

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

**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 a Determination Notice for Housing Tax Credits with another Issuer (#18400 Anna Dupree Terrace, Houston)

RECOMMENDED ACTION

WHEREAS, an application for 4% Housing Tax Credits for Anna Dupree Terrace, sponsored by The Eliza Johnson Center for the Aging, Jeshurun Development, LLC, J. Allen Affordable Housing Development, LLC, and William Elsbree was submitted on May 15, 2018;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on August 13, 2018, and will expire on January 10, 2019;

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

WHEREAS, there were undesirable neighborhood characteristics and an undesirable site feature associated with the proposed development site that were brought before the Board for consideration at the Board meeting of March 22, 2018;

WHEREAS, the Board, based on significant evidence and testimony presented to it, found that the development site should be eligible despite the presence of the undesirable neighborhood characteristics and undesirable site feature; and

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

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$736,707 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 Anna Dupree Terrace, is hereby approved as presented to this meeting.

BACKGROUND

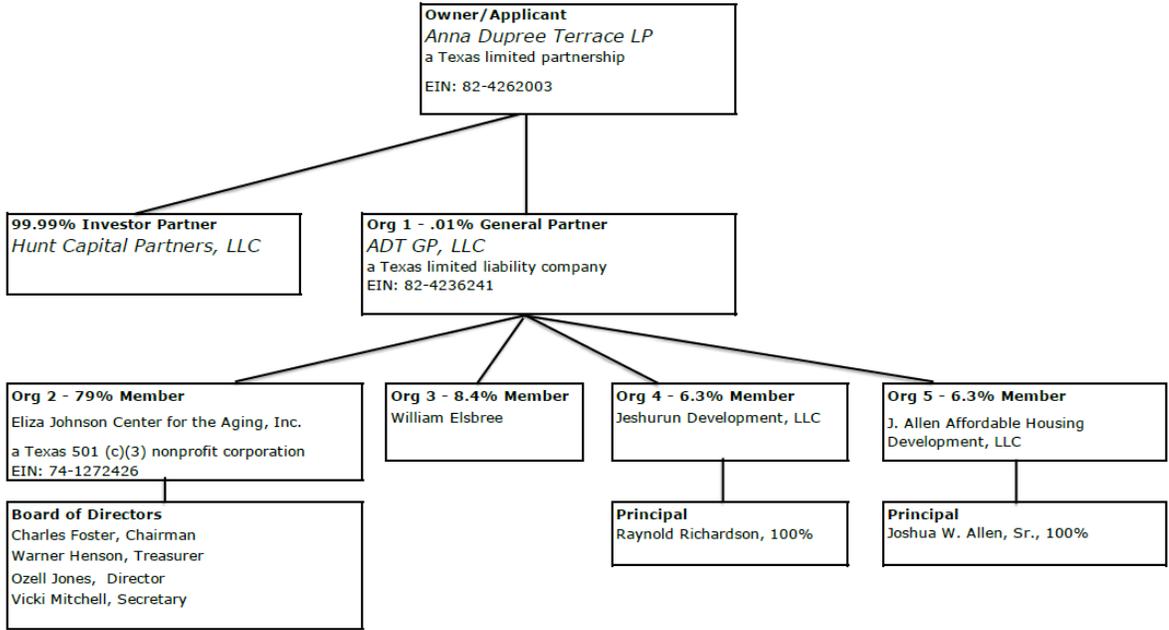
General Information: Anna Dupree Terrace proposes the acquisition and rehabilitation of 151 units located at 10012 Cullen Boulevard, Harris County serving the elderly population (elderly preference). All of the units will be rent and income restricted at 60% of Area Median Family Income with the exception of one employee-occupied unit. Moreover, 150 of the units are covered by a project based Section 8 HAP contract which is intended to be preserved. The site conforms to current zoning requirements. The census tract

(3314.00) has a median household income of \$8,843, is in the fourth quartile, and has a poverty rate of 78.9%.

Organizational Structure and Previous Participation: The Borrower is Anna Dupree Terrace LP, and includes the entities and principals as illustrated in Exhibit A. The applicant's portfolio is considered a small Category 2, and the previous participation was deemed acceptable by EARAC without further review or discussion.

Public Comment: There Department has received letters of support from State Senator Borris Miles, State Representative Shawn Thierry, and Houston City Councilman Dwight Boykins. A letter of opposition to recent Board actions, referencing this development has been received from Texas Housers.

