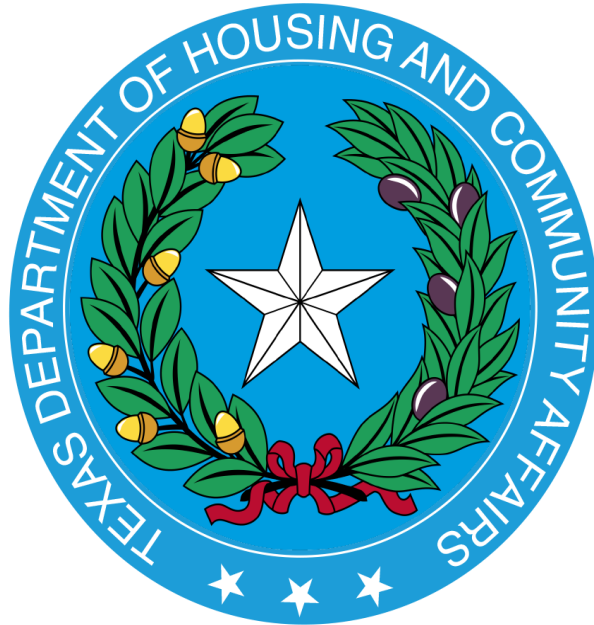


SUPPLEMENTAL BOARD BOOK OF OCTOBER 11, 2018



J. B. Goodwin, Chair

Leslie Bingham Escareño, Vice-Chair

Paul Braden, Member

Asusena Reséndiz, Member

Sharon Thomason, Member

Leo Vasquez, III, Member

CONSENT AGENDA

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

**A G E N D A
8:00 AM
October 11, 2018**

**Texas Capitol Building
Capitol Extension Room E2.028
1100 Congress Avenue
Austin, TX 78701**

CALL TO ORDER

ROLL CALL

J.B. Goodwin, Chair

CERTIFICATION OF QUORUM

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.

Resolution recognizing October as Hispanic Heritage Month

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 Tex. Gov't Code Chapter 551. 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:

LEGAL

- a) Presentation, discussion, and possible action regarding the adoption of an agreed final order concerning Falcon Pointe Apartments (HTC 98005/CMTS 1857)
- b) Presentation, discussion, and possible action regarding the adoption of an agreed final order concerning Coral Hills Apartments (HTC 05623/Bond 05623B/CMTS 4311)

Jeffrey Pender
Deputy General Counsel

BOND FINANCE

- c) Presentation, discussion, and possible action regarding an increase in authorization for Taxable Mortgage Purchase Program
- d) Presentation, discussion, and possible action on Resolution No. 19-005 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
- e) Presentation, discussion, and possible action on Inducement Resolution No. 19-006 for Multifamily Housing Revenue Bonds Regarding Authorization for Filing Applications for Private Activity Bond Authority for McMullen Square Apartments

Monica Galuski
Director of
Bond Finance

HOME AND HOMELESSNESS PROGRAMS

- f) Presentation, discussion, and possible action on awards for the 2017 HOME Investment Partnerships Program Single Family Programs Homebuyer Assistance and Tenant-Based Rental Assistance Notice of Funding Availability

Abigail Versyp
Director of HOME and
Homelessness Programs

- g) Presentation, discussion, and possible action to authorize the issuance of the 2018 HOME Investment Partnerships Program Single Family Contract for Deed and Persons with Disabilities Set-Asides Reservation System Notice of Funding Availability and publication of the NOFA in the *Texas Register*
- h) Presentation, discussion, and possible action on Program Year 2018 Emergency Solutions Grants Program Awards

OCI, HTF, AND NSP

- i) Presentation, discussion, and possible action on Colonia Self-Help Center Program Award to El Paso County in accordance with Tex. Gov't Code §2306.582 through Community Development Block Grant Funding

Raul Gonzales
Director of OCI,
HTF and NSP

HOUSING RESOURCE CENTER

- j) Presentation, discussion, and possible action on the draft 2019 State of Texas Consolidated Plan: One-Year Action Plan
- k) Presentation, discussion, and possible action on a draft substantial amendment of the 2015-2019 State of Texas Consolidated Plan

Elizabeth Yevich
Director of Housing
Resource Center

MULTIFAMILY FINANCE

- l) Presentation, discussion, and possible action on a Determination Notice for Housing Tax Credits with another Issuer

Marni Holloway
Director of
MF Finance

18400	Anna Dupree Terrace	Houston
18408	Sansom Bluff	Sansom Park
18435	Eisenhower Apartments	El Paso
18422	Elysium Grand	Austin
18428	Sherman Plaza	El Paso
18429	Light Rail Lofts	Houston
18431	The Vireo	Houston

- m) Presentation, discussion and possible action regarding amendments to the Construction Loan Agreements for ADC West Ridge, LP
 - n) Presentation, discussion and possible action regarding an Award of Direct Loan funds from the 2018-1 Multifamily Direct Loan Notice of Funding Availability
- | | | |
|-------|---------------------|--------|
| 18099 | Waters Park Studios | Austin |
|-------|---------------------|--------|

MULTIFAMILY ASSET MANAGEMENT

- o) Presentation, discussion, and possible action regarding a material amendment to the Housing Tax Credit Application
- | | | |
|-------|------------------------------|---------------|
| 17188 | EaDo Lofts | Houston |
| 17315 | Provision at North Valentine | Hurst |
| 17316 | Gala at Texas Parkway | Missouri City |
| 17317 | Jubilee at Texas Parkway | Missouri City |
- p) Presentation, discussion, and possible action regarding a material amendment to the Housing Tax Credit Application and a change in the ownership structure of the Development Owner, Developer, and Guarantors prior to issuance of IRS Form(s) 8609
- | | | |
|-------|----------------|---------|
| 17334 | Medano Heights | El Paso |
|-------|----------------|---------|

Rosalio Banuelos
Acting Director of
MF Asset Management

RULES

- q) Presentation, discussion, and possible action on the proposed repeal and proposed new 10 TAC Chapter 10 Subchapter F, concerning Compliance Monitoring, and directing its publication for public comment in the *Texas Register*
- r) Presentation, discussion, and possible action on an order proposing the repeal of 10 TAC Chapter 1, Subchapter C, Previous Participation; and an order proposing new 10 TAC Chapter 1, Subchapter C, Previous Participation and Executive Award Review and Advisory Committee, and directing their publication for public comment in the *Texas Register*

Patricia Murphy
Director of Compliance

Brooke Boston
Director of Programs

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:

- a) TDHCA Outreach Activities, (September-October)
- b) Report on the closing of the Department's 2018 Series A Single Family Mortgage Revenue Bonds

