



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.texas.gov

Greg Abbott
GOVERNOR

BOARD MEMBERS

Leo Vasquez, *Chair*
Kenny Marchant, *Vice Chair*
Cindy Conroy, *Member*
Anna Maria Farias, *Member*
Holland Harper, *Member*
Ajay Thomas, *Member*

October 23, 2026

Writer's direct phone # (512) 475-4065
Email: shay.erickson@tdhca.texas.gov

James Derow
Cardone Capital
Denton, TX 76209
jim@cardonecapital.com

RE: 10X Heights Waterworks

Dear James Derow:

The Texas Department of Housing and Community Affairs (Department) has reviewed the Housing Facility Corporation (HFC) Audit Report submitted by Adam Harden on September 28, 2026. This review was performed as required by Section 394.9027 (b) of Chapter 394, the Texas Administrative Code (TAC) Chapter 10, Subchapter J, for Hilltop Residential. Enclosed is a copy of the Audit Report Summary.

Events of noncompliance have been identified and detailed in the attached Findings Report with required corrective action. In accordance with TAC Section 394.9027(d) a copy of this notice will be sent to the Chief Appraiser of the appraisal district in which the development is located.

This notice begins the corrective action period. Supply all required documentation via Serv-U, no later than **April 21, 2027**, the last day of the corrective action period.

If you need a Serv-U account, email hfc@tdhca.texas.gov. Submissions must include a cover letter explaining, in detail, how each event of noncompliance was corrected.

Remaining uncorrected noncompliance after the corrective action period deadline will result in a referral to the Texas Comptroller and Chief Appraiser, with a recommendation for loss of ad valorem tax exemption under Section 394.905 of the Texas Local Government Code for the Tax Year being Audited.



221 East 11th Street P.O. Box 13941 Austin, Texas 78711-3941 (800) 525-0657 (512) 475-3800



If you have any questions about this monitoring report, please contact Shay Erickson toll free in Texas at (800) 643-8204, directly at (512) 475-4065, or email: shay.erickson@tdhca.texas.gov.

Sincerely,



Shay Erickson
Compliance Monitor

CC: info@ahcomplianceservices.org; tracy.smith-cavanagh@rpmliving.com; mayor@pleasantontx.gov; district1@pleasantontx.gov; district2@pleasantontx.gov; district3@pleasantontx.gov; district4@pleasantontx.gov; district5@pleasantontx.gov; district6@pleasantontx.gov; tloreords@hcad.org; econ.dev@cpa.texas.gov

Texas Department of Housing and Community Affairs									
Housing Finance Corporation (HFC)									
Preliminary Summary of Audit									
This is a preliminary summary of the Audit Report. TDHCA's review is ongoing and not final. Findings and any required Corrective Action will be addressed in the official Monitoring Report Letter, if applicable.									
Reporting Details									
Report Due Date: 6/1/2026		Current Reporting Year: 2026		Occupancy Period Begin Date: 1/1/2025		Occupancy Period End Date: 12/31/2025			
Development & Regulatory									
HFC Property Name: 10X Heights Waterworks		Is the Regulatory Agreement (RA) is properly recorded? Yes		PRE or POST May 28, 2025 Development? PRE					
HFC Property Street Address: 515 W 20th Street		Regulatory Agreement Effective Date: 3/10/2025		Development Type: Acquisition					
HFC City, State Zip: Houston, TX 77008		Does the development participate in other affordable programs? No		Occupancy Type: General/Family					
Property County: Harris		Jurisdictional Boundaries: Outside Sponsor Boundaries		Total Number of Units in the Development (All Restricted & Unrestricted): 309					
HFC User Name: Cardone Capital		If Outside Sponsor Boundaries, was the Development acquired by Sept. 1, 2025? Yes							
		If Outside Sponsor Boundaries, has approval been obtained or is the Development in the transition period? NA							
Affordability Requirements - AMI Percentage by Bedroom Size (Post Developments Only)									
		Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	Total		
80% AMI Units		0	0	0	0	0	155		
Other AMI Units (160%)		0	0	0	0	0	124		
Market Units		0	0	0	0	0	30		
Total Restricted Units		0	0	0	0	0	279		
Total Units (Restricted + Market)		0	0	0	0	0	309		
Development Contacts									
		Organization Name	City, State Zip						
		Property Name	Houston, TX 77008						
		Texas Comptroller	Austin, TX 78753						
		Appraisal District	Houston, TX 77040						
		Individual Auditor	Dallas, Texas 75201						
		HFC User	Denton, TX 76209						
		HFC Management Company	Austin, TX 78731						
		HFC Sponsor	Pleasanton, Texas						
		HFC Governing Body of Sponsor	Mayor and City Council						
Auditor Qualifications & Affiliations									
				Does the Auditor have a current Certified Occupancy Specialist (COS) or equivalent certification?		Yes			
				Has the Auditor provided a resume demonstrating housing compliance audit experience?		Yes			
				Is the Auditor free from any financial, ownership, or management interest in the Development or any Responsible Party?		Yes			
				Has the HFC User complied with the three-year rotation and, if applicable, the two-year cooling-off requirement?		Yes			
Income & Rents Limits									
				Does the Regulatory Agreement specify income limits?		Yes			
				Are the income limits adjusted for household size?		NA			
				Are the income limits based on HUD income limits?		Yes			
				Did the Development comply with the Available Unit Rule when a household became over-income?		Yes			
				Does the Regulatory Agreement specify rent limits for Restricted Units?		Yes			
				Are the rent limits based on HUD rental limits?		NA			
				Are restricted unit rents <30% of the applicable income limit (adjusted for household size)?		NA			
				Are rent limit adjusted for family size, as determined by HUD?		NA			
				What is the family-size adjustment specified by the Development's Regulatory Agreement?		NA			
Units & Occupancy									
Restricted Units Occupied by Voucher Holders: 0		Restricted Occupied Units: 279		Non-Restricted Occupied Units: 6					
Total Units (ALL): 309		Restricted Vacant Units: 0		Non-Restricted Vacant Units: 24					
		Total Restricted Units: 279		Total Non-Restricted Units: 30					
Triggering Events: Acquisition and Ownership Transfer									
				Did a triggering event occur during the reporting period or any prior Tax Year?		No			
Set Asides									
Date first occupied by one or more tenants? Closing Date		Yes		Set-Aside - Select Only One Option					
Is the Development currently in lease up? Yes				Option 1:					
Do Restricted Units have comparable square footage and floor plans as Non-Restricted Units? Yes				At Least 10% of units reserved for HH not earning more than 60% AMI NA					
Are Restricted Units equal in finishes and equipment to Non-Restricted units? Yes				At least 40% of units reserved for HH not earning more than 80% AMI NA					
Do Restricted Units have equal amenity and program access as Non-Restricted Units? Yes				Option 2:					
Are Restricted Units proportionally distributed by unit type and income category? Yes				At Least 10% of units reserved for HH not earning more than 50% AMI NA					
Did the Auditor receive photographic evidence and written certification confirming unit comparability? No				At least 40% of units reserved for HH not earning more than 100% AMI NA					
Audit Sample Summary									
		Audit Sample		Item					
		Overall Sample meets minimum requirements?		Yes					
		Move-In Sample meets minimum requirements?		Yes					
		Recertification Sample meets minimum requirements?		NA					
		Is the Development currently in lease-up?		Yes					
Texas Department of Housing and Community Affairs (TDHCA) Observations - DEPARTMENT USE ONLY									
Preliminary summary. TDHCA review is ongoing and not final.									
Report Due Date: 6/1/2026		Current Reporting Year: 2026		Audit Received Date: 9/28/2026					
PRELIMINARY COMPLIANCE INDICATORS									
Reporting									
				Is the Development required to submit an Audit Report?		Yes			
				Did the Development submit an Audit Report by the deadline, with approved extensions?		Yes			
				Does the Audit Report cover the full prior reporting year ending December 31 and include a rent roll for the same period?		Yes			
				Does the Audit Report include contact information for all Responsible Parties?		Yes			
				Was the Audit Report submitted in the Department-prescribed manner through the Department's file transfer system (Serv-U/File Serve)?		Yes			
				Was the annual service fee (\$35 per Restricted Unit in the sample or \$500 minimum) submitted with the Audit Report?		No			
				Did the Audit Report include a one-time exemption application submitted to the Texas Comptroller's Office?		No			
				Did the first Audit Report include all required supporting documentation?		No			
Auditor									
				Does the Auditor meet independence and qualification standards and comply with applicable rotation and cooling-off requirements?		Yes			
Geographic Boundaries									
				Is the Development within sponsor boundaries, or—if outside those boundaries—has required approval been obtained or is the Development within the applicable transition period?		NA			
				Overall Chapter 394 Status:		Noncompliant			
				TDHCA Notes/Notations:		Corrective Action Issued			

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

DETAIL FINDINGS AND CORRECTIVE ACTION

HFC User: Cardone Capital
 Property Name: 10X Heights Waterworks
 Address: 515 W 20th Street
 Houston, TX 77008

Regulatory Agreement Date: 3/10/2025
 Corrective Action Report Issued: 10/23/2026
 Corrective Action Due Date: 4/21/2027

PROGRAM: HFC

PROPERTY FINDINGS

Finding: Failure to comply with §10.1203(4)				
Unit #	Non-Compliance Date	Reason	Corrective Action	Correction Date
Property Wide	9/28/2026	<p>TAC §10.1203(4) requires the HFC User to submit an annual service fee to the Department by June 1 of each year, in the amount of the greater of \$35 per Restricted Unit included in the audit sample or \$500, tendered by check, money order, payable to the Texas Department of Housing and Community Affairs.</p> <p>The Department is unable to confirm receipt of the required annual service fee of \$500. Based on the required audit sample size of 56 household files, the correct annual service fee is \$1,960.</p>	<p>To correct, submit \$1,960 annual service fee to the Department in accordance with TAC §10.1203(4).</p> <p>Payments must be made by check or money order payable to the Texas Department of Housing and Community Affairs and either delivered to 221 E. 11th St., Austin, TX 78701, or mailed to PO Box 13941, Austin, TX 78711-3941.</p> <p>Payment must include the completed HFC Annual Service Fee Form, available on the Department's website: https://www.tdhca.texas.gov/housing-finance-corporation-compliance-monitoring.</p>	

Finding: Failure to comply with §10.1203(1)(C)				
Unit #	Non-Compliance Date	Reason	Corrective Action	Correction Date
Property Wide	9/28/2026	<p>TAC §10.1203(1)(C) requires the HFC User to provide the Auditor with all required documents prior to submission of the first Audit Report, including the underwriting assessment, applicable resolutions, board meeting minutes, the Regulatory Agreement, and the one-time exemption application submitted to the Texas Comptroller's office. These documents must be submitted to the Department with the first Audit Report.</p> <p>The Audit Report submitted to the Department did not contain the one-time exemption application submitted to the Texas Comptroller's office.</p>	<p>Ensure all required documents are provided to the Auditor prior to submission of the first Audit Report for the Development.</p> <p>Submit to the Department a copy of the one-time exemption application submitted to the Texas Comptroller's office.</p>	