EXHIBIT A



18400 Anna Dupree Terrace - Application Summary

REAL ESTATE ANALYSIS DIVISION

October 4, 2018

PROPERTY IDENTIFICATION	
Application #	18400
Development	Anna Dupree Terrace
City / County	Houston / Harris
Region/Area	6 / Urban
Population	Elderly Preference
Set-Aside	General
Activity	Acquisition/Rehab (Built in 1981)

RECOMMENDATION				
TDHCA Program	Request	Recommended		
LIHTC (4% Credit)	\$790,981	\$736,707	\$4,879/Unit	\$0.94

KEY PRINCIPAL / SPONSOR		
Joshua Allen and Raynold Richardson of J. Allen Management		
Eliza Johnson Center for the Aging, Inc.		
Praxis Consulting Group-Eric Novak		
Related Parties	Contractor - No	Seller - Yes

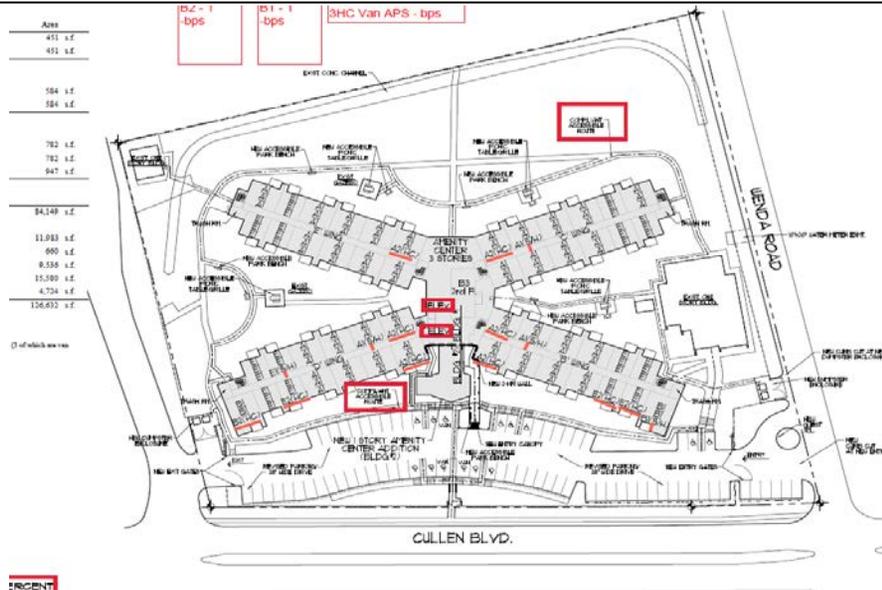
TYPICAL BUILDING ELEVATION/PHOTO



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	42	28%	30%	-	0%
1	102	68%	40%	-	0%
2	7	5%	50%	-	0%
3	-	0%	60%	150	99%
4	-	0%	MR	1	1%
TOTAL	151	100%	TOTAL	151	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	1.15	Expense Ratio	60.3%
Breakeven Occ.	90.1%	Breakeven Rent	\$801
Average Rent	\$845	B/E Rent Margin	\$44
Property Taxes	\$758/unit	Exemption/PILOT	0%
Total Expense	\$5,855/unit	Controllable	\$3,224/unit

SITE PLAN



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)	1.8%		
Highest Unit Capture Rate	6%	0 BR/50%	42
Dominant Unit Cap. Rate	3%	1 BR/50%	102
Premiums (↑60% Rents)	# DIV/0!	# DIV/0!	
Rent Assisted Units	151	100% Total Units	

DEVELOPMENT COST SUMMARY			
Costs Underwritten	TDHCA's Costs - Based on PCA		
Avg. Unit Size	557 SF	Density	33.0/acre
Acquisition		\$55K/unit	\$8,330K
Building Cost	\$76.22/SF	\$42K/unit	\$6,413K
Hard Cost		\$52K/unit	\$7,853K
Total Cost		\$150K/unit	\$22,586K
Developer Fee	\$1,624K	(0% Deferred)	Paid Year: 1
Contractor Fee	\$978K	30% Boost	Yes

REHABILITATION COSTS / UNIT			
Site Work	\$5K	9%	Finishes/Fixtures \$16K 30%
Building Shell	\$21K	40%	Amenities \$2K 3%
HVAC	\$2K	4%	Total Exterior \$27K 57%
Appliances	\$2K	4%	Total Interior \$20K 43%

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
Davis-Penn-FHA 221(d)4	40/40	4.60%	\$8,881,400	1.15						Hunt Capital Partners	\$6,924,349
					CF Prior to Conversion	0/0	0.00%	\$979,009	1.15	TOTAL EQUITY SOURCES	\$6,924,349
					GIC Income	0/0	0.00%	\$77,748	1.15	TOTAL DEBT SOURCES	\$15,662,057
					Existing Reserves	0/0	0.00%	\$929,600	1.15	TOTAL CAPITALIZATION	\$22,586,406
TOTAL DEBT (Must Pay)			\$13,675,700		CASH FLOW DEBT / GRANTS			\$1,986,357			

CONDITIONS

- 1 Receipt and acceptance before Determination Notice:
 - Receipt of approved HAP contract rents as submitted for HUD approval in July 2018.
- 2 Receipt and acceptance by Cost Certification:
 - Architect certification that all noise assessment recommendations were implemented and the Development is compliant with HUD noise guidelines.