Michael Lyttle
Director of
External Affairs

Monica Galuski
Director of
Bond Finance

ACTION ITEMS

ITEM 3: REPORT ITEMS

- a) Report on Recent Voucher Application Activity
- b) Quarterly Report on Texas Homeownership Division Activity
- c) Report on the process for appointment of a new Executive Director and actions of the Executive Director Committee

Brooke Boston
Director of Programs

Cathy Gutierrez
Director of
Texas Homeownership

J.B. Goodwin
Chair of
ED Committee

ITEM 4: BOND FINANCE

- a) Presentation, discussion and possible action regarding the Issuance of Multifamily Housing Revenue Bonds (Related RD Portfolio) Series 2018 Resolution No. 19-007 and Determination Notices of Housing Tax Credits
18605 Bastrop Oak Grove Bastrop
18606 Bay City Village Baytown
18607 Burk Village Burkburnett
18608 Elgin Meadowpark Elgin
18609 Evan Tom Sawyer Evant
18610 Hondo Brian Place Hondo
18611 Hondo Gardens Hondo
18612 Lampasas Gardens Lampasas
18613 Lantana Apartments Beeville
- b) Presentation, discussion and possible action regarding the Issuance of Multifamily Housing Revenue Bonds (Forestwood Apartments) Series 2018 A and Taxable Multifamily Housing Revenue Bonds (Forestwood Apartments) Series 2018B Resolution No. 19-008 and a Determination Notice of Housing Tax Credits

Teresa Morales
Manager of
Multifamily Bonds

ITEM 5: MULTIFAMILY FINANCE

Presentation, discussion and possible action on staff determinations regarding Undesirable Neighborhood Characteristics for Multifamily Direct Loan Application
18503 Eastern Oaks Apartments Austin

Marni Holloway
Director of
MF Finance

ITEM 6: RULES

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; an order adopting the repeal of 10 TAC Chapter 6 Community Affairs Programs: §6.1 Purpose and Goals, §6.2 Definitions, §6.3 Subrecipient Contract, §6.7 Subrecipient Reporting Requirements, §6.8 Applicant/Customer Denials and Appeal Rights; §6.205 Limitations on Use of Funds, §6.206 CSBG Needs Assessment, Community Action Plan, and Strategic Plan, §6.207 Subrecipient Requirements, §6.213 Board Responsibility, §6.214 Board Meeting Requirements; §6.301 Background and Definitions, §6.304 Deobligation and Reobligation of CEAP Funds, §6.307 Subrecipient Requirements for Customer Eligibility Criteria and Establishing Priority for Eligible Households, §6.309 Types of Assistance and Benefit Levels, §6.312 Payments to Subcontractors and Vendors; §6.403 Definitions, §6.405 Deobligation and Reobligation of Awarded Funds, §6.406 Subrecipient Requirements for Establishing Priority for Eligible Households and Customer Eligibility Criteria, §6.407 Program Requirements,

Brooke Boston
Director of
Programs

§6.412 Mold-Like Substances, §6.414 Eligibility for Multifamily Dwelling Units and §6.415 Health and Safety and Unit Deferral; and an order adopting new 10 TAC Chapter 6 Community Affairs Programs: §6.1 Purpose and Goals, §6.2 Definitions, §6.3 Subrecipient Contract, §6.7 Subrecipient Reporting Requirements, §6.8 Applicant/Customer Denials and Appeal Rights; §6.205 Limitations on Use of Funds, §6.206 CSBG Assessment, Community Action Plan, and Strategic Plan, §6.207 Subrecipient Requirements, §6.213 Board Responsibility, §6.214 Board Meeting Requirements; §6.301 Background and Definitions, §6.304 Deobligation and Reobligation of CEAP Funds, §6.307 Subrecipient Requirements for Customer Eligibility Criteria and Establishing Priority for Eligible Households, §6.309 Types of Assistance and Benefit Levels, §6.312 Payments to Subcontractors and Vendors; §6.403 Definitions, §6.405 Deobligation and Reobligation of Awarded Funds, §6.406 Subrecipient Requirements for Establishing Priority for Eligible Households and Customer Eligibility Criteria, §6.407 Program Requirements, §6.412 Mold-Like Substances, §6.414 Eligibility for Multifamily Dwelling Units and §6.415 Health and Safety and Unit Deferral; and directing that they be published for adoption in the *Texas Register*

APPENDIX

2018 Competitive (9%) Housing Tax Credit Program Award and Waiting List

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 Terri Roeber, ADA Responsible Employee, at 512-475-3959 or Relay Texas at 1-800-735-2989, at least five (5) 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 (5) 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 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun.

De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), 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 oculta.

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.

NONE OF THESE RESTRICTIONS EXTEND BEYOND THIS ROOM ON THIS DATE AND DURING THE MEETING OF THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

11

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
OCTOBER 11, 2018

Presentation, discussion, and possible action on Determination Notices for Housing Tax Credits with another Issuer (#18429, Light Rail Lofts, Houston)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Light Rail Lofts, sponsored by Cantwell Anderson, Inc., was submitted to the Department on June 26, 2018;

WHEREAS, the Certificate of Reservation from the Texas Bond Review Board was issued on August 2, 2018, and will expire on December 30, 2018;

WHEREAS, the proposed issuer of the bonds is the Houston Housing Finance Corporation;

WHEREAS, pursuant to 10 TAC §10.101(a)(3) of the Uniform Multifamily Rules related to Undesirable Neighborhood Characteristics, applicants are required to disclose to the Department the existence of certain characteristics of a proposed development site;

WHEREAS, the applicant has disclosed the presence of two of the undesirable neighborhood characteristics noted in the rule, including the middle school in the attendance zone of the proposed development failed to achieve a Met Standard rating based on the 2017 Accountability Ratings by the Texas Education Agency (“TEA”), and the proposed development is located within 1,000 feet of a vacant structure that has fallen into such significant disrepair, overgrowth and/or vandalism that would commonly be regarded as blight;

WHEREAS, staff has conducted a further review of the proposed development site and surrounding neighborhood and based on the documentation provided and discussed herein relating to each undesirable neighborhood characteristic, recommends the proposed site be found eligible under 10 TAC §10.101(a)(3) of the Uniform Multifamily Rules; and

WHEREAS, the applicant has stated the proposed development will have a preference for serving homeless veterans and the application included an ordinance by the City of Houston approving and authorizing a loan agreement for \$1,500,000 of HOME funds for the property which was released by HUD with a preference to serve homeless veterans;

WHEREAS, the applicant requested a waiver of the minimum unit sizes required under 10 TAC §10.101(b)(6)(A) of the Uniform Multifamily Rules;

WHEREAS, staff recommends the waiver be granted pursuant to 10 TAC §10.207(1) of the Uniform Multifamily Rules based on limitations of existing building structural elements for Adaptive Reuse developments;

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated as a Category 3 and subject to the conditions as noted herein after review and discussion by the Executive Award and Review Advisory Committee (“EARAC”);

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$363,223 in 4% Housing Tax Credits, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for Light Rail Lofts, and the conditions noted below, is hereby approved as presented to this meeting.

1. Owner is required to ensure the Director of Compliance Operations (currently Amada Torrez) complete the trainings listed and provide TDHCA with a certification of attendance and/or completion no later than December 31, 2018.

- a. Housing Tax Credit Training sponsored by the Texas Apartment Association;
- b. Income Determination Training conducted by TDHCA; and
- c. Review of the TDHCA Compliance Training Webinars:
 - i. 2012 Supportive Services Webinar Video;
 - ii. How to identify and properly implement Supportive Services;
 - iii. 2015 Tenant Selection Criteria Webinar Video;
 - iv. 2015 Tenant Selection Criteria Presentation;
 - v. 2015 Tenant Selection Criteria- Q and A's;
 - vi. §10.610 – Tenant Selection Criteria;
 - vii. 2015 Affirmative Marketing Requirements Webinar Video;
 - viii. 2015 Affirmative Marketing Requirements Presentation;
 - ix. 2015 Affirmative Marketing Requirements- Q and A's.

2. The Executive Director, for good cause, may grant one extension for up to six months if requested prior to the deadline; any subsequent extensions, or extensions requested after the deadline, must be approved by the Board.

BACKGROUND

General Information: Light Rail Lofts proposes the Adaptive Reuse and New Construction of an abandoned building located at 4600 Main Street, Houston, Harris County. The application was represented to have a preference for veterans in a general population development. 26 USC §42(g)(9) states that it is not a violation of the general public use requirement if a preference is given to members of a specified group under a Federal Program, in this case the HOME program as described in 24 CFR Part 92. Furthermore, the Development will otherwise conform with the Department’s rules concerning affirmative marketing and tenant selection criteria. Additionally, the ground floor of the development will be converted for use as office space by the U.S. Department of Veterans Affairs to provide services to tenants and members of the general public that are veterans. The development will consist of 56 efficiency units, of which three of the units will be rent and income restricted at 50% of the Area Medium Family Income (“AMFI”) and the remaining units will be rent and income restricted at 60% of AMFI. The census tract (4107.02) has a

median household income of \$37,103, is in the fourth quartile, and has a poverty rate of 25.7%. The site conforms to current zoning.

Site Analysis: The presence of undesirable neighborhood characteristics under §10.101(a)(3) requires additional site analysis and those characteristics attributable to the Light Rail Lofts include the middle school failed to achieve a Met Standard in 2017 and the development is located within 1,000 feet of a vacant structure that is in significant disrepair and may be considered blighted.

School: Light Rail Lofts is located in the attendance zone of the Gregory-Lincoln Education Center (“Gregory-Lincoln”) which did not achieve a Met Standard rating based on the 2017 and 2016 TEA Accountability Ratings. Gregory-Lincoln serves students from Pre-K through 8th grade but students from the MacGregor Elementary feed into Gregory-Lincoln Education Center. A letter from Erik D. Pruitt, Ed.D, the Area Superintendent for the Houston ISD, was submitted that indicated the middle school is expected to achieve a Met Standard rating in the near future. The 2018 TEA Accountability Ratings were released in August 2018, and Gregory-Lincoln achieved the Met Standard rating. Staff believes the letter from Dr. Pruitt, combined with the recently released rating, provide sufficient mitigation under the rule to deem the application eligible pursuant to 10 TAC §10.101(a)(3) of the Uniform Multifamily Rules.

Blight: The applicant disclosed that there is a former auto-repair shop that is located within 1,000 feet from the proposed development that may be considered blighted. According to the applicant, the property has been purchased and the parcel has potential to be redeveloped by the owner of the Light Rail Lofts or a third party entity. The proposed project is located in the Midtown area which is minutes away from Downtown Houston. The Applicant submitted evidence that the City of Houston created the Midtown Tax Increment Reinvestment Zone (“TIRZ”) in 1995 to promote redevelopment in the area and address the physical decline of blighted properties. The Midtown TIRZ has 36 active projects slated for funding in the 2018-2022 Capital Improvement Plan and has \$580,000,000 in projects ranging from improvements to infrastructure, land acquisition for parks and affordable housing, street reconstruction, and public art. Although staff does not believe the one blighted property necessitates disclosure under the rule, the documentation provided demonstrates a commitment by the city to the area and provides for sufficient mitigation under the rule such that the development site should be found eligible pursuant to 10 TAC §10.101(a)(3) of the Uniform Multifamily Rules.

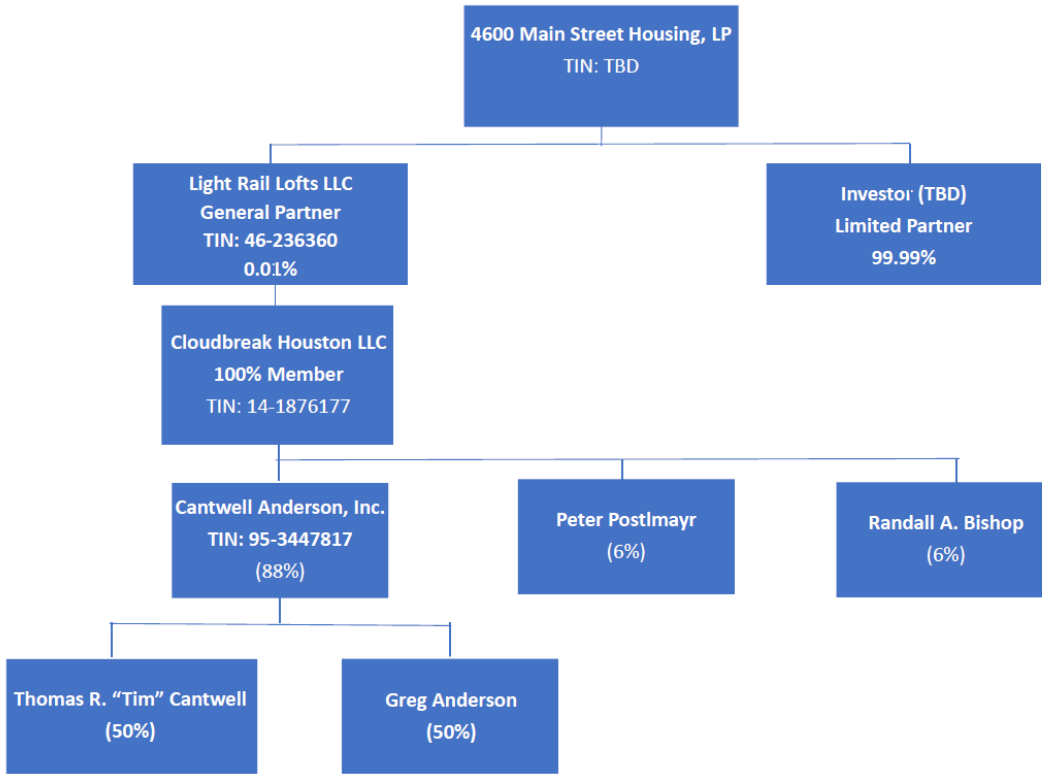
Waiver Request: A waiver was requested regarding 10 TAC §10.101(b)(6)(A) relating to Unit Sizes. The proposed development will include efficiency units ranging from 314 to 431 square feet. Per this rule, a minimum of 500 square feet is required for an efficiency unit. According to the applicant, the existing building has large structural columns that interfere with the construction of larger units. Building larger unit sizes would entail leaving a structural column in the middle of a unit. Staff believes granting the waiver is consistent with 10 TAC §10.207(1) which speaks to limitations of existing building structural elements for adaptive reuse developments. According to the applicant, granting the waiver better serves the policies and purposes articulated in Tex. Gov’t Code, §§2306.001 and 2306.002 because it will allow the construction of much needed housing for homeless persons that experience difficulty finding suitable affordable housing, and supports the efforts the City of Houston has identified as a priority through the aforementioned HUD Request for Release of Funds and adoption of the resolution regarding the intent to have a preference for the homeless veteran population.

Organizational Structure: The Borrower is 4600 Main Street Housing, LP and includes the entities and principals as indicated in the organization chart in Exhibit A. The applicant’s portfolio is considered a

Category 3 and the previous participation was deemed acceptable, with the aforementioned conditions, by EARAC, after review and discussion.

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

EXHIBIT A



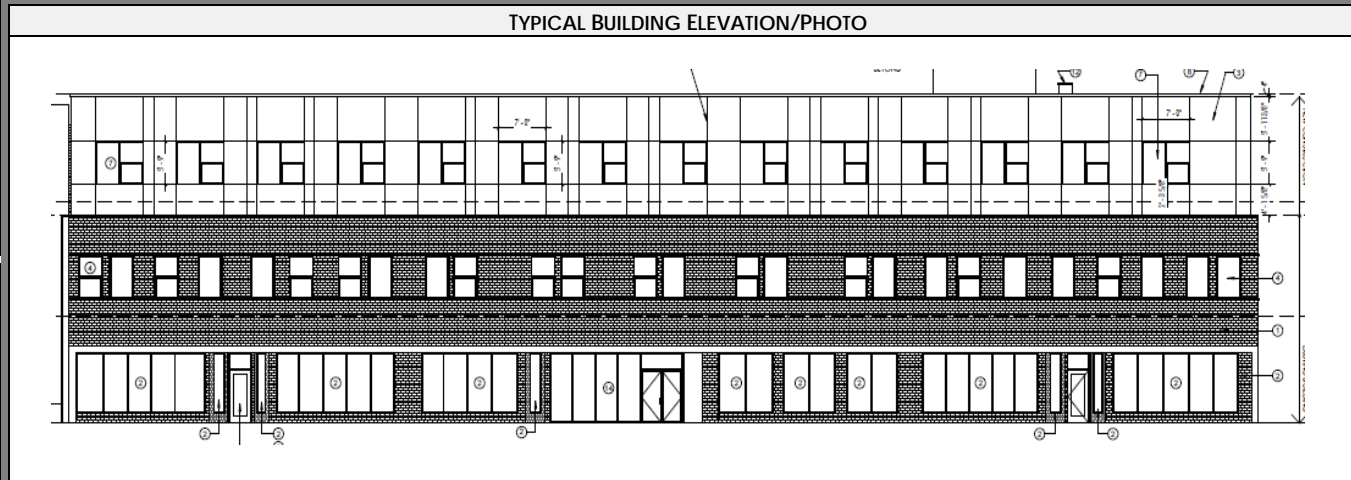
18429 Light Rail Lofts - Application Summary

REAL ESTATE ANALYSIS DIVISION

October 5, 2018

PROPERTY IDENTIFICATION		RECOMMENDATION			
Application #	18429	TDHCA Program	Request	Recommended	
Development	Light Rail Lofts	LIHTC (4% Credit)	\$363,223	\$363,223	\$6,486/Unit \$0.90
City / County	Houston / Harris				
Region/Area	6 / Urban				
Population	Supportive Housing				
Set-Aside	General				
Activity	Adaptive Re-Use (Built in 1963)				

KEY PRINCIPAL / SPONSOR		
Cloudbreak Communities		
Randall Bishop		
Sarah Andre (Consultant)		
Related Parties	Contractor - No	Seller - Yes



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	56	100%	30%	-	0%
1	-	0%	40%	-	0%
2	-	0%	50%	3	5%
3	-	0%	60%	53	95%
4	-	0%	MR	-	✓
TOTAL	56	100%	TOTAL	56	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	✗ 1.00	Expense Ratio	✓ 46.3%
Breakeven Occ.	⚠ 92.3%	Breakeven Rent	\$761
Average Rent	\$763	B/E Rent Margin	⚠ \$2
Property Taxes	\$536/unit	Exemption/PILOT	0%
Total Expense	\$5,349/unit	Controllable	\$3,321/unit



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)			✓ 2.0%
Highest Unit Capture Rate	⚠ 12%	0 BR/60%	53
Dominant Unit Cap. Rate	⚠ 12%	0 BR/60%	53
Premiums (↑60% Rents)	#DIV/0!	#DIV/0!	
Rent Assisted Units	13	23% Total Units	

DEVELOPMENT COST SUMMARY			
Costs Underwritten		TDHCA's Costs - Based on PCA	
Avg. Unit Size	387 SF	Density	143.6/acre
Acquisition		\$43K/unit	\$2,400K
Building Cost	\$202.46/SF	\$78K/unit	\$4,392K
Hard Cost		\$96K/unit	\$5,369K
Total Cost		\$209K/unit	\$11,697K
Developer Fee	\$1,123K	(29% Deferred)	Paid Year. 6
Contractor Fee	\$752K	30% Boost	Yes

REHABILITATION COSTS / UNIT			
Site Work	\$9K 9%	Finishes/Fixtures	\$23K 24%
Building Shell	\$30K 32%	Commercial Sp	\$20K 21%
HVAC	\$4K 4%	Total Exterior	\$59K 68%
Appliances	\$2K 2%	Total Interior	\$28K 32%

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
Amegy Bank	17/30	5.50%	\$4,287,455	1.19	Seller Financing	40/40	0.50%	\$344,000	1.00	Hunt	\$3,268,680
										Cloudbreak Houston, LLC	\$325,415
TOTAL DEBT (Must Pay)			\$4,287,455		CASH FLOW DEBT / GRANTS			\$3,815,618		TOTAL EQUITY SOURCES	\$3,594,095
										TOTAL DEBT SOURCES	\$8,103,073
										TOTAL CAPITALIZATION	\$11,697,168

CONDITIONS

1 Receipt and acceptance by Cost Certification:

- a: CPA or attorney opinion certifying that the commercial space satisfies the requirements to be considered a Community Service Facility under IRC§42 and the development costs for that facility are includable in eligible basis.
- b: Certification that testing for asbestos, lead-based paint, and lead in drinking water were performed on the existing structure prior to demolition or rehabilitation, and if necessary, a certification that any appropriate abatement procedures were implemented by a qualified abatement company.
- c: Certification from the Architect that all recommendations from the noise study are incorporated into the development plans.

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	Houston HFC
Expiration Date	12/29/2018
Bond Amount	\$6,000,000
BRB Priority	Priority 3
Close Date	TBD
Bond Structure	Private Placement
% Financed with Tax-Exempt Bonds	68.5%

RISK PROFILE

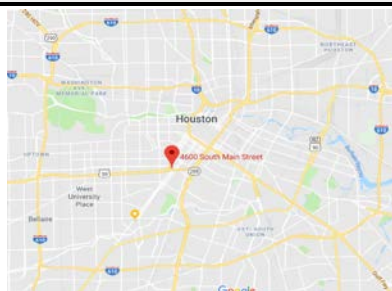
STRENGTHS/MITIGATING FACTORS

- Commercial leases underwritten at 75% allows for
- Partnership with the City of Houston
- Applicant has two properties next door
- Developer experience with this type of product

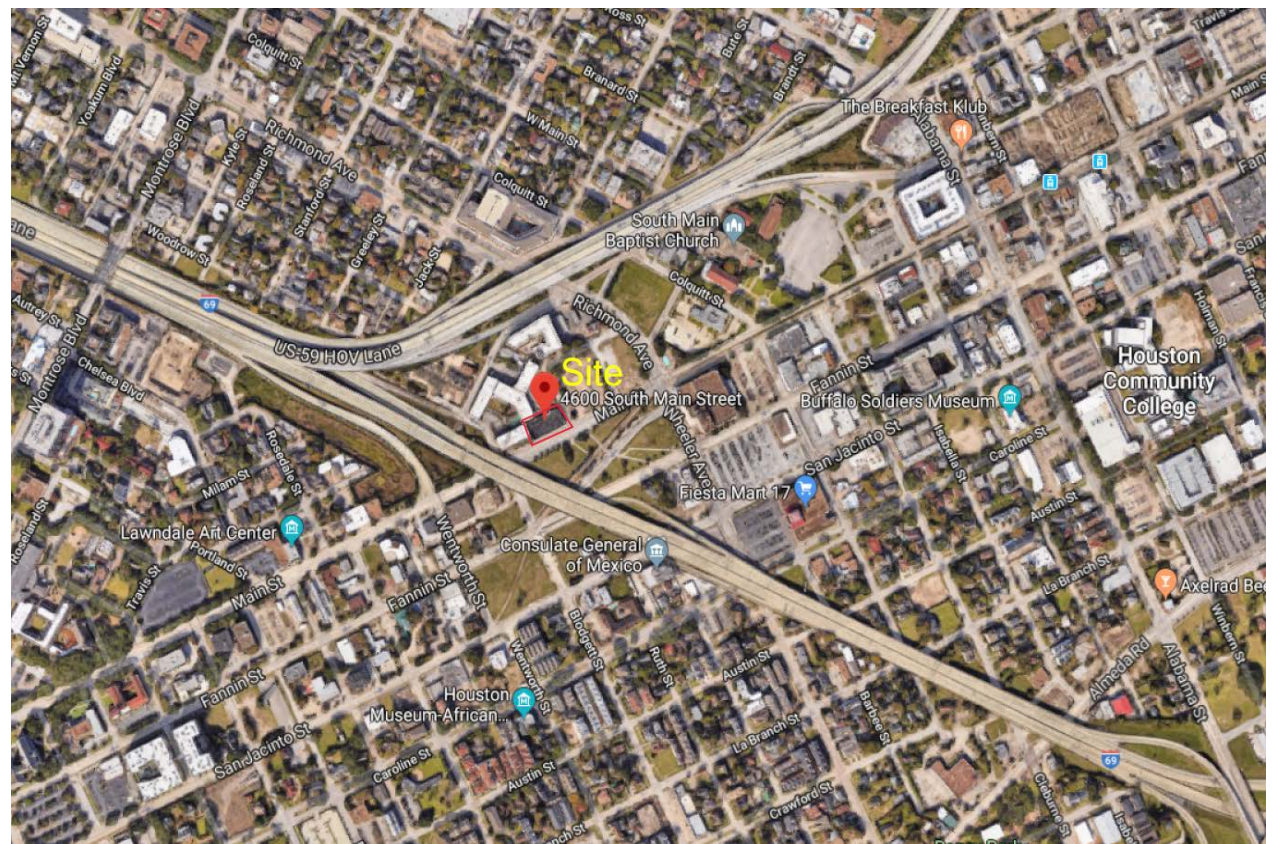
WEAKNESSES/RISKS

- Feasibility dependent on Commercial Leases
- High potential turnover in target population

AREA MAP



AERIAL PHOTOGRAPH(S)



BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
OCTOBER 11, 2018

Presentation, discussion, and possible action on a Determination Notice for Housing Tax Credits with another Issuer (#18431 The Vireo, Houston ETJ)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for The Vireo, sponsored by Jeffrey Kittle, was submitted to the Department on June 22, 2018;

WHEREAS, in lieu of a Certification of Reservation, a Carryforward Designation Certificate was issued by the Texas Bond Review Board on January 11, 2017, and will expire on December 31, 2019;

WHEREAS, the proposed issuer of the bonds is Harris County Housing Finance Corporation;

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated as a Category 4, but was still deemed acceptable by Executive Award and Review Advisory Committee (“EARAC”) with conditions as noted below, after review and discussion; and

WHEREAS, due to the Carryforward Designation Certificate, EARAC recommends the issuance of the Determination Notice with the condition that the closing occur within 120 days (on or before February 11, 2019);

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$1,848,560 in 4% Housing Tax Credits, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for The Vireo, and the previous participation conditions noted below, is hereby approved as presented to this meeting; and

FURTHER RESOLVED, that provided the Applicant has not closed on the bond financing on or before February 11, 2019, the Board authorizes staff to extend the closing date associated with the Determination Notice subject to an updated previous participation review, if necessary.

1. For the entire HKP portfolio of properties in the State of Texas, including The Vireo, HKP will contract with a Third Party Compliance Agent to provide compliance oversight. Final approval will be determined by lender, and investor. For properties with HUD financing and/or HUD contract, HUD approval will also have to be received. For The Vireo Apartments, a qualified third party compliance agent will be contracted to provide compliance oversight at construction and equity closing. For The Vireo

Apartments, and the entire HKP portfolio of properties in the State of Texas, the third party compliance agent will remain in place until October 1, 2019, or such earlier time as approved by the Department. The third party compliance agent will provide robust service to HKP in order to clear outstanding TDHCA audit responses, direct staff trainings, and respond to future correspondence with TDHCA- including training supervisory staff, preparing responses, tracking deadlines, who-is-who at TDHCA, CMTS overview, and TDHCA rules.

2. The HKP Director of Compliance shall serve as a liaison between the third-party compliance agent and the owner for all Texas file issues (example: eligibility-related compliance). The HKP Regional Maintenance Supervisor under the Regional Vice President of Property Management will serve as a liaison between the third party compliance agent and the owner for all Texas physical-related compliance issues. In addition to the compliance oversight provided by the third party compliance agent, the HKP Director of Compliance will provide a second layer of review of move-in files before any prospective resident is permitted to move in, and all re-certifications.

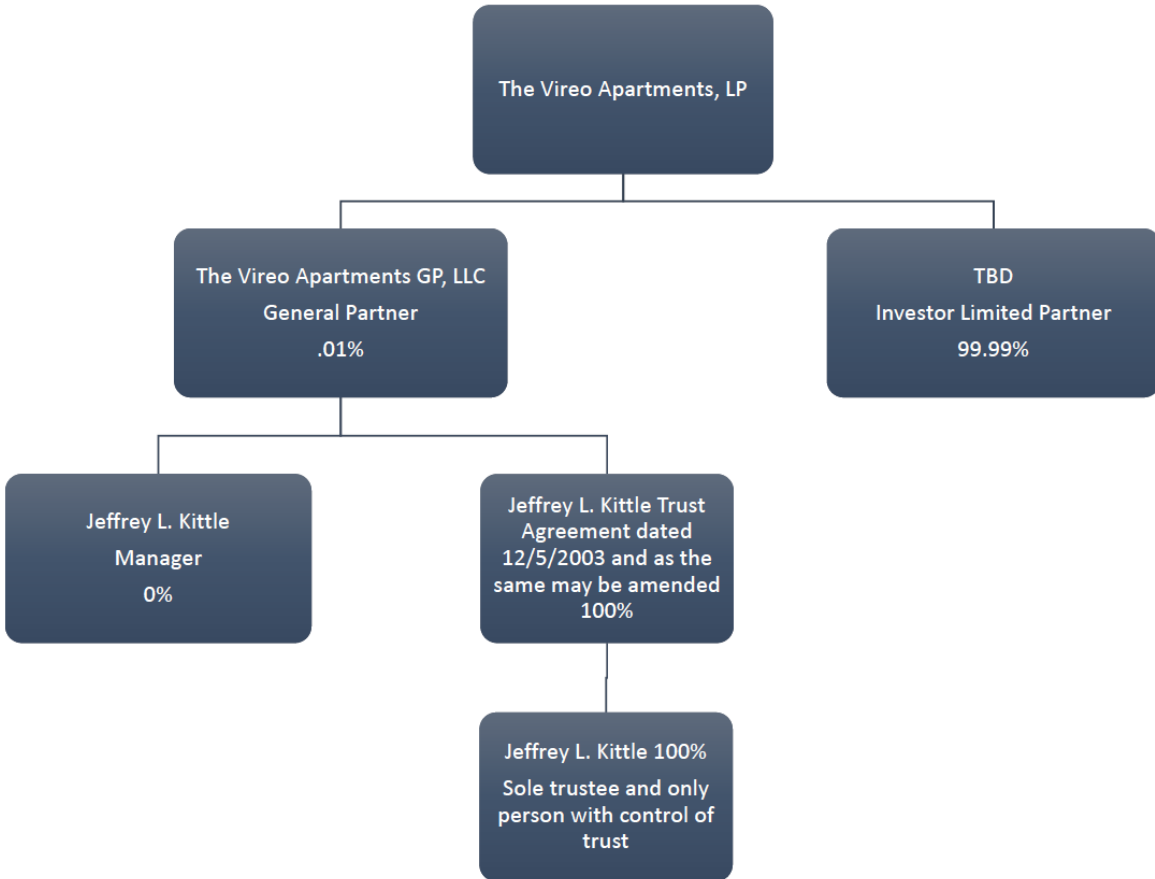
BACKGROUND

General Information: The Vireo, proposed to be located at SWC of Tidwell Road and C.E. King Parkway, in the extraterritorial jurisdiction (“ETJ”) of Houston, Harris County involves the new construction of 264 units, all of which will be rent and income restricted at 60% of Area Median Family Income. The development will serve the general population and conforms to current zoning. The census tract (2323.01) has a median household income of \$41,125, is in the third quartile, and has a poverty rate of 25.8%.

Organizational Structure and Previous Participation: The Borrower is The Vireo Apartments, LP, and includes the entities and principals as indicated in Exhibit A. The applicant’s portfolio is considered a Category 4 and the previous participation was deemed acceptable by the EARAC, with the aforementioned conditions, after review and discussion.

Public Comment: A letter of support from State Representative Harold V. Dutton, Jr., dated February 24, 2017, was submitted to the Department.

EXHIBIT A

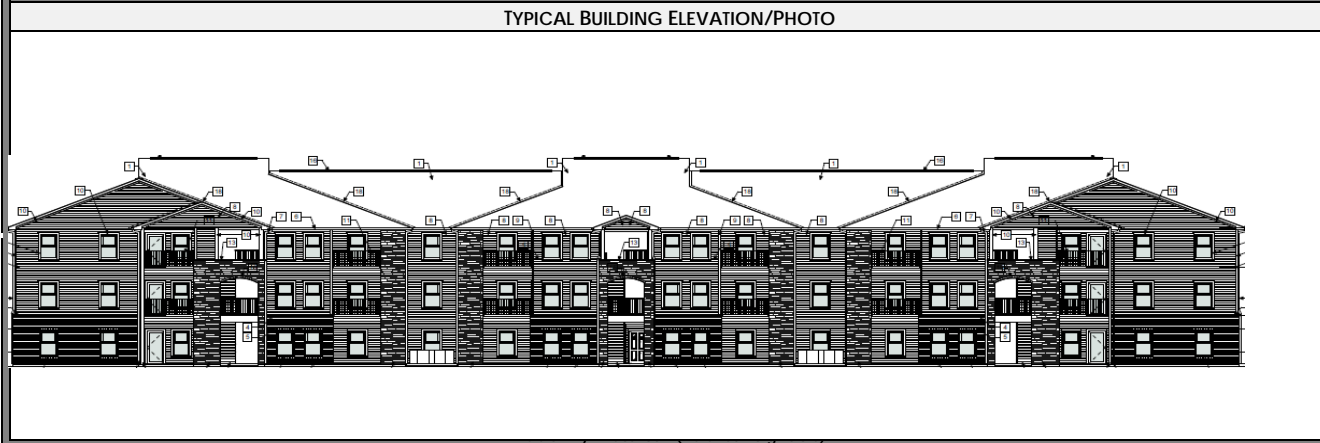


18431 The Vireo - Application Summary

PROPERTY IDENTIFICATION	
Application #	18431
Development	The Vireo
City / County	Houston / Harris
Region/Area	6 / Urban
Population	General
Set-Aside	General
Activity	New Construction

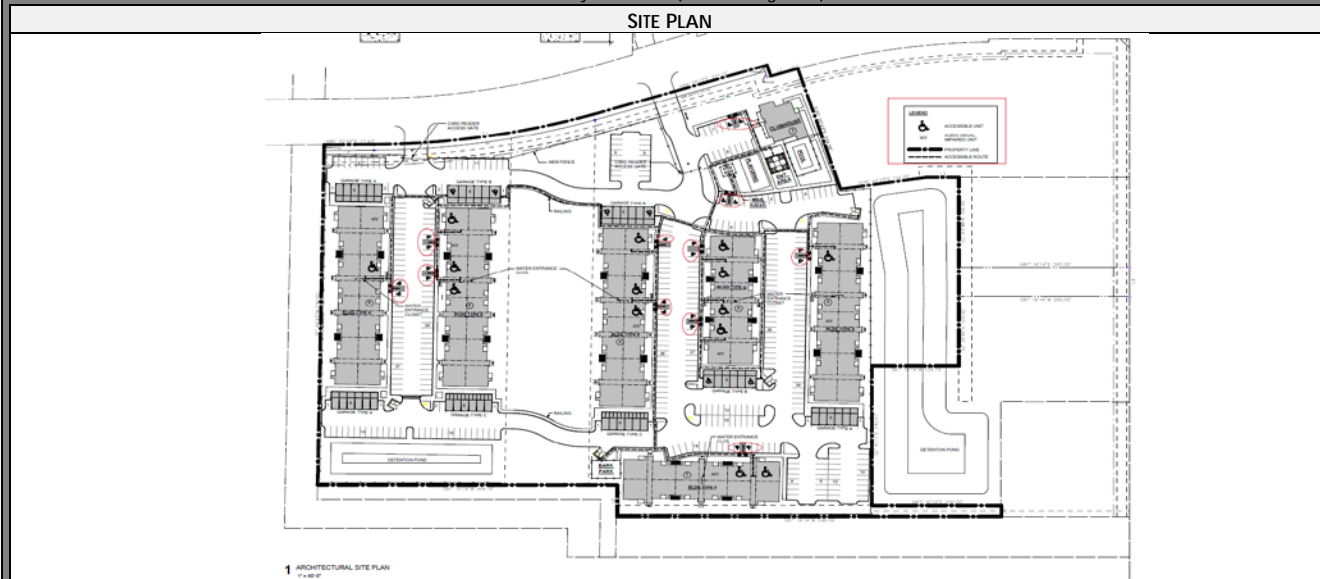
RECOMMENDATION						
TDHCA Program	Request	Recommended				
LIHTC (4% Credit)	\$1,848,560	\$1,848,560	\$7,002/Unit	\$0.98		
	Amount	Rate	Amort	Term	Lien	
MF Direct Loan Const. to Perm. (Re						

KEY PRINCIPAL / SPONSOR		
Jeffrey L. Kittle - President / CEO & Teresa Bower - Texas Development Director		
Related Parties	Contractor - Yes	Seller - No



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	60	23%	40%	-	0%
2	132	50%	50%	-	0%
3	72	27%	60%	264	100%
4	-	0%	MR	-	0%
TOTAL	264	100%	TOTAL	264	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	1.09	Expense Ratio	45.9%
Breakeven Occ.	88.5%	Breakeven Rent	\$874
Average Rent	\$915	B/E Rent Margin	\$41
Property Taxes	\$1,200/unit	Exemption/PILOT	0%
Total Expense	\$4,767/unit	Controllable	\$2,345/unit



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)	6.2%		
Highest Unit Capture Rate	22%	2 BR/60%	132
Dominant Unit Cap. Rate	22%	2 BR/60%	132
Premiums (+60% Rents)	Yes	\$57/Avg.	
Rent Assisted Units	N/A		

DEVELOPMENT COST SUMMARY			
Costs Underwritten		Applicant's Costs	
Avg. Unit Size	986 SF	Density	18.9/acre
Acquisition	\$08K/unit	\$2,176K	
Building Cost	\$88.23/SF	\$87K/unit	\$22,968K
Hard Cost	\$106K/unit		\$28,007K
Total Cost	\$181K/unit		\$47,915K
Developer Fee	\$5,450K	(91% Deferred)	Paid Year: 15
Contractor Fee	\$3,732K	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
Regions Bank	18/35	4.65%	\$23,112,000	1.09	Greenwood MUD Det Pond Reim	0/0	0.00%	\$338,169	1.09	Regions Bank	\$18,114,076
										Herman & Kittle Properties	\$4,954,890
					GP Equity	0/0	0.00%	\$100	1.09		
					Interim Income	0/0	0.00%	\$1,000,000	1.09	TOTAL EQUITY SOURCES	\$23,068,967
TOTAL DEBT (Must Pay)			\$23,112,000		CASH FLOW DEBT / GRANTS			\$1,734,479		TOTAL DEBT SOURCES	\$24,846,479
TOTAL CAPITALIZATION											\$47,915,445

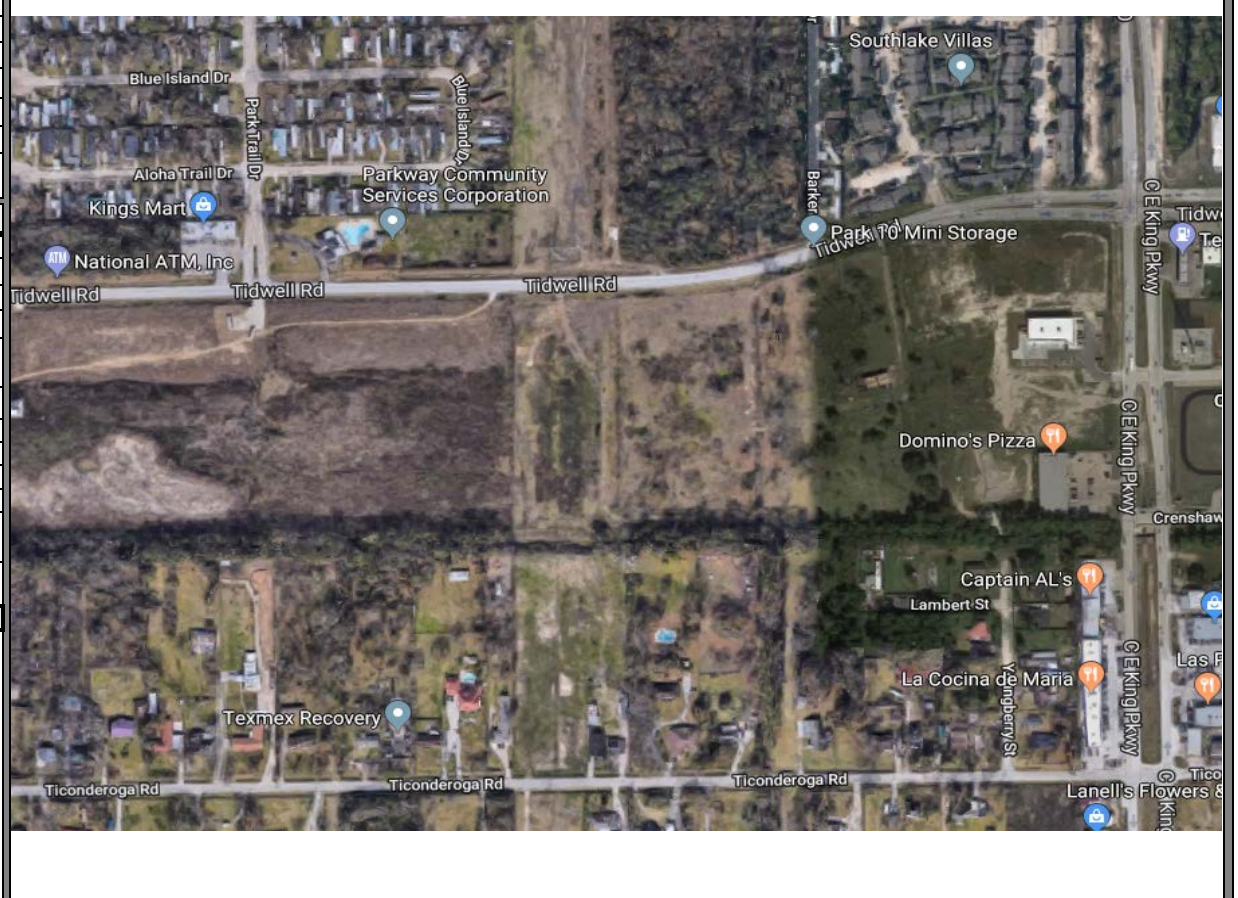
CONDITIONS

- 1 Receipt and acceptance before Determination Notice:
 - a: Evidence that the applicant will continue paying 10bps / year of the outstanding public bonds issued by Harris County HFC, after construction financing is converted to permanent loan by Regions Bank.
 - b: Letter from Regions Bank indicating that they have thoroughly underwritten this deal, and are committing to offering the terms stated in their First Lien Mortgage Loan terms sheet from July 23, 2018.
- 2 Receipt and acceptance by Cost Certification:
 - a: Itemized Cost Schedule for Garages and Storage Spaces.

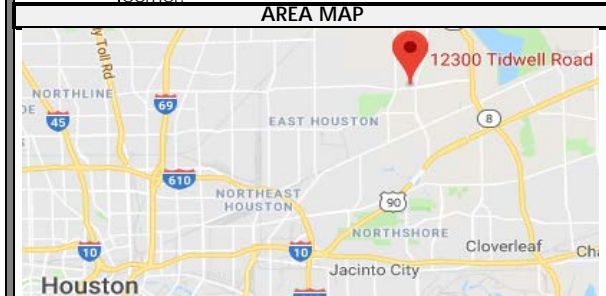
Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER	
Issuer	Harris County HFC
Expiration Date	12/31/2019
Bond Amount	\$32,292,500
BRB Priority	N/A
Close Date	TBD
Bond Structure	Fannie Mae M.TEB
% Financed with Tax-Exempt Bonds	56.9%

AERIAL PHOTOGRAPH(S)



RISK PROFILE	
STRENGTHS/MITIGATING FACTORS	
▫	Experienced developer of HTC properties
▫	PMA population has grown by 2.2% annually
▫	AMI grown by 2.7% annually since 2000
▫	Designated a Target Area by Harris County Consolodated Plan.
▫	Existing LIHTC properties are 99% occupied
WEAKNESSES/RISKS	
▫	High Development Costs in the Houston MSA
▫	Developer's experience in Texas is not recent
▫	High Property Tax expectations
▫	\$1,000,000 of Interim Income is recognized based on a longer than average Lease-Up schedule.
▫	New LIHTC development on diagonally opposite corner.





STATE of TEXAS
HOUSE of REPRESENTATIVES

Harold V. Dutton, Jr.
District 142

Committees:
Juvenile Justice and Family Issues, Chair
Public Education

February 24, 2017

Ms. Teresa Bowers
Development Director
Herman & Kittle Properties, Inc.
500 E. 96th St., Ste. 300
Indianapolis, IN 46240

Re: Letter of Support, The Vireo – SW corner of Tidwell Road & CE King Parkway,
Harris County, TX

Dear Ms. Bowyer,

Thank you for presenting information regarding the Vireo, the 4% tax credit, new construction apartment development being proposed by Herman & Kittle Properties at the subject location. I am pleased to lend my support for this Development, which will provide high-quality; affordable rental housing that is needed in our community.

For any additional questions, please contact me or Tamoria Jones, my Chief of Staff, at (512)-463-0510

Best personal regards,

A handwritten signature in black ink, appearing to read "Harold V. Dutton, Jr.", written in a cursive style.

HAROLD V. DUTTON, JR.