THE STATE OF TEXAS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.texas.gov

September 18, 2026

Writer's direct phone # (512) 475 -3907
Email: Christina.Thompson@tdhca.texas.gov

Palencia Owner LLC
Dallas, TX
rhall@magmaequities.com; pm.palencia@avenue5apt.com

RE: Palencia Apartments

Dear Palencia Owner LLC:

The Texas Department of Housing and Community Affairs (Department) has reviewed the Housing Facility Corporation (HFC) Audit Report submitted by Samari Smith on July 31, 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 Palencia Apartments. 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 **March 17, 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.

If you have any questions about this monitoring report, please contact Christina Thompson toll free in Texas at (800) 643-8204, directly at (512) 475-3907, or email: christina.thompson@tdhca.texas.gov.

Sincerely,

Christina Thompson
Team Lead, HFC and PFC Monitoring

CC: samari.smith@auxanocompliance.com; marco.info@co.maverick.tx.us; commissioner.pct1@co.maverick.tx.us; commissionerpct2@co.maverick.tx.us; olgaramos@co.maverick.tx.us; roberto.ruiz@co.maverick.tx.us; chiefofstaff@co.maverick.tx.us; pm.palencia@avenue5apt.com; econ.dev@cpa.texas.gov

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

Palencia Apartments

The Texas Department of Housing and Community Affairs provides the following Technical Assistance:

- TAC §10.1203(3)(B) requires that all Audit Reports include contact information for all Responsible Parties. Audit Report did not contain contact information for the HFC, HFC User, HFC Sponsor and the HFC Sponsoring Governing Body. To avoid noncompliance, ensure current contact information for all Responsible Parties is provided in the Audit Report.

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	Palencia	Is the Regulatory Agreement (RA) is properly recorded?	Yes	PRE or POST May 28, 2025 Development?	PRE
HFC Property Street Address	17817 Coit Rd	Regulatory Agreement Effective Date	3/26/2025		
HFC City, State Zip	Dallas, TX 75252			Development Type	Rehabilitation
Property County	Collin	Does the development participate in other affordable programs?	No		
				Occupancy Type	General/Family
HFC User Name	Not Provided	Jurisdictional Boundaries	Not Provided		
		If Outside Sponsor Boundaries, was the Development acquired by Sept. 1, 2025?	Not Provided	Total Number of Units in the Development (ALL Restricted & Unrestricted)	281
		If Outside Sponsor Boundaries, has approval been obtained or is the Development in the transition period?	Not Provided		

Affordability Requirements - AMI Percentage by Bedroom Size (Post Developments Only)

	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	Total
80% AMI Units	46	114	10	0	0	170
100% AMI Units	0	0	0	0	0	0
120% AMI Units	0	0	0	0	0	0
140% AMI Units	0	0	0	0	0	0
Other AMI Units: [Add % here]	0	0	0	0	0	0
Market Units	0	0	0	0	0	0
Total Restricted Units	46	114	10	0	0	170
Total Units (Restricted + Market)	46	114	10	0	0	170

Development Contacts

	Organization Name	City, State Zip
Property Name	Palencia	Dallas, TX 75252
Texas Comptroller	Not Provided	Austin, TX 78753
Appraisal District	Not Provided	Not Provided
Individual Auditor	Samari Smith	Not Provided
HFC User	Not Provided	Not Provided
HFC Management Company	Not Provided	Not Provided
HFC Sponsor	Not Provided	Not Provided
HFC Governing Body of Sponsor	Not Provided	Not Provided

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
Is the Auditor currently serving, or has the Auditor previously served, as the Management Agent for this Development?	No
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?	No
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?	Yes
Are restricted unit rents ≤30% of the applicable income limit (adjusted for household size)?	Yes
Are rent limit adjusted for family size, as determined by HUD?	No
What is the family-size adjustment specified by the Development's Regulatory Agreement?	1.5 Persons per Bedroom

Fees

Does Rent charged to income-restricted tenants include any recurring fees or charges?	Yes
If "Yes", are any recurring fees or charges required as a condition of occupancy?	Yes

Units & Occupancy

		Restricted Occupied Units	147	Non-Restricted Occupied Units	94
Restricted Units Occupied by Voucher Holders	0	Restricted Vacant Units	22	Non-Restricted Vacant Units	18
Total Units (ALL)	281	Total Restricted Units	169	Total Non-Restricted Units	112

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?	8/1/2025
Is the Development currently in lease up?	Yes
Do Restricted Units have comparable square footage and floor plans as Non-Restricted Units?	Yes
Are Restricted Units equal in finishes and equipment to Non-Restricted units?	Yes
Do Restricted Units have equal amenity and program access as Non-Restricted Units?	Yes
Are Restricted Units proportionally distributed by unit type and income category?	Yes
Did the Auditor receive photographic evidence and written certification confirming unit comparability?	No

Set-Aside - Select Only One Option

Option 1:	
At Least 10% of units reserved for HH not earning more than 60% AMI	NA
At least 40% of units reserved for HH not earning more than 80% AMI	NA
Option 2:	
At Least 10% of units reserved for HH not earning more than 50% AMI	NA
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
Lease-up Development meets minimum requirements.	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:	7/31/2026

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?	No
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?	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?	In the Transition Period
Overall Chapter 394 Status:	Noncompliant: See Detail Findings Report
TDHCA Notes/Notations:	None

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

DETAIL FINDINGS AND CORRECTIVE ACTION REPORT

HFC ID: AA26-043-0006
HFC User: Palencia Owner LLC
Property Name: Palencia
Address: 17817 Coit Rd Dallas, TX 75252

Regulatory Agreement Date: 3/26/2025
Audit Report Received Date: 7/31/2026
Corrective Action Due Date: 3/17/2026

Audit Report Review Date: 9/17/2026

PROGRAM: HFC

PROPERTY FINDINGS

Finding:	Failure to comply with §10.1203(1)(C)			
Unit #	Non-Compliance Date	Reason	Corrective Action	Correction Date
Property Wide	6/1/2026	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. The Audit Report submitted to the Department did not contain the one-time exemption application submitted to the Texas Comptroller's office.	Submit to the Department a copy of the one-time exemption application submitted to the Texas Comptroller's office.	

Finding:	Failure to comply with §10.1203(4)			
Unit #	Non-Compliance Date	Reason	Corrective Action	Correction Date
Property Wide	7/31/2026	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. Deparment received the Audit Report which included a sample size of fifty (50) househole files. The annual service fee has not been received.	To correct, submit the annual service fee in the amount of $1,750 to the Department, in accordance with TAC §10.1203(4). Payments must be paid 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. Payment must include the completed HFC Annual Service Fee Form, available on the Deparment's website: https://www.tdhca.texas.gov/housing-finance-corporation-compliance-monitoring	