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 Housing Finance Corp.
Expiration Date	1/10/2019
Bond Amount	\$12,000,000
BRB Priority	Priority 3
Close Date	TBD
Bond Structure	Cash Collateralized HUD 221(d)(4)
% Financed with Tax-Exempt Bonds	61.1%

RISK PROFILE

STRENGTHS/MITIGATING FACTORS

- HAP contract
- High occupancy

WEAKNESSES/RISKS

- Requires HUD approval of higher HAP rents for

AREA MAP



AERIAL PHOTOGRAPH(S)





BORRIS L. MILES

STATE SENATOR • DISTRICT 13

COMMITTEES: AGRICULTURAL, WATER, & RURAL AFFAIRS • HEALTH & HUMAN SERVICES • NATURAL RESOURCES & ECONOMIC DEVELOPMENT • NOMINATIONS

Teresa Morales
Program Administrator – 4% Tax Credits & Bonds
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Support for Anna Dupree Terrace

Dear Ms. Morales:

I represent District 13, which includes the Anna Dupree Terrace apartment community. I fully support the proposed acquisition and rehabilitation of the development and urge you to support this community by finding Anna Dupree Terrace eligible and approving an award of funding.

There is a major community effort underway to revitalize the Sunnyside neighborhood, where Anna Dupree Terrace is located. The area has been targeted by the City of Houston for revitalization under both Tax Increment Reinvestment Zones (TIRZ) Zone 26 and Disaster Recovery Round 2. It has also received significant public and private investment in the past two years and is steadily improving. While crime rates in the immediate area are high, the Anna Dupree Terrace site has been consistently safe and is equipped with numerous security features and experienced staff to deter crime. Similarly, while poverty rates in the census tract surrounding Anna Dupree Terrace are above TDHCA's threshold, it is clear that this is an anomaly given the low poverty rates in adjacent tracts. Additionally, all 6 adjacent census tracts have had steadily declining poverty rates.

I ask that TDHCA use its discretion to waive the crime rate threshold given the low occurrence of crime on the site, and to waive the poverty rate threshold given the low poverty rates in the adjacent census tracts. I also ask that you find the site eligible related to the high voltage transmission line that has existed near the site for years.

Affordable housing, particularly units serving the elderly and extremely low-income households, is needed more than ever in Houston, including the preservation of developments like Anna Dupree Terrace. Please use your discretion to support affordable housing in Houston and find Anna Dupree Terrace eligible for an award of funding. Thank you for your service to the State of Texas.

Sincerely,

Senator Borris Miles
Texas State Senate District 13

CAPITOL OFFICE:

P.O. Box 12068
Austin, Texas 78711

(512) 463-0113 • FAX: (512) 463-0006
Dial 711 for Relay Calls

HOUSTON OFFICE:

5302 Almeda Road, Suite A
Houston, Texas 77004

(713) 665-8322 • FAX: (713) 665-0009

FORT BEND OFFICE:

2440 Texas Parkway, Suite 110
Missouri City, Texas 77489

(281) 261-2360 • FAX: (281) 261-4726



STATE REPRESENTATIVE
SHAWN THIERRY

DISTRICT 146

December 5, 2017

Teresa Morales
Program Administrator – 4% Tax Credits & Bonds
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Support for Anna Dupree Terrace

Dear Ms. Morales:

I am the State Representative for House District 146 in Houston, Texas where Anna Dupree Terrace Senior Living Center is housed. I am in strong support of the proposal for the preservation and rehabilitation of this development. Accordingly, I request that the Texas Department of Housing and Community Affairs declares the site eligible and approves an award of housing tax credit funding.

The Sunnyside community has greatly benefited from significant financial investment in recent years. Crime and poverty rates in the Anna Dupree Terrace neighborhood are above TDHCA's thresholds; however, poverty rates in adjacent census tracts have steadily declined in the past five years (including two tracts where they are under 20%) and crime at the property is virtually nonexistent. The proposal to rehabilitate Anna Dupree Terrace is an opportunity to continue the revitalization of the neighborhood, stimulate other economic development in the area, and improve the quality of life of existing residents.

Following the devastation caused by Hurricane Harvey, quality affordable housing is badly needed in the City of Houston. I am asking for your support on the rehabilitation of Anna Dupree Terrace and find the development site eligible for an award of funding. Thank you for all you do to provide safe, decent, affordable housing to the residents of the State of Texas.

Warm Regards,

A handwritten signature in black ink, appearing to read "Shawn Thierry", written over a large, loopy scribble.

State Representative Shawn Thierry
Texas House District 146



Dwight A. Boykins

Houston City Council Member, District D

October 23, 2017

Eliza Johnson Center for the Aging, Inc.
Charles Foