
Sonoma Housing Advisors, LLC

cc: Bobby Wilkinson, Executive Director (via email)
Homero Cabello, Jr. (via email)
Kent Bedell (via email)
Rosalio Banuelos (via email)

Staff Communication	Sponsor Communication	DATE of the Submission of this amendment to Staff: July 2019
<p>1 Amendment request</p> <p>Permission to repay</p>	<p>Amendment request</p> <p>Confirmation we are at risk, as awarded keeping the award funded under at risk</p>	<p>Disagree</p> <p>Changes in the financing from the loss of USDA rental subsidy Sponsors are to make a good faith attempt to keep the subsidy in place if the structure allows</p>
<p>2 Loss of rental subsidy with pay off</p> <p>Staff confirms pay off of the 514 ends the USDA rental subsidy AT RISK NO</p>	<p>Loss of rental subsidy</p> <p>The pay off of the 514 loan does end the USDA rental subsidy making the rental subsidy at risk within the rules and more specifically the Statute if there is a conflict</p>	<p>Disagree</p> <p>Exhibit 5 - At-Risk Statute attached AT RISK YES</p>
<p>3 Ground lease not approved</p> <p>Agreed</p>	<p>Ground lease not approved</p> <p>Agreed</p>	<p>Agreed</p>
<p>4 Prepayment presented to staff post award</p> <p>"After the turn down of the ground lease the awardee only then did is propose prepayment and at risk"</p> <p>NOT DISCUSSED Prior to award</p>	<p>Prepayment presented to staff post award</p> <p>The pre-application, full application both requested AT RISK and USDA An award under one of them or both of them. Materials were included in the application to support both. The payoff of the 514 was in the original application and discussed in writing with Staff Discussed in detail prior to award</p>	<p>Disagree</p> <p>Exhibit 1 Pages 351 and 352 of the online original app</p> <p>Exhibit 2 E-mails on the pay off of the 514 loan from July 16 2018</p>
<p>5 Awarded set asides</p> <p>Awarded AT RISK and USDA in the commitment notice because they "may be attributed to and come from the AT RISK Development Set aside or the Uniform State Service Region....."</p>	<p>Awarded set asides</p> <p>Awarded commintment notice attached show it approved as BOTH USDA and At Risk. Awardee until both set asides are met. If they attribute the award to AT RISK per this provision there was no award coming as just USDA. All they would have done was awarded it AT RISK</p>	<p>Disagree</p> <p>Exhibit 1 See application page request</p> <p>Exhibit 3 See Commitment notice attached</p>
<p>6 AT RISK set aside: Loss of rental subsidy FUNDAMENTAL ISSUE</p> <p>Neither the HAP or the USDA subsidy for the Development are due to expire within two years of July 31 of the year the application was submitted.</p> <p>Statute is clear about rental subsidy nearing expiration Statute is attached hereto Rules cannot amend the Statute Sponsors do comply with the 2 year rule until July 31 2020. Two years from July 31, 2018 per the TDHCA rules sited by staff</p>	<p>AT RISK set aside: Loss of rental subsidy</p> <p>The USDA rental subsidy expires on the pay off of the 514 loan USDA has confirmed the payment due and acceptance of the pay off (Sponsor advised staff in writing the 514 could be prepaid by statute with approval of USDA. This is just what is happening</p>	<p>Disagree</p> <p>Staff agrees it ends at pay off</p> <p>Exhibit 4 USDA payment confirmation to TDHCA July 2018 requested by the ED.</p> <p>Exhibit 2 Sponsor confirming right to pay off, 514 loan by statute prior to the award</p>

Staff Communication	Sponsor Communication	DATE of the Submission of this amendment to Staff: July 2019
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7 Assuming the 514 pay off was in the application
 The development would not qualify under the USDA set aside
 and the application would not be eligible under AT RISK Set Aside

Above is their stated position

Pay off of the 514 loan affects on the set aside qualification
 USDA or AT RISK or both

Sponsors applied for an were awarded under both set asides
 So the payoff of the 514 loan if misunderstood by staff would have been
 addressed immediately. It was never an issue since the sponsors claimed
 both set asides AT RISK and USDA. Nothing in the commitment notice shows
 this regulatory provision staff claims applies here

Disagree

Exhibit 1
 Application page
Exhibit 3
 Commitment notice page

8 USDA only unable to score as USDA set aside then competes in the
 Region set aside by score

True if the awardee had not applied under two asides; USDA and AT RISK

USDA only unable to score as USDA set aside then competes in the
 Region set aside by score

Award applied for and was reviewed prior to the award for both
 AT RISK and USDA. Sponsors knew from pre application the set asides
 was undersubscribed and a compliant applicatoin under either set aside
 would vest the award to the partnership

Disagree

Exhibit 1
 Application page
Exhibit 3
 Commitment notice page
 (both confirm AT RISK and USDA)

9 Not competitive by score, if reviewed in the regional set aside Urban or Rural

Did not score and the application pre app did not request general set aside

Not competitive by score, if reviewed in the regional set aside Urban or Rural

Awardee never applied for right to compete as they refer to it

Agreed

Exhibit 1
 Application page
Exhibit 3
 Commitment notice page

10 Staff finds the score is changed to preclude an award

Modification required must not be reasonably foreseeable and preventable
 at the time of submission unless good cause is found for the approval of
 the amendment

Staff finds the score is changed to preclude an award

The modification request is to notify under the rules as a change in the underwriting
 which requires an amendment of those changes and further review by REA

Disagree

**This request begins and ends in one place
 Does the loss of rental subsidy by pay off of the 514 loan
 make the application AT RISK at award
 Board is being asked to correct the Staff interpretation
 of the AT RISK statute; to comply with Statute.
 This vests the award as at risk. This is understanding of the Awardee
 per the Exhibits 3 attached**

Good cause need for this approval:

Lack of clarity in the commitment notice and award from TDHCA staff

This position we were not eligible for AT RISK only USDA could not be reasonably foreseen by the Awardee
 based upon the pre-application, full application, award listing and commitment notice
 First we knew of this NOT AT RISK is the notice from staff during this review

Sponsor Side by
Side Gr-A SHEET

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
OCTOBER 10, 2019

Presentation, discussion, and possible action regarding a request for a Material Amendment to the Housing Tax Credit Application for Memorial Apartments (HTC# 18235)

RECOMMENDED ACTION

WHEREAS, Memorial Apartments (the Development) received an award of Housing Tax Credits (HTCs) in 2018 under the USDA Set-Aside for the acquisition and rehabilitation of 246 units of multifamily housing in McAllen, Hidalgo County;

WHEREAS, the Development currently has a Housing Assistance Payment (HAP) contract attached to 64 units and a USDA rental assistance contract on 142 units;

① **WHEREAS**, TX McAllen Memorial Apartments II, LP (the Development Owner or Owner) is requesting an amendment to the Application to prepay the USDA 514 loan and remove the corresponding USDA rental subsidy from the Development;

WHEREAS, during the underwriting review at application, staff asked the Applicant if USDA would accept the ground lease structure with the Owner, and the Applicant assured staff the ground lease would be accepted by USDA, which ultimately was not accepted by USDA;

③ **WHEREAS**, the prepayment structure was presented to staff after the 2018 HTC award when USDA did not accept the ground lease structure;

② **WHEREAS**, pursuant to 10 TAC §11.5(2)(A) of the 2018 Qualified Allocation Plan (QAP), a proposed or Existing Residential Development that, before September 1, 2013, has been awarded or has received federal financial assistance provided under Section 514, 515, or 516 of the Housing Act of 1949 (42 U.S.C. Section 1484, 1485, or 1486) may be attributed to and come from the At-Risk Development Set-aside or the Uniform State Service Region in which the Development is located, regardless of whether the Development is located in a Rural area;

④ **WHEREAS**, pursuant to 10 TAC §11.5(3)(B)(i) and (ii) of the 2018 QAP, Applications participating in the At-Risk Set-Aside must include evidence of the qualifying subsidy, and any stipulation to maintain affordability in the contract granting the subsidy or any HUD-insured or HUD-held mortgage will be considered to be nearing expiration or nearing the end of its term if expiration will occur or the term will end within two years of July 31 of the year the Application is submitted;

② **WHEREAS**, neither the HAP or USDA subsidies for the Development are due to expire within two years of July 31 of the year the Application was submitted;

⑥

② **WHEREAS**, if the Application had indicated the USDA 514 loan would be prepaid, this Development would not qualify under the USDA Set-Aside and the Application would not be eligible under the At-Risk Set-Aside;

⑥

② ⑥

WHEREAS, pursuant to 10 TAC §11.5(2)(B) of the 2018 QAP, if a property receiving USDA financing is unable to score under the USDA Set-Aside and is located in an Urban subregion, it will be scored as Urban;

WHEREAS, if the property had been scored in Region 11 Urban, it would not have scored high enough to be competitive to receive a Tax Credit Award;

WHEREAS, this request falls under 10 TAC §10.405(a)(4)(I), as a modification considered material by the staff and therefore required to be presented to the Board as such; and

WHEREAS, in accordance with 10 TAC §10.405(a)(5), amendment requests will be denied if the Department finds that the request would have changed the scoring of an Application in the competitive process such that the Application would not have received a funding award or if the need for the proposed modification was reasonably foreseeable or preventable by the Applicant at the time the Application was submitted, unless good cause is found for the approval of the amendment; (In our request)

NOW, therefore, it is hereby

RESOLVED, that the requested Material Amendment for Memorial Apartments to remove the USDA funding is hereby denied, and the Executive Director and his designees are each authorized, directed, and empowered to take all necessary action to effectuate the foregoing.

BACKGROUND

Memorial Apartments received an award of \$1,883,683 of annual Housing Tax Credits in 2018 under the USDA At-Risk Set-Aside for the acquisition and rehabilitation of 246 units of multifamily housing in McAllen, Hidalgo County, of which 142 units receive USDA rental assistance, 64 units receive project based vouchers, and the remaining 40 units do not have rental assistance, but are restricted to USDA approved rents. This Development previously received an HTC award in 2012, but was unable to get USDA approval post-award and the Housing Tax Credits were returned to the Department.

In a letter dated June 11, 2019, Melissa Fisher, the representative for the Development Owner, requested approval to remove the USDA funding from the Development but still remain in the At-Risk

Set-Aside. According to the Owner, the Development is not eligible for USDA funding because USDA does not consider the property eligible under the 514 financing structure due to the ground lease structure for the ad valorem tax exemption and the handling of the existing USDA grants. In addition, USDA has questioned whether the property is meeting its purpose of serving farm labor workers, as less than 25% of the units receiving USDA rental assistance are occupied by farm labor qualified households. Furthermore, the Owner has indicated that the property currently relies on an annual waiver from USDA to occupy a majority of the RD units with non-farm labor qualified residents in need of affordable housing.

The Owner further contends the Development should still be considered At-Risk, as USDA has confirmed that the Owner can prepay the existing debt, which would eliminate the RD rental subsidy. With the elimination of the rental subsidy, the Owner has indicated the property will clearly be at risk. The Owner asserts, even though they could not qualify for the USDA financing, the Development should still be considered At-Risk since the 2018 At-Risk Set-Aside was under subscribed. The Owner believes the good cause for this request to remove the USDA funding and remain in the At-Risk Set-Aside is USDA's agreement for prepayment of the current USDA loan., which was not reasonably foreseeable and outside of the control of the Owner. However, it must be pointed out the retirement of the USDA debt was not considered a possibility during the underwriting review of the Application. During the underwriting review, staff on multiple occasions questioned if USDA would accept the ground lease structure with the Owner. The Owner assured staff multiple times the ground lease would be accepted by USDA. ~~The prepayment structure was presented to staff after the 2018 HTC award when USDA did not accept the ground lease structure as expected by staff.~~

Staff has reviewed the Owner representative's assertions and has come to the following conclusions: Pursuant to 10 TAC §11.5(2)(A) of the 2018 Qualified Allocation Plan, a proposed or Existing Residential Development that, before September 1, 2013, has been awarded or has received federal financial assistance provided under Section 514, 515, or 516 of the Housing Act of 1949 (42 U.S.C. Section 1484, 1485, or 1486) may be attributed to and come from the At-Risk Development Set-aside or the Uniform State Service Region in which the Development is located, regardless of whether the Development is located in a Rural area. At the time of Application, the Owner met this requirement, as the Development was receiving federal financial assistance provided under Section 514. However, by prepaying the USDA 514 loan as proposed by the Owner, the Development would no longer qualify under the USDA Set-Aside, and does not qualify under the At-Risk Set-Aside. Furthermore, if the Application had indicated the USDA 514 loan would be prepaid, this Development would not have been considered as an At-Risk Development, and would have not been recommended for tax credits under the 2018 Qualified Allocation Plan.

Pursuant to 10 TAC §11.5(3)(B)(i) and (ii) of the 2018 QAP, Applications participating in the At-Risk Set-Aside must include evidence of the qualifying subsidy, and any stipulation to maintain affordability in the contract granting the subsidy or any HUD-insured or HUD-held mortgage will be considered to be nearing expiration or nearing the end of its term if expiration will occur or the term will end within two years of July 31 of the year the Application is submitted. Absent of the Owner's election to prepay the loan, the USDA loan and associated subsidy do not expire until January 26, 2040, and the HAP contract does not expire until May 1, 2033. Therefore, because the qualifying subsidy and the stipulation to

maintain affordability in the contract granting the subsidy is not expiring within two years, the Development is not At-Risk. On the contrary, on March 12, 2019, USDA issued a letter to the Owner outlining over 30 items that required resolution in order to move forward with the transfer application. To the Department's knowledge, no response was submitted to USDA to resolve these items.

6 Furthermore, the Owner has indicated that a Restrictive Use Covenant (RUC) will be placed on the Development to assure existing USDA residents are not displaced as a result of the prepayment of the current 514 loan and corresponding loss of the rental subsidy, and an adequate tenant protection reserve account is required as a condition of the loan payoff in order to protect the existing tenants. According to the Owner representative, the lender and investor are requiring a \$2.7 million reserve for rental subsidy. The Owner explained this reserve requirement was determined to be sufficient to insure compliance with the RUC for a minimum of 15 years and was calculated by taking the last 12 months of rental assistance from USDA of \$300K and allowing for the impact of the new vouchers and normal turnover of the USDA units. The amount of this reserve is subject to USDA approval, and therefore, staff assumes the approved amount will be sufficient to maintain feasibility throughout the tenure of existing tenants. According to the Owner, if the RUC reserve is not used in full prior to the release of the RUC by USDA, those funds will be used exclusively by the housing authority as rental subsidy on the Development, serving only very low income households. At no time will the funds be released for any purpose other than rental subsidy. Staff believes that, even though the Owner is electing to prepay the USDA loan and exit the USDA RD Farm Labor program, given the required tenant protection reserve, the stipulation to maintain affordability in the contract granting the USDA subsidy is not nearing expiration. In addition, the affordability restrictions (due to the HAP contract) would remain. Therefore, the Development does not meet 10 TAC §11.5(3)(B)(ii) of the 2018 QAP to qualify under the At-Risk Set-Aside.

The Owner indicated that there are no material changes being made in the budget related to rehabilitation of the property, nor are there any changes to the scope of work. However, the Owner provided an updated market study, financing letter, and financial exhibits from the Application for staff to evaluate other financial changes. The Owner has indicated the unit mix and targeting did not change, but the Housing Authority of the County of Hidalgo has allocated 28 additional project-based vouchers to the Development in lieu of the USDA rental subsidy. With the additional Section 8 income and without the USDA rent restrictions, Effective Gross Income has increased from \$1,268,774 to \$1,680,185. Annual operating expenses increased from \$944,727 to \$1,026,997, while Net Operating Income has more than doubled from \$273,407 to \$653,187. The proposed development costs increased from \$24,022,393 to \$26,884,393, mainly due to changes in the proposed property transfer price (a \$750K increase) for this related-party transfer, and due to the addition of the \$2.7 million RUC reserve. The first lien debt amount increased from \$4,540,000 to \$9,900,000, while the \$3 million seller note was eliminated. The updated financial information has been analyzed by the Real Estate Analysis (REA) Division, and the REA analysis indicates, aside from the question as to whether the Development meets the requirements for the At-Risk Set-Aside with the proposed changes, the Development remains feasible and continues to support the previously awarded HTC amount.

However, staff also evaluated the proposed amendment for scoring purposes and determined the Application was not eligible for an award if not in the At-Risk Set-Aside. The Development scored 129

points, but the lowest scoring application that received an award in Region 11 Urban scored 153 points.

Therefore, in accordance with 10 TAC §10.405(a)(5), because the proposed amendment would have resulted in the Development not receiving a funding award, staff recommends denial of the amendment request to prepay the USDA loan, and exit the USDA Farm Labor program.

5. Funding Request:

Complete the table below to describe this Application's funding request. If applying for Multifamily Direct Loan funds, please select only one type of loan.

Department Funds applying for with this Application	Requested Amount	If funds will be in the form of a Direct Loan by the Department or for Private Activity Bonds, the terms will be:		
		Interest Rate (%)	Amortization (Years)	Permanent Term (Years)
Multifamily Direct Loan: Const. to Perm (Repayable)			30	
Multifamily Direct Loan: Construction Only (Repayable)				
Multifamily Direct Loan: Const. to Perm. (Soft Repayable)		0.00%		
CHDO Operating Expenses Grant				
Housing Tax Credits	\$ 1,915,000			
Private Activity Mortgage Revenue				

6. §11.5 - Set-Aside (For Competitive HTC & Multifamily Direct Loan Applications Only)

Identify any and all set-asides the application will be applying under with an "x".
Set-Asides can not be added or dropped from pre-application to full Application for Competitive HTC Applications.

Competitive HTC Only						Multifamily Direct Loan Only					
At-Risk		Nonprofit		USDA		CHDO			SH/SR		
<input checked="" type="checkbox"/>				<input checked="" type="checkbox"/>							

By selecting the set-aside above, I, individually or as the general partner(s) or officers of the Applicant entity, confirm that I (we) are applying for the above-stated Set-Aside(s) and Allocations. To the best of my (our) knowledge and belief, the Applicant entity has met the requirements that make this Application eligible for this (these) Set-Aside(s) and Allocations and will adhere to all requirements and eligibility standards for the selected Set-Aside(s) and Allocations.

7. Previously Awarded State and Federal Funding

Has this site/activity previously applied for TDHCA funds? Yes No

Has this site/activity previously received TDHCA funds? Yes No

If "Yes" Enter Project Number: _____ and TDHCA funding source: _____

Has this site/activity previously received non-TDHCA federal funding? Yes No

If yes, source: USDA, SECTION 8

Will this site/activity receive non-TDHCA federal funding for costs described in this Application? Yes No

8. Qualified Low Income Housing Development Election (HTC Applications only)

Pursuant to §42(g)(1)(A) & (B), the term "qualified low income housing development" means any project or residential rental property, if the Development meets one of the requirements below, whichever is elected by the taxpayer." Once an election is made, it is irrevocable. Select only one:

- At least 20% or more of the residential units in such development are both rent restricted and occupied by individuals whose income is 50% or less of the area median gross income, adjusted for family size.
- At least 40% or more of the residential units in such development are both rent restricted and occupied by individuals whose income is 60% or less of the median gross income, adjusted for family size.

If a revised form is submitted, date of submission: _____

Financing Narrative and Summary of Sources and Uses

Describe all sources of funds. Information must be consistent with the information provided throughout the Application (i.e. Financing Narrative, Term Sheets and Development Cost Schedule).

Financing Participants	Funding Description	Construction Period		Lien Position	Permanent Period					Lien Position
		Loan/Equity Amount	Interest Rate (%)		Loan/Equity Amount	Interest Rate (%)	Amort - ization	Term (Yrs)	Syndication Rate	
Debt										
TDHCA	MF Direct Loan Const. to Perm. (Repayable)	\$0	0.00%		\$ -	0.00%	30	0		
TDHCA	MF Direct Loan Const. Only (Repayable)	\$0	0.00%							
TDHCA	Multifamily Direct Loan (Soft Repayable)	\$0	0.00%		\$ -	0.00%		0		
TDHCA	Mortgage Revenue Bond	\$0	0.00%		\$ -	0.00%	0	0		
Bonneville Capital	USDA/TXRD Loan(s)	\$0			\$ 5,340,000	4.08%	35	35		1st
IBC Bank or other lender	Conventional Loan	\$12,000,000	6.00%	1st						
Third Party Equity										
42 Equity or other investor	HTC	\$ 1,915,000	\$ 8,234,500		\$ 16,469,000				0.86	
Grant										
Deferred Developer Fee										
DDF loan from RISE		\$ 1,809,393			\$ 234,893					
					\$ -					
Other										
	Direct Loan Match									
Subordinated Loan from PHA		\$ 2,000,000	3.00%	3	\$ 2,000,000	3.00%	Cash flow	35		
Cost not incurred during construction		\$ -								
Total Sources of Funds		\$ 24,043,893			\$ 24,043,893					
Total Uses of Funds					\$ 24,043,893					

INSTRUCTIONS: Describe the sources of funds that will finance Development. The description must include construction, permanent, and bridge loans, and all other types of funds to be used for development. The information must be consistent with all other documentation in this section. Provide sufficient detail to identify the source and explain the use (in terms of the timing and any specific uses) of each type of funds to be contributed. In addition, describe/explain replacement reserves. Finally, describe/explain operating items. The narrative must include rents, operating subsidies, project based assistance, and all other sources of funds for operations. In the foregoing discussion of both development and operating funds, specify the status (dates and deadlines) for applications, approvals and closings, etc., associated with the commitments.

Describe the sources and uses of funds (specify the status (dates and deadlines) for applications, approvals and closings, etc., associated with the commitments). For Direct Loan or Tax-Exempt Bond Applications that contemplate an FHA-insured loan, this includes the anticipated date that FHA application will be submitted to HUD (if not already submitted).

The project is a modernization\rehabilitation of a USDA RD and HUD HAP project based rental community in McAllen, TX. The 246 units property was built in the 1980's. The financing plan includes an interim construction and equity bridge loan from IBC Bank for \$12.0MM and a new USDA 538 perm loan for \$5.34MM. The HTC investor is buying the housing tax credits at \$.86 per dollar of credit or \$16.5MM of which 50% is being invested during construction. The balance of the equity at conversion with a small amount held for 8609's. The property is owned by the Hidalgo County Housing authority. The housing authority is taking back a soft second lien note for \$2MM, accrued only with a single balloon payment in year 35 at AFR. The housing authority is entering into a ground lease for a minimum of 55 year or more as required by the tax credit investor and tax counsel. The final source of funds is a small fee waiver from the City of McAllen for \$2500 plus a deferred developer

Describe the replacement reserves:

USDA will establish the replacement reserves as part of their underwriting of the 538 loan. Bonneville Multifamily Capital working with IBC as the processors and advised the applicant to use \$325 per unit per year. This contribution is adjusted annually using the CPI. Withdrawals require the approval of the USDA servicer and the HTC investor.

Describe the operating items (rents, operating subsidies, project based assistance, etc., and specify the status (dates and deadlines) for applications, approvals and closings, etc., associated with the commitments:

The property enjoys a rental and operating subsidy from USDA on 170 units. This subsidy will continue in accordance with the rules. The HUD HAP contract covers 64 units and provides rental subsidy to the property per the HAP contract. The remaining 12 units have no rent or operating subsidy but will be typical 60% housing tax credit units. The subsidies are in place and will continue after the rehab is completed. The HAP has 15 years remaining and the USDA subsidy remains and runs with the term of the 538 USDA loan.

By signing below I acknowledge that the amounts and terms of all anticipated sources of funds as stated above are consistent with the assumptions of my institution as one of the providers of funds.

Signature, Authorized Representative, Construction or Permanent Lender

Printed Name

Date

Telephone: _____

Email address: _____

If a revised form is submitted, date of submission: _____

Melissa R Fisher

From: Melissa R Fisher
Sent: Sunday, October 6, 2019 1:20 PM
To: Melissa R Fisher
Subject: RE: 18235 Memorial

This e-mail is prior to the award and is exhibit 2.

From: Bill Fisher
Sent: Monday, July 16, 2018 4:19 PM
To: Brent Stewart <brent.stewart@tdhca.state.tx.us>; Bill Fisher <bfisher8@airmail.net>; mfisher@rise-residential.com
Cc: Tom Cavanagh <tom.cavanagh@tdhca.state.tx.us>; Greg Stoll <greg.stoll@tdhca.state.tx.us>
Subject: RE: 18235 Memorial

The housing authority has \$1.2MM in cash reserves on this asset. They will repay the debt at the closing is my understanding. USDA was told in a conference call that their loan would be repaid to zero or the minimum amount necessary to insure they had maturing debt under the at-risk rules.

Since at closing they will have no debt or the debt would be cash collateralized by the housing authority necessary to satisfy the construction lender, it did not involve the project financial underwriting. It is like any project Seller. As the project partnership, I don't worry about their debt since they have to deliver the property free and clear at the closing.

Thanks

Bill

From: Brent Stewart <brent.stewart@tdhca.state.tx.us>
Sent: Monday, July 16, 2018 2:40 PM
To: Bill Fisher <Bill.Fisher@sonomaadvisors.com>; Bill Fisher <bfisher8@airmail.net>; mfisher@rise-residential.com
Cc: Tom Cavanagh <tom.cavanagh@tdhca.state.tx.us>; Greg Stoll <greg.stoll@tdhca.state.tx.us>
Subject: 18235 Memorial

Bill & Melissa,

Hey.

Working on Memorial.

According to USDA, there is/are outstanding Section 514 loan balance(s) as of today totaling \$756K. Annual debt service is \$86,786. These, we think, are the balances of the loans showing on the title going back to 1978.

None of this is shown on the sources/uses page but most importantly listed as debt service.

USDA doesn't know anything about it. What is the plan with this debt? There are no sources to retire.

Thanks,

Brent

R. Brent Stewart

Real Estate Analysis Division

Texas Department of Housing & Community Affairs

221 E. 11th Street | Austin, TX 78701

512.475.2973

About TDHCA

The Texas Department of Housing and Community Affairs is committed to expanding fair housing choice and opportunities for Texans through the administration and funding of affordable housing and homeownership opportunities, weatherization, and community-based services with the help of for-profits, nonprofits, and local governments. For more information about fair housing, funding opportunities, or services in your area, please visit www.tdhca.state.tx.us or the [Learn about Fair Housing in Texas](#) page.

TDHCA #18235

Page 2

Exh. 3

TERMS

The following terms shall have the meanings specified:

Development	MEMORIAL APARTMENTS II
Development Owner	TX McAllen Memorial Apartments II, LP
Development Address	501 E. JASMINE MCALLEN, TX 78501
Building Identification Numbers	TX 18-23501 - 18-23599
Set-Asides	USDA AT RISK
Allocation Category	ACQUISITION/REHAB
Annual Tax Credit Commitment Amount	\$1,883,683
Contact Person	MELISSA FISHER
Contact Address	16812 DALLAS PARKWAY DALLAS, TX 75248-
Contact Phone/Email	(972) 701-5558 MFISHER@RISE-RESIDENTIAL.COM
Issuance Date of Commitment	August 15, 2018
Expiration Date of Commitment	September 14, 2018

A

Both of them

CONDITIONS

The Annual Tax Credit Commitment Amount reflected in the Commitment is the maximum amount of tax credits awarded by the Board. It is subject to downward (but not upward) adjustment in accordance with applicable laws, rules, and regulations concerning the issuance of IRS Form 8609 for each building so as to ensure, among other things, that no more credits than necessary are provided and ultimately allocated. In issuing this Commitment, the Department has relied upon the information submitted by the Development Owner to be accurate and complete in all material respects. The Department reserves the right to revoke, modify, or terminate this Commitment if the Department determines, in accordance with any applicable Legal Authorities, that the Development Owner has provided erroneous, misleading, incomplete, false, or fraudulent information to the Department or other parties for which the Legal Authorities require notification in connection with the Application for Housing Tax Credits or has in a material manner failed to comply with any state or federal requirement applicable to the Application for and awarding of Housing Tax Credits, and such failure cannot be cured or waived.

Pursuant to 10 TAC §10.402(a) of the Uniform Multifamily Rules, unless sooner terminated in accordance with applicable Legal Authorities, this Commitment shall expire on the date specified herein below in paragraph A unless the Development Owner indicates acceptance by executing the Commitment, paying the required fees specified in 10 TAC §10.901 of the Uniform Multifamily Rules, and timely and fully satisfying any and all other conditions set forth herein, imposed by the Department's Board in the making of the award, or in the Uniform Multifamily Rules. Without limitation, failure to submit the documentation in sections A.1.-6. below, by the specified submission dates, may result in the termination of the award documented in this Commitment:

Exhibit 3

agreement or similar agreement, however designated ("PILOT") must provide evidence regarding the statutory basis for the PILOT and its terms.

5. If the Applicant proposes to relocate existing units in an otherwise qualifying At-Risk Development, provide evidence that the affordability restrictions and any At-Risk eligible subsidies are approved to be transferred to the Development Site.
6. If the Applicant is participating in the Section 811 Project Rental Assistance Program under 10 TAC §11.9(c)(6) of the 2018 Qualified Allocation Plan, the Applicant must include the executed Section 811 Project Rental Assistance Owner Participation Agreement.

B. In accordance with 10 TAC §10.402(f) of the Uniform Multifamily Rules, all documents outlined in the Carryover Manual, including for USDA-funded developments, documentation of the submission of a complete Preliminary Assessment Tool to the USDA, relating to the execution of a **Carryover Allocation Agreement** pursuant to §42(h)(1) of the Internal Revenue Code and Treasury Regulations §1.42-6 must be submitted to the Department no later than 5:00 p.m. Austin local time on ~~September 15, 2018~~ **September 15, 2018**, unless such date has been extended in writing by Department. Requested extensions made after that time and date will not be considered by staff. MF

C. In accordance with 10 TAC §10.402(g) of the Uniform Multifamily Rules and pursuant to §42(h)(1)(E)(i) and (ii) of the Internal Revenue Code, all documents outlined in the Post Carryover Activities Manual relating to the 10% Test must be submitted to the Department no later than 5:00 p.m. Austin local time on **July 1, 2019**, unless extended in writing by Department. Requested extensions made after that time and date will not be considered by staff.

D. In accordance with §42(h)(1)(E)(i) of the Internal Revenue Code, all Buildings in the Development must be placed in service no later than **December 31, 2020**.

E. Extensions to the deadlines itemized in paragraphs B and C, to the extent permitted under the Legal Authorities, must be requested in accordance with 10 TAC §10.405(d) of the Uniform Multifamily Rules and must be submitted prior to the date for which an extension is being requested. The Department may require documentation relating to the need for any extension and staff may recommend and the Board may assess point deductions on other current or future applications in accordance with Tex. Gov't Code §2306.6710(b)(2).

F. **Subsequent to the allocation of tax credits, should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the Department must re-evaluate its analysis, and an adjustment to the credit allocation and/or terms or amounts of other TDHCA funds may be warranted. If additional funds are required to ensure financial feasibility there can be no assurance that additional funds or other financial assistance will be available from the Department. In no event will the amount of Housing Tax Credits be increased.**

This Commitment is subject to the following development-specific conditions as reflected in the Department's published Credit Underwriting Analysis Report. Unless otherwise stated within the specific condition (which may not conflict with any of the Legal Authorities), the documentation required to demonstrate satisfaction of each condition must be submitted to the Department not later than 5:00 p.m. Austin local time on **September 14, 2018**.

1 Receipt and acceptance by Commitment:

Eolt J

a. Pursuant to §10.402(d)(7), a letter from Applicant's Attorney, "...identifying the statutory basis for the [property tax] exemption and indicating that the exemption is reasonably achievable, subject to appraisal district review" and USDA's preliminary review.

2 Receipt and acceptance by Carryover:

a: Term sheet for permanent debt with updated amount, rate, terms and conditions, and specifying a minimum 15-year maturity.

b: Confirmation from USDA that the existing USDA 514 debt can be retired; or, confirmation from USDA that the existing USDA 514 debt can be cash-collateralized in the way indicated by the Applicant; or, revised application exhibits that present a feasible project including debt service on the existing USDA 514 debt.

pre-payment of the loan

c: Commitment for Seller Note clearly stating amount and all terms and conditions.

d: Revised site plan that clearly delineates the size & location of pool, playgrounds, and sports courts.

G. This Commitment is also subject to the following development-specific conditions as recommended by the Executive Award and Review Advisory Committee ("EARAC") and imposed by the Board. Unless otherwise stated within the specific condition (which may not conflict with any of the Legal Authorities), the documentation required to demonstrate satisfaction of each condition must be submitted to the Department not later than 5:00 p.m. Austin local time on **September 14, 2018**.

NA

H. Development Owner acknowledges that this Commitment does not represent a commitment of any funds awarded under the Multifamily Direct Loan Program. However, those Development Owners expecting a commitment of Federal or non-federal funds, including but not limited to HOME funds, Tax Credit Assistance Program Repayment funds, funds from the National Housing Trust Fund, and Neighborhood Stabilization Program Round 1 Program Income funds from the Department are cautioned against taking any choice-limiting action as described and addressed in CPD Notice 01-11, including but not limited to any transfers or assignments of the property, in anticipation of the Federal commitment but prior to receiving Federal environmental clearance from the Department. Development Owners expecting to ultimately receive a commitment of any such funds from the Department are encouraged to familiarize themselves in detail with the HUD environmental review process and, if applicable, submit their request for Federal environmental clearance as soon as possible. Choice-limiting actions as described in 10 TAC §13.2(2) may result in the termination or rescission of any related funding commitment and potentially lead to the revocation of this Commitment as a result of the financial infeasibility created by the loss of such funds and further penalties pursuant to 10 TAC §13.11(b) and 10 TAC 11.9(f).

I. Included with this Commitment is the "Application Verification and Compliance Review" form. This review form contains representations from the Application, changes during the Application process, and the Application as underwritten and approved by the Board. Please review the attachment for accuracy and identify any errors by marking the corrected information in red. This is solely to facilitate a detailed review of said representations and the legal obligations they have created and does not constitute an opportunity to change, modify, abrogate, or otherwise alter any such representation or the enforceability thereof. The Application Verification and Compliance Review form, initialed and signed by a person with full authority to act on behalf of the Development Owner, must be submitted with this Commitment.

Version Date: July 11, 20

Application Number	Development Name	Development Address	City	ETJ	ZIP Code	County	Region	Urban/Rural	At-Risk	USDA	Nonprofit	Construction Type	Low-Income Units	Market Rate Units	Total Units	Target Population (Supp. Hsg. = Supp Hsg)	HTC Request	Applicant Primary Contact
At-Risk Set-Aside																		
18249	Sweetwater	865 TX-105	Sour Lake	x	77659	Hardin	5	Rural		x		AcR	23	1	24	General	266,484	Murray Calhoun
18039	Orchid Circl	Scattered site locations	Gregory		78359	San Patricio	10	Rural	x			AcR/SS	58	0	58	General	700,000	Art Schuldt, Jr.
18013	Dayton Reti	1900 N Winfree	Dayton		77535	Liberty	6	Rural		x		AcR	48	0	48	Elderly Preference	279,322	Charles Holcomb
18118	Sandstone F	402 Brazos drive	Mineral Wells		76067	Palo Pinto	3	Rural	x			AcR	39	1	40	Elderly Preference	458,783	Tracey Fine
18077	Park Forest	200 Cook Rd.	Liberty		77575	Liberty	6	Rural		x		AcR	55	1	56	General	458,047	Devin Baker
18251	Groveton Se	1110 E. 1st Street	Groveton		75845	Trinity	5	Rural		x		AcR	32	0	32	Elderly Preference	304,668	Murray Calhoun
18171	Pointsettia C	341 Oak Street	Brownsville		78521	Cameron	11	Urban	x		x	NC	150	0	150	General	2,000,000	Carla Mancha
18250	Sweetbriar F	668 W Martin Luther King Bl	Jasper		75951	Jasper	5	Rural		x		AcR	59	1	60	General	590,473	Murray Calhoun
18235	Memorial A	501 E. Jasmine	McAllen		78501	Hidalgo	11	Urban	x	x		AcR	224	22	246	General	1,915,000	Melissa Fisher
Estimated At-Risk Allocated \$11,530,084																Total HTCs Requested	6,972,777	
USDA Set-Aside \$3,867,335																		

MEMORIAL IS THE ONLY AWARD THAT IS USDA AND AT RISK EVEN THOUGH ALL THE OTHERS ARE ACQUISITION REHABS TOO

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
IBC-USDA 538 Perm Loan	10/40	4.50%	\$4,540,000	1.02				\$3,000,000		42 Equity or other investor	\$16,174,340
					City of McAllen	0/0	0.00%	\$2,500	1.02	TOTAL EQUITY SOURCES	\$16,174,340
										TOTAL DEBT SOURCES	\$7,542,500
TOTAL DEBT (Must Pay)			\$4,540,000		CASH FLOW DEBT / GRANTS			\$3,002,500		TOTAL CAPITALIZATION	\$23,716,840

CONDITIONS

- 1 Receipt and acceptance by Commitment
 - a: Term sheet for permanent debt with updated amount, rate, terms and conditions, and specifying a minimum 15-year maturity
 - b: Confirmation from USDA that the existing USDA 514 debt can be retired; or, confirmation from USDA that the existing USDA 514 debt can be cash-collateralized in the way indicated by the Applicant; or, revised application exhibits that present a feasible project including debt service on the existing USDA 514 debt.
 - c: Pursuant to § 10.402(d)(7), a letter from Applicant's Attorney, "...identifying the statutory basis for the [property tax] exemption and indicating that the exemption is reasonably achievable, subject to appraisal district review" and USDA's preliminary review.
 - d: Commitment for Seller Note clearly stating amount and all terms and conditions.
 - e: Revised site plan that clearly delineates the size & location of pool, playgrounds, and sports courts.
- 2 Receipt and acceptance by 10% test:
 - a: USDA formal Letter of Approval with Conditions of Approval and Closing, including:
 - i. USDA approval of ground lease ownership structure, and
 - ii. Approved rents sufficient to produce 1.00x first-year debt coverage, and
 - iii. USDA reserve requirements, and
 - iv. Confirmation that all existing debt against the property will be retired, or
 - v. Rates and terms of the proposed transfer of existing debt, and
 - vi. Loan Agreement that documents assumed debt balance
 - b: Settlement Statement that documents actual transfer price
 - c: Substantially final draft of limited partnership agreement.
 - d: Substantially final construction contract with Schedule of Values.
 - e: Most current annual operating statement
- 3 Receipt and acceptance by Cost Certification:
 - a: Certification of comprehensive testing for asbestos; that any appropriate abatement procedures were implemented by a qualified abatement company; and that any remaining asbestos-containing materials are being managed in accordance with an acceptable Operations and Maintenance (O&M) program.
 - b: Certification from Appraisal District that the property qualifies for property tax exemption.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

RISK PROFILE

STRENGTHS/MITIGATING FACTORS
▫ Rental Assistance covers 206 out of 246 units
▫ All HTC projects within the PMA reported waiting lists, including subject property.
▫ HAP Contract valid until at least May, 2033
▫ Adjacent to 9 acre public park on same block
WEAKNESSES/RISKS
▫ Feasibility indicators (Debt Coverage Ratio < 1.15, Expense Ratio > 65%, negative cash-flow)
▫ Feasibility is dependent on property tax exemption which depends on a ground lease ownership structure that, historically, USDA has not approved.
▫ Permanent Loan is callable starting Year 10.

AREA MAP



AERIAL PHOTOGRAPH(S)





Real Estate Analysis Division
September 24, 2019

Addendum to Underwriting Report

TDHCA Application #: **18235** Program(s): **9% HTC**

McAllen Memorial Apartments II

Address/Location: **501 E. Jasmine**

City: **McAllen** County: **Hidalgo** Zip: **78501**

APPLICATION HISTORY	
Report Date	PURPOSE
09/24/19	Amendment
07/23/18	Initial Underwriting

ALLOCATION

	Previous Allocation	RECOMMENDATION
LIHTC (0% Credit)	\$1,883,683	\$1,883,683

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	53
40% of AMI	40% of AMI	0
50% of AMI	50% of AMI	105
60% of AMI	60% of AMI	88

The original underwriting report incorrectly indicated a unit mix consisting of 53 units at 30% AMI, 107 units at 50% AMI, and 86 units at 60% AMI. The current report reflects the correct unit mix, consisting of 53 units at 30% AMI, 105 units at 50% AMI, and 88 units at 60% AMI.

ANALYSIS

The Development received a Tax Credit allocation in the 2018 9% Tax Credit cycle in the USDA / At-Risk Set-Aside. Subsequently, the transaction has been restructured. The Owner has submitted a request to amend the application. The Owner proposes to pay off all existing USDA financing. As a result, the Development would no longer qualify for the USDA Set-Aside. Whether the Development qualifies for the At-Risk Set-Aside is a question to be addressed by the Board.

Irrespective of eligibility for the At-Risk Set-Aside, this report assesses the feasibility of the Development under the currently proposed financial structure.

Operating Pro Forma

Of the 246 total units, 142 currently receive USDA rental assistance; 64 receive Section 8 rental assistance; the remaining 40 units do not receive rental assistance, but are restricted to USDA-approved rents. With the proposed payoff of all USDA financing, USDA rental assistance will no longer be provided, and the USDA restrictions on rent for un-assisted units will no longer be in place. The Housing Authority of the County of Hidalgo (the 95% member of the GP) has committed to increase the number of Section 8 units to 92. The 154 non-Section 8 units would then be subject to HTC Program Rents ranging from 30% AMI to 60% AMI.

With the additional Section 8 income and without the USDA rent restrictions, Effective Gross Income has increased from \$1,268,774 to \$1,680,185. Net Operating Income has more than doubled from \$273,407 to \$653,187.

Development Cost

The transaction was originally proposed with a \$3,000,000 identity of interest acquisition cost, and was underwritten with no building value included in eligible basis. The current cost schedule includes a \$3,750,000 acquisition cost supported by a revised appraisal that had been submitted to USDA.

Hard costs remain unchanged. Financing costs increased \$110K due to the increased debt.

The cost schedule also includes a \$2.7M Restrictive Use Covenant Reserve. USDA has stated that "an adequate tenant protection reserve account is required as a condition of the payoff [of the USDA financing] in order to protect the existing tenants". The Owner states that "the amount was determined by taking the last 12 months of rental assistance (RA) from USDA ... of \$300K. Allowing for the impact of the new vouchers and normal turnover of the USDA units the reserve of \$2.7MM is determined to be sufficient to insure compliance with the RUC for a minimum of 15 years." The amount of the reserve is subject to USDA approval. The Underwriter assumes the stated amount is sufficient to maintain feasibility throughout the tenure of existing tenants.

Sources of Funds

At initial underwriting, sources of funds included a \$4.54M 538 loan from IBC Bank, \$2,500 from the City of McAllen, and a \$3.0M Seller Note from the Housing Authority of the County of Hidalgo (the 95% member of the GP) to finance the acquisition cost for the Development.

The proposed capital structure no longer includes a Seller Note. The increased NOI allows the Development to support more hard debt, which has doubled. IBC Bank will now provide a \$9.9M conventional loan at 4.50%. The term sheet from IBC is inconsistent, stating there will be 479 monthly payments; but also stating the payment is based on a 35-year amortization schedule (420 months); and specifying a payment amount that is actually equal to a 411-month amortization. Underwriting assumes a 35-year amortization.

The original application made no mention of the existing USDA financing. When asked about it, the Applicant indicated it would be paid down to zero or "cash collateralized" in some way.

USDA has confirmed \$4.3M as the required payoff amount (\$690K balance due on Section 514 debt and \$3.6M to satisfy outstanding Section 516 grants). The identity of interest Seller will receive \$3.75M in cash for the sale of the Development to the HTC Partnership, which can be applied toward the USDA payoff. The \$605K remainder will be paid from existing Housing Authority cash reserves.

Conclusion

Feasible

At initial underwriting, with more than 50% of the units receiving rental assistance, the Development was exempt from feasibility limits on expense-to-income ratio, debt coverage, and long-term cash flow. With the proposed financing structure, as a result of the increased income, exceptions are not necessary: expense ratio is 61%, debt coverage on the increased permanent debt is 1.16 times, and cumulative cash flow after 15 years is \$1.3M. The Development remains feasible.

The analysis continues to support the previous tax credit allocation of \$1,883,683.

Manager of Real Estate Analysis: Thomas Cavanagh

Director of Real Estate Analysis: Brent Stewart



United States Department of Agriculture

Rural Development August 13, 2019

Texas State Office

101 S. Main Street
Suite 102
Temple, TX
76501

Mr. Bill Fisher
TX McAllen Memorial Apartments II, LP.
501 E. Jasmine Street
McAllen, TX 78521

Voice 254.742.9770
Fax 844.496.8122

RE: TX McAllen Memorial Apartments II, LP.
Memorial Apartments

Dear Mr. Fisher:

The e-mail attached hereto dated May 28, 2019, at 3:36 pm was sent from our office and is accurate.

The e-mail confirms the Section 514 loan payoff amount and the Section 516 grant payoff amount agreed to with the Housing Authority subject to all the conditions outlined in the e-mail. The regulations related to restrictive-use provisions and agreements and post-payment responsibilities for loans subject to continued restrictive-use provisions was also included with the e-mail. When the Housing Authority pays the Agency in full, they will no longer receive rental assistance or any other Agency benefit as the property will have exited the program. As a result of the loss of rental assistance, the restrictive use covenant is required to be recorded and an adequate tenant protection reserve account is required as a condition of the payoff in order to protect the existing tenants.

All aspects of this transaction are subject to the final financing plan and approval from the Agency and TDHCA.

If you have any questions regarding this letter, please contact Jonathan Bell, Multi-Family Housing Program Director, at (254) 742-9764.

Sincerely,

A handwritten signature in blue ink that reads "Jonathan D. Bell".

JONATHAN D. BELL
Multi-Family Housing Program Director

Attachment to
USDA letter

The RUC will apply to all of the current residents at the time of acceptance of the payment.

In regards to the rent increase questions, please see 3560.662 and 3560.663, "Post-payment responsibilities for loans subject to continued restrictive-use provisions."

These regulations should answer your questions. I have also attached them for your convenience. Thanks.

From: Price, Richard <RPRICE@nixonpeabody.com>

Sent: Tuesday, May 28, 2019 2:48 PM

To: Bell, Jonathan - RD, Temple, TX <jonathan.bell@usda.gov>

Cc: Bill Fisher <Bill.Fisher@sonomaadvisors.com>; Resnik, Michael - RD, Washington, DC <michael.resnik@usda.gov>; Ayers, Amanda - RD, Temple, TX <amanda.ayers@usda.gov>

Subject: Re: Memorial McAllen--Exiting the program and pre paying the 514 loan+

Thanks. The only additional questions relate to the RUC, just so we are completely clear— the RUC applies to all current residents at time of acceptance of payment?

—assuming the residents will be there for many years, how will rent increases be handled for the Section 8 units/residents? How for the non-section 8 units/residents?

Please note there are no plans other than preserve and protect these residents but we just want to be able to identify all procedures to the Board.

Richard Michael Price
Nixon Peabody, LLP

On May 28, 2019, at 3:36 PM, Bell, Jonathan - RD, Temple, TX <jonathan.bell@usda.gov> wrote:

Good Afternoon,

Thank you for your emails. For everyone's information and for the record, there are currently 142 units of RA and 64 HUD vouchers at Memorial Apartments. The total number of units is 246. As of 5/1/2019, there are 18 units of unused RA.

So that it is clear to all parties, please confirm the following:

1. The housing authority agrees to execute Attachment 15-E-2, "RESTRICTIVE USE COVENANT - THE LAST EXISTING TENANT" as a condition of the payoff.
2. The housing authority will re-direct 28 additional HUD vouchers to Memorial Apartments which will be added to the existing 64 HUD vouchers for a total of 92 HUD vouchers at Memorial Apartments. The housing authority has applied and will continue to apply for HUD relocation vouchers, which the residents can use to replace lost RD subsidy.

Attachment to USH
Letter

- a. By what date will the 28 HUD vouchers be available at Memorial Apartments?
- 3. Memorial Apartments will establish an additional tenant protection reserve account to protect the existing tenants from rent increases.
 - a. Please provide additional information on how you will compute the amount of funds that will need to be deposited into this account and what the total amount will be.
- 4. The housing authority agrees to pay the total outstanding Section 514 loan in full plus \$3,665,000 towards the outstanding grants as part of a compromise offer. The total outstanding balance of the Section 514 loan as of today is: \$690,263.31.
- 5. The housing authority will provide the Agency with a copy of the amendment that will be filed with TDHCA to amend their tax credit application.
 - a. When will the amendment be filed by and when with the housing authority receive confirmation from TDHCA that the amendment is acceptable?

The Agency confirms that if the payoff of the loans and grants do occur, Memorial Apartments will no longer be in our program and no transfer application package would need to be resubmitted.

From the appraisal that you provided as part of your application, the As-Is Market Value, Subject to Restricted Rents is \$3,665,000. I see no value on the appraisal that has \$3,300,000.

Once the Agency receives an adequate response to our email above, we will issue an acceleration notice to the owner. Once the acceleration notice has been issued, the owner will need to submit a formal request outlining exactly what they are proposing and an executed 3560-1, requesting consent from the Agency.

Please let us know if you have any questions. After we receive a response to our email above, we can schedule another call to discuss the final details if you think it is needed. Thanks.

From: Bill Fisher <Bill.Fisher@sonomaadvisors.com>
 Sent: Sunday, May 26, 2019 10:46 AM
 To: Bell, Jonathan - RD, Temple, TX <jonathan.bell@usda.gov>
 Cc: 'Price, Richard' <RPRICE@nixonpeabody.com>; Resnik, Michael - RD, Washington, DC <michael.resnik@usda.gov>; Ayers, Amanda - RD, Temple, TX <amanda.ayers@usda.gov>
 Subject: RE: Memorial McAllen--Exiting the program and pre paying the 514 loan+

RD,

I am advised that the prior offer discussed with RD was to repay the 514 loan with interest PLUS the value of the property. The current appraisal you have it \$3.3MM not \$3.6MM. But I can make it work financially at the previously discussed numbers. So the current proposal is amended to the amount of the 514 loan with accrued and unpaid interest in full (Presume to be \$740K) PLUS the value of the property previously discussed

Melissa R Fisher

From: Melissa R Fisher
Sent: Sunday, October 6, 2019 1:43 PM
To: Melissa R Fisher
Subject: FW: TDHCA update--McAllen Memorial

From: Bell, Jonathan - RD, Temple, TX <jonathan.bell@usda.gov>
Sent: Tuesday, August 27, 2019 4:03 PM
To: Bill Fisher <Bill.Fisher@sonomaadvisors.com>; 'doram hidalgocha.org' <doram@hidalgocha.org>; Melissa R Fisher <mfisher@rise-residential.com>
Cc: Price, Richard <RPRICE@nixonpeabody.com>
Subject: RE: TDHCA update--McAllen Memorial

Memorial Apartments was constructed using Section 514 FLH loan and Section 516 FLH grant funds. Memorial Apartments has also received subsequent loan and grant funds since the property's construction for rehab and repair. Properties financed using these funds must rent the units to eligible farm workers.

Over the past several years, the owner of Memorial Apartments has annually submitted a Diminished Needs Waiver (DNW) to the Agency and has received approval. DNW's are requested when the owner is unable to rent their units to eligible farm workers. The DNW allows for the property to rent units to non-farm labor tenants, which enables the property to maintain operations and cash flow. The most recent estimate that the Agency was provided indicated that about 90% of the residents at Memorial Apartments are non-farm labor tenants.

Given this information, Memorial Apartments is in non-compliance with their loan and grant documents and with the program requirements. Additionally, Memorial Apartments is no longer meeting the mission or the original intent of the FLH program. Since the property is no longer meeting the program mission or intent to provide affordable housing for eligible farm workers and is in non-compliance with their loan and grant documents and with the program requirements, this has factored into the Agency's decision.

Please let me know if you have any questions or need any further information. Thanks.

From: Bill Fisher <Bill.Fisher@sonomaadvisors.com>
Sent: Monday, August 26, 2019 6:45 PM
To: Bell, Jonathan - RD, Temple, TX <jonathan.bell@usda.gov>; 'doram hidalgocha.org' <doram@hidalgocha.org>; Melissa R Fisher <mfisher@rise-residential.com>
Cc: Price, Richard <RPRICE@nixonpeabody.com>
Subject: TDHCA update--McAllen Memorial

Jonathon,

The sponsors did a call today with TDHCA, at their request. They have a new Executive Director and the call was to go over the projects compliance with the at-risk set aside. We believe we comply with state statute for at risk. If they agree or the board agrees, we will be able to keep the award. RISE and the Housing Authority responded to a RFI as part of the underwriting review by real estate analysis (Brent Stewart). At this time, there is nothing outstanding with TDHCA. The project award from TDHCA, as amended, is being underwritten. That is a good sign in my experience. TDHCA staff has not AGREED we are at risk but they had no big issues related to our position. They understand why we think we clearly comply with at risk statute.

It is not resolved yet, but we are making good progress. We are set for their board meeting agenda for October. That meeting date is 10/10/19 on the current TDHCA board calendar.

I was asked by the Executive Director (ED) to get something more from RD, if possible, at this time. Can you confirm for us that due to the limited number of farm labor households, the Temple office no longer believes the property is meeting its mission? A simple e-mail is sufficient.

In explaining why USDA is accepting the 514 loan pay-off which terminates the RA, we discussed the limited number of households meeting the criteria under the regulatory agreement. It seems this confirmation will help them in their deliberation.

It is not a fire drill. So you can take this week to discuss it internally if you need to. What they would like to hear is:

USDA Temple,

“Due to the limited number of qualified households being served under and in compliance with the USDA-RD farm labor regulatory agreement, 514 loan and related rental assistance. I do not believe or we do not believe the property is meeting the mission of agency as the program intended anymore. It is a factor in the USDA conditional decision to accept payment of the 514 loan and grant repayment as outlined in my previous communication. All conditions apply, including but not limited to, the RUC, loan payoff and grant repayment required.”

This wording is not important just that it is a factor and concern\acknowledgement the property no longer serves the mission to which was intended.

Anything like this should work for them. We can do a call to review it, if necessary. I think this may put us over the hump with them or I would not be asking you for it. This was requested during the call by the new ED.

Melissa,

If we did not send Jonathon the full RFI submission we made to TDHCA REA, please do so tomorrow. I promised to copy Temple on all the communication and submissions. He already had a copy of the RFI letter when he helped us get what Brent wanted as a USDA confirmation.

Thank you

Respectfully,

Bill

James R. (Bill) Fisher
Sonoma Housing Advisors, LLC
16800 Dallas Parkway
Suite 215
Dallas, TX 75248
972-701-5551
214-608-7201 Cell
Bill.fisher@sonomaadvisors.com
Bfisher8@airmail.net

Melissa R Fisher

From: Melissa R Fisher
Sent: Sunday, October 6, 2019 1:47 PM
To: Melissa R Fisher
Subject: FW: 18235 Memorial Apts Commitment Notice -- condition extended to CARRYOVER

From: Tom Cavanagh <tom.cavanagh@tdhca.state.tx.us>
Sent: Thursday, August 16, 2018 3:14 PM
To: Bill Fisher <Bill.Fisher@sonomaadvisors.com>
Cc: Brent Stewart <brent.stewart@tdhca.state.tx.us>; Sharon Gamble <sharon.gamble@tdhca.state.tx.us>; Greg Stoll <greg.stoll@tdhca.state.tx.us>
Subject: RE: 18235 Memorial Apts Commitment Notice -- condition extended to CARRYOVER

The Commitment Notice incorrectly states a September deadline for Carryover Allocation documents.

Pursuant to §11.2 Program Calendar:
the Carryover Documentation Delivery Date is 11/01/2018.
This applies to the UW conditions due at carryover.

Tom Cavanagh

Manager
Real Estate Analysis Division
Texas Department of Housing and Community Affairs
221 E. 11th Street | Austin, TX 78701
Office: 512.475.0322

Any person receiving guidance from TDHCA staff should be mindful that, as set forth in [10 TAC Section 11.1\(b\)](#) there are important limitations and caveats (Also see [10 TAC §10.2\(b\)](#)).

For more information about TDHCA, please visit www.tdhca.state.tx.us.

From: Bill Fisher [<mailto:Bill.Fisher@sonomaadvisors.com>]
Sent: Thursday, August 16, 2018 2:43 PM
To: Tom Cavanagh
Subject: RE: 18235 Memorial Apts Commitment Notice -- condition extended to CARRYOVER

The carryover deadline is the end of the year. This seems to imply a date in September. Please confirm the likely deadline for the carryover allocation documents related to the deadline on the debt.

Thanks

Bill

From: Tom Cavanagh <tom.cavanagh@tdhca.state.tx.us>
Sent: Thursday, August 16, 2018 2:22 PM
To: Bill Fisher <Bill.Fisher@sonomaadvisors.com>; Sharon Gamble <sharon.gamble@tdhca.state.tx.us>; Marni Holloway <marni.holloway@tdhca.state.tx.us>; Brent Stewart <brent.stewart@tdhca.state.tx.us>; Greg Stoll <greg.stoll@tdhca.state.tx.us>

Cc: Melissa R Fisher <mfisher@rise-residential.com>; doram@hidalgocha.org

Subject: RE: 18235 Memorial Apts Commitment Notice -- condition extended to CARRYOVER

<http://www.tdhca.state.tx.us/readocs/uwrep/18235.pdf>

The Commitment Notice correctly shows the conditions related to the USDA debt due at Carryover, as agreed to in the attached email exchange on 7/25/18.

Tom Cavanagh

Manager

Real Estate Analysis Division

Texas Department of Housing and Community Affairs

221 E. 11th Street | Austin, TX 78701

Office: 512.475.0322

Any person receiving guidance from TDHCA staff should be mindful that, as set forth in [10 TAC Section 11.1\(b\)](#) there are important limitations and caveats (Also see [10 TAC §10.2\(b\)](#)).

For more information about TDHCA, please visit www.tdhca.state.tx.us.

From: Bill Fisher [<mailto:Bill.Fisher@sonomaadvisors.com>]

Sent: Thursday, August 16, 2018 1:21 PM

To: Sharon Gamble; Marni Holloway; Brent Stewart

Cc: Melissa R Fisher; doram@hidalgocha.org; Tom Cavanagh

Subject: FW: 18235 Memorial Apts Commitment Notice --correction needed

Requirement 2 B for a USDA letter was pushed to 10% test from Commitment by agreement with REA. Please confirm and/or revise the letter.

Thanks

Bill

James R. (Bill) Fisher
Sonoma Housing Advisors, LLC
16812 Dallas Parkway
Dallas, TX 75248 or

5430 LBJ Freeway, Suite 1200
Dallas, TX 75240

972-663-9368 Office
972-663-9301 Fax
214-608-7201 Cell
Bfisher8@airmail.net
Bill.Fisher@sonomaadvisors.com

From: Melissa R Fisher <mfisher@rise-residential.com>

Sent: Thursday, August 16, 2018 1:16 PM

To: Bill Fisher <Bill.Fisher@sonomaadvisors.com>

Subject: 18235 Memorial Apts Commitment Notice

Melissa R. Fisher

From: Jason Burr <jason.burr@tdhca.state.tx.us>
Sent: Thursday, August 16, 2018 12:36 PM
Cc: Sharon Gamble <sharon.gamble@tdhca.state.tx.us>; Nicole Fisher <nicole.fisher@tdhca.state.tx.us>
Subject: 2018 9%HTC App Verification and Compliance Review form

Application Verification and Compliance Review forms have been uploaded to your Serv-U account. If you find any incorrect information, please strike through and correct. We will not be reissuing these forms. Please upload the signed form to your Serv-U account with your commitment notice.

If you have any questions about these forms, please contact jason.burr@tdhca.state.tx.us

Thanks,

Jason Burr

Multifamily Finance Database Administrator
Texas Department of Housing and Community Affairs
221 E. 11th Street | Austin, TX 78701
Office: 512.475.3986
Fax: 512.475.1895

About TDHCA

The Texas Department of Housing and Community Affairs administers a number of state and federal programs through for-profit, nonprofit, and local government partnerships to strengthen communities through affordable housing development, home ownership opportunities, weatherization, and community-based services for Texans in need. For more information, including current funding opportunities and information on local providers, please visit www.tdhca.state.tx.us.

Any person receiving guidance from TDHCA staff should be mindful that, as set forth in 10 TAC Section 11.1(b) there are important limitations and caveats (Also see 10 TAC §10.2(b)).

Subject: At Risk Statute

5) "At-risk development" means:

(A) a development that:

(i) has received the benefit of a subsidy in the form of a below-market interest rate loan, interest rate reduction, rental subsidy, Section 8 housing assistance payment, rental supplement payment, rental assistance payment, or equity incentive under the following federal laws, as applicable:

(a) Sections 221(d)(3) and (5), National Housing Act ([12 U.S.C. Section 1715l](#));

(b) Section 236, National Housing Act ([12 U.S.C. Section 1715z-1](#));

(c) Section 202, Housing Act of 1959 ([12 U.S.C. Section 1701q](#));

(d) Section 101, Housing and Urban Development Act of 1965 ([12 U.S.C. Section 1701s](#));

(e) the Section 8 Additional Assistance Program for housing developments with HUD-Insured and HUD-Held Mortgages administered by the United States Department of Housing and Urban Development as specified by 24 C.F.R. Part 886, Subpart A;

(f) the Section 8 Housing Assistance Program for the Disposition of HUD-Owned Projects administered by the United States Department of Housing and Urban Development as specified by 24 C.F.R. Part 886, Subpart C;

(g) Sections 514, 515, and 516, Housing Act of 1949 ([42 U.S.C. Sections 1484](#) , [1485](#) , and [1486](#)); or

(h) [Section 42, Internal Revenue Code of 1986](#) ; and

(ii) is subject to the following conditions:

(a) [the stipulation to maintain affordability in the contract granting the subsidy is nearing expiration](#); or

(b) the HUD-insured or HUD-held mortgage on the development is eligible for prepayment or is nearing the end of its term; or

(B) a development that proposes to rehabilitate or reconstruct housing units that:

(i) receive assistance under Section 9, United States Housing Act of 1937 ([42 U.S.C. Section 1437g](#)) and are owned by:

(a) a public housing authority; or

(b) a public facility corporation created by a public housing authority under Chapter 303, Local Government Code;

(ii) received assistance under Section 9, United States Housing Act of 1937 ([42 U.S.C. Section 1437g](#)) and:

(a) are proposed to be disposed of or demolished by a public housing authority or a public facility corporation created by a public housing authority under Chapter 303, Local Government Code; or

(b) have been disposed of or demolished by a public housing authority or a public facility corporation created by a public housing authority under Chapter 303, Local Government Code, in the two-year period preceding the application for housing tax credits; or

(iii) receive assistance or will receive assistance through the Rental Assistance Demonstration program administered by the United States Department of Housing and Urban Development as specified by the Consolidated and Further Continuing Appropriations Act, 2012 ([Pub. L. No. 112-55](#)) and its subsequent amendments, if the application for assistance through the Rental Assistance Demonstration program is included in the applicable public housing plan that was most recently approved by the United States Department of Housing and Urban Development as specified by [24 C.F.R. Section 903.23](#) .

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 § 2306.6702

Texas Government Code § 2306.6702. Definitions

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(a) In this subchapter:

(1) "Applicant" means any person or affiliate of a person who files an application with the department requesting a housing tax credit allocation.

(2) "Application" means an application filed with the department by an applicant and includes any exhibits or other supporting materials.

(3) "Application log" means a form containing at least the information required by [Section 2306.6709](#)

[https://1.next.westlaw.com/Link/Document/FullText?](https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000176&refType=LQ&originatingDoc=lf8267550c0d011e7b511fe9a)

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(4) "Application round" means the period beginning on the date the department begins accepting applications and continuing until all available housing tax credits are allocated, but not extending past the last day of the calendar year.

(5) "At-risk development" means:

(A) a development that:

(i) has received the benefit of a subsidy in the form of a below-market interest rate loan, interest rate reduction, rental subsidy, Section 8 housing assistance payment, rental supplement payment, rental assistance payment, or equity incentive under the following federal laws, as applicable:

(a) Sections 221(d)(3) and (5), National Housing Act ([12 U.S.C. Section 1715l \(https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf826ea80c0d011e7b511f](#)

[https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf826ea80c0d011e7b511f](#)

(b) Section 236, National Housing Act ([12 U.S.C. Section 1715z-1 \(https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf826ea81c0d011e7b511f](#)

[https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf826ea81c0d011e7b511f](#)

(c) Section 202, Housing Act of 1959 ([12 U.S.C. Section 1701q \(https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf8271190c0d011e7b511f](#)

[https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf8271190c0d011e7b511f](#)

(d) Section 101, Housing and Urban Development Act of 1965 ([12 U.S.C. Section 1701s \(https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf82738a0c0d011e7b511f](#)

[https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf82738a0c0d011e7b511f](#)

(e) the Section 8 Additional Assistance Program for housing developments with HUD-Insured and HUD-Held Mortgages administered by the United States Department of Housing and Urban Development as specified by 24 C.F.R. Part 886, Subpart A;

(f) the Section 8 Housing Assistance Program for the Disposition of HUD-Owned Projects administered by the United States Department of Housing and Urban Development as specified by 24 C.F.R. Part 886, Subpart C;

(g) Sections 514, 515, and 516, Housing Act of 1949 ([42 U.S.C. Sections 1484](https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf82786c0c0d011e7b511f1485) (<https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf82786c0c0d011e7b511f1485>) (<https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf82786c1c0d011e7b511f>) and 1486 (<https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf82786c2c0d011e7b511f>) or

(h) [Section 42, Internal Revenue Code of 1986](https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1012823&refType=LQ&originatingDoc=lf827add0c0d011e7b511f) (<https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1012823&refType=LQ&originatingDoc=lf827add0c0d011e7b511f>) and

(ii) is subject to the following conditions:

(a) the stipulation to maintain affordability in the contract granting the subsidy is nearing expiration; or

(b) the HUD-insured or HUD-held mortgage on the development is eligible for prepayment or is nearing the end of its term; or

(B) a development that proposes to rehabilitate or reconstruct housing units that:

(i) receive assistance under Section 9, United States Housing Act of 1937 ([42 U.S.C. Section 1437g](https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf8282300c0d011e7b511fe) (<https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf8282300c0d011e7b511fe>) and are owned by:

(a) a public housing authority; or

(b) a public facility corporation created by a public housing authority under Chapter 303, Local Government Code;

(ii) received assistance under Section 9, United States Housing Act of 1937 ([42 U.S.C. Section 1437g](https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf8287120c0d011e7b511fe) (<https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=LQ&originatingDoc=lf8287120c0d011e7b511fe>) and:

(a) are proposed to be disposed of or demolished by a public housing authority or a public facility corporation created by a public housing authority under Chapter 303, Local Government Code; or

(b) have been disposed of or demolished by a public housing authority or a public facility corporation created by a public housing authority under Chapter 303, Local Government Code, in the two-year period preceding the application for housing tax credits; or

(iii) receive assistance or will receive assistance through the Rental Assistance Demonstration program administered by the United States Department of Housing and Urban Development as specified by the Consolidated and Further Continuing Appropriations Act, 2012 ([Pub. L. No. 112-55](https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1077005&refType=SL&originatingDoc=lf828bf41c0d011e7afd7e38f14C68387015-6E11E19855C-463824AACFB) (<https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1077005&refType=SL&originatingDoc=lf828bf41c0d011e7afd7e38f14C68387015-6E11E19855C-463824AACFB>))) and its subsequent amendments, if the application for assistance through the Rental Assistance

Demonstration program is included in the applicable public housing plan that was most recently approved by the United States Department of Housing and Urban Development as specified by [24 C.F.R. Section 903.23](https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000547&refType=LQ&originatingDoc=lf828bf40c0d011e7b511fe) (<https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000547&refType=LQ&originatingDoc=lf828bf40c0d011e7b511fe>)

(6) "Development" means a proposed qualified low income housing project, as defined by [Section 42\(g\), Internal Revenue Code of 1986](https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1012823&refType=SP&originatingDoc=lf828e650c0d011e7b511fe9a7) (<https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1012823&refType=SP&originatingDoc=lf828e650c0d011e7b511fe9a7>)

([26 U.S.C. Section 42\(g\)](https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=SP&originatingDoc=lf828e651c0d011e7b511fe9a7) (<https://1.next.westlaw.com/Link/Document/FullText?findType=L&originatingContext=document&transitionType=DocumentItem&pubNum=1000546&refType=SP&originatingDoc=lf828e651c0d011e7b511fe9a7>)

that consists of one or more buildings containing multiple units, that is financed under a common plan, and that is owned by the same person for federal tax purposes, including a project consisting of multiple buildings that:

(A) are located on scattered sites; and

(B) contain only rent-restricted units.

(7) "Development owner" means any person or affiliate of a person who owns or proposes a development or expects to acquire control of a development under a purchase contract approved by the department.

(8) "Housing tax credit" means a tax credit allocated under the low income housing tax credit program.

8f

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
OCTOBER 10, 2019

Presentation, discussion, and possible action on a Determination Notice for Housing Tax Credits and an Award of Direct Loan Funds (#19418, Bridge at Loyola Lofts, Austin)

RECOMMENDED ACTION

WHEREAS, an application for Bridge at Loyola Lofts, sponsored by the Austin Affordable Housing Corporation and the NRP Group, requesting 4% Housing Tax Credits (HTC) and \$4,000,000 in Direct Loan funds under the General set-aside of the 2019-1 Multifamily Direct Loan Notice of Funding Availability (2019-1 NOFA), was submitted to the Department on March 15, 2019;

WHEREAS, the current Certification of Reservation from the Texas Bond Review Board was issued on August 16, 2019, and will expire on January 13, 2020;

WHEREAS, the proposed issuer of the bonds is the Austin Affordable PFC, Inc.;

WHEREAS, pursuant to 10 TAC §11.101(a)(3) of the 2019 Qualified Allocation Plan (QAP) related to Neighborhood Risk Factors, applicants are required to disclose to the Department the existence of certain risk factors of a proposed development site;

WHEREAS, the applicant has disclosed the presence of a middle school (Sadler Means Young Women's Leadership Academy) within the attendance zone of the proposed development site that did not achieve a Met Standard rating based on the 2018 Accountability Ratings by the Texas Education Agency (TEA);

WHEREAS, those in the attendance zone of the proposed development site can attend either the Sadler Means Young Women's Leadership Academy or Dobie Middle School, the latter of which achieved a Met Standard 2018 TEA Accountability Rating;

WHEREAS, because there is an option to attend another middle school in the same attendance zone that achieved Met Standard and further discussed herein, staff recommends the proposed site be found eligible under 10 TAC §11.101(a)(3);

WHEREAS, the development site in the City of Austin limits the funding source available for this application under the General set-aside to Tax Credit Assistance Program Repayment Funds (TCAP RF) and sufficient TCAP RF remains available;

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated a Category 2 and deemed acceptable by Executive Award and Review Advisory Committee (EARAC); and

WHEREAS, EARAC recommends \$4,000,000 in TCAP RF for Bridge at Loyola Lofts and the issuance of a Determination Notice;

NOW, therefore, it is hereby

RESOLVED, that the development site is found to be eligible; and

FURTHER RESOLVED, that the issuance of a Determination Notice of \$1,475,411 in 4% HTC, and \$4,000,000 in TCAP RF, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department's website for Bridge at Loyola Lofts, is hereby approved as presented to this meeting.

BACKGROUND

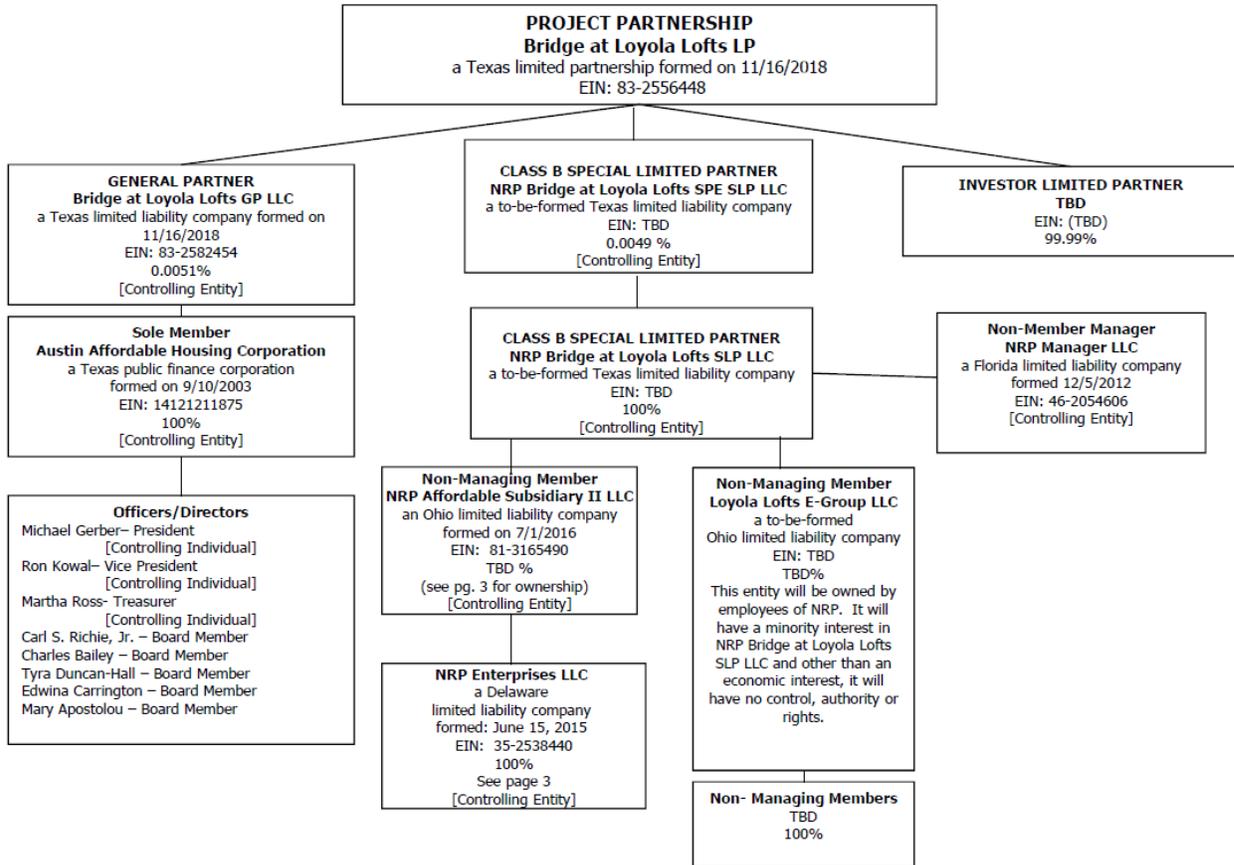
General Information: The property is located at 6420 Loyola Lane in Austin, Travis County, and proposes new construction to serve the general population. The development will be composed of 204 units and the applicant has indicated a preference for income averaging. For HTC purposes, the development is proposed to include 32 units that will be rent and income restricted at 40% of the Area Median Family Income (AMFI), 136 units will be rent and income restricted at 60% of AMFI, 32 units will be rent and income restricted at 80% of AMFI, and the remaining four units will be at market rate. There will also be 67 TCAP-RF restricted units that will carry HOME income and rent restrictions (as further reflected in the Real Estate Analysis Underwriting Report). Despite the current Certificate of Reservation having been issued on August 16, 2019, the application was previously issued a Certificate of Reservation on April 11, 2019, meeting the 2019-1 NOFA requirement in 6(f) and thereby allowing the application to move forward with a March 15, 2019, received date. The current Certificate of Reservation was issued prior to the expiration of the one issued on April 11, 2019. The zoning designation allows for the proposed development.

Site Analysis: The applicant disclosed the presence of a middle school (Sadler Means Young Women's Leadership Academy) within the attendance zone of the proposed development site that did not achieve a Met Standard rating based on the 2018 Accountability Ratings by the TEA. However, the Austin Independent School District (AISD) allows students to opt out of attending Sadler Means Young Women's Leadership Academy, and may instead attend Dobie Middle School. Dobie Middle School achieved the Met Standard rating for 2018. Staff confirmed with AISD that if a student desires to attend Dobie Middle School instead of the Young Women's Leadership Academy, there is no separate application process, students have a choice of which to attend since both are within the attendance zone. Moreover, any middle school-aged students living at the proposed development will be eligible for transportation services to either middle school from the AISD. Based on this mitigation, staff recommends the proposed site be found eligible under 10 TAC §11.101(a)(3) of the 2019 QAP.

Organizational Structure: The Borrower is Bridge at Loyola Lofts, LP and includes the entities and principals as illustrated in Exhibit A. The applicant's portfolio is considered a Category 2 and the previous participation was deemed acceptable by EARAC.

Public Comment: There were no letters of support or opposition received by the Department.

EXHIBIT A



19418 Bridges at Loyola Lofts - Application Summary

REAL ESTATE ANALYSIS DIVISION
January 0, 1900

PROPERTY IDENTIFICATION	
Application #	19418
Development	Bridges at Loyola Lofts
City / County	Austin / Travis
Region/Area	7 / Urban
Population	General
Set-Aside	Income Averaging
Activity	New Construction

RECOMMENDATION						
TDHCA Program	Request	Recommended				
LIHTC (4% Credit)	\$1,475,411	\$1,475,411	\$7,232/Unit	\$0.90		
		Amount	Rate	Amort	Term	Lien
MF Direct Loan Const. to Perm. (Repayable)	\$4,000,000	2.50%	30	15.5	2	

KEY PRINCIPAL / SPONSOR		
Housing Authority of the City of Austin (HACA)		
The NRP Group J. David Heller		
Related Parties	Contractor - Yes	Seller - No

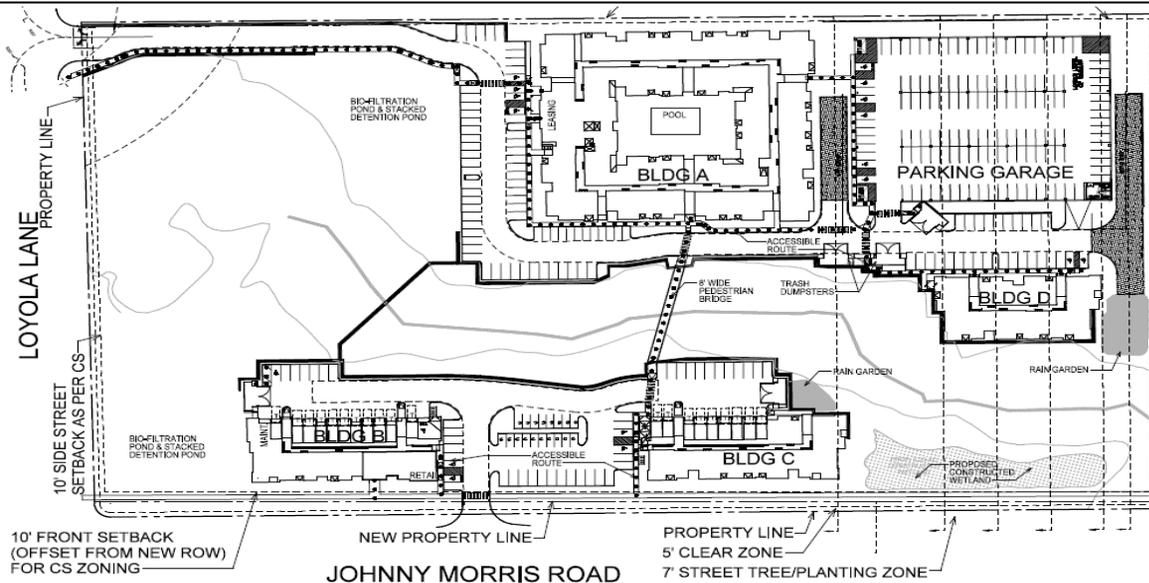
TYPICAL BUILDING ELEVATION/PHOTO



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	19	9%	40%	32	16%
2	79	39%	60%	136	67%
3	90	44%	80%	32	16%
4	16	8%	MR	4	2%
TOTAL	204	100%	TOTAL	204	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		TDHCA's Pro Forma	
Debt Coverage	1.22	Expense Ratio	31.1%
Breakeven Occ.	80.9%	Breakeven Rent	\$1,102
Average Rent	\$1,262	B/E Rent Margin	\$160
Property Taxes	Exempt	Exemption/PILOT	100%
Total Expense	\$4,424/unit	Controllable	\$2,998/unit

SITE PLAN



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)	5.4%		
Highest Unit Capture Rate	31%	1 BR/60%	11
Dominant Unit Cap. Rate	20%	3 BR/60%	61
Premiums (↑60% Rents)	Yes	\$581/Avg.	
Rent Assisted Units	N/A		

DEVELOPMENT COST SUMMARY			
Costs Underwritten		Applicant's Costs	
Avg. Unit Size	1,043 SF	Density	16.1/acre
Acquisition		\$15K/unit	\$2,975K
Building Cost	\$71.46/SF	\$75K/unit	\$15,199K
Hard Cost		\$108K/unit	\$21,965K
Total Cost		\$222K/unit	\$45,299K
Developer Fee	\$4,646K	(16% Deferred)	Paid Year: 3
Contractor Fee	\$3,131K	30% Boost	Yes

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
Key Bank	15/35	4.00%	\$27,260,000	1.38						Navistone	\$13,277,374
TDHCA	15.5/30	2.50%	\$4,000,000	1.22						Deferred Developer Fee	\$761,543
TOTAL DEBT (Must Pay)			\$31,260,000		CASH FLOW DEBT / GRANTS			\$0		TOTAL EQUITY SOURCES	\$14,038,917
										TOTAL DEBT SOURCES	\$31,260,000
										TOTAL CAPITALIZATION	\$45,298,917

CONDITIONS

- Receipt and acceptance before Direct Loan Closing
 - a: Substantially final construction contract with Schedule of Values.
 - b: Updated term sheets with substantially final terms from all lenders
 - c: Substantially final draft of limited partnership agreement.
 - d: Senior loan documents (and/or partnership documents) must contain a provision(s) that any stabilization resizing on the senior debt includes the debt service on the TDHCA MDL at a 1.15 DCR.
 - e: Documentation identifying any required matching funds, and confirming that the source is eligible to be counted as matching funds under HUD and TDHCA requirements.
 - f: Architect or engineer certification that the site plan conforms to City of Austin requirements associated with the Walnut Creek Watershed and the unnamed Minor Waterway that bisects the property approximately 1,200 linear feet running from north to south.
 - g: Statement from senior permanent lender indicating rents they are underwriting for 80% AMI units and Market Units
 - h: Statement from equity investor indicating rents they are underwriting for 80% AMI units and Market Units
 - i: Architect or engineer certification that the site plan conforms to City of Austin requirements associated with the Walnut Creek Watershed and the unnamed Minor Waterway that bisects the property approximately 1,200 linear feet running from north to south.
 - j: A Wetlands and Jurisdictional Waters of the United States Determination Report with a clear determination of the wetland status of the subject site, indicating whether any mitigation is required.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER	
Issuer	Austin Affordable PFC, Inc.
Expiration Date	1/13/2020
Bond Amount	\$30,000,000
BRB Priority	Priority 3
Close Date	9/8/2019
Bond Structure	Private Placement Tax-exempt Loan
% Financed with Tax-Exempt Bonds	76.0%

RISK PROFILE	
STRENGTHS/MITIGATING FACTORS	
▫	Experienced developer and operations partner
▫	Building layout and design takes advantage of site
WEAKNESSES/RISKS	
▫	Financial feasibility reliant on tax-exempt status
▫	Only 1 elevator for 128 units (Bldg A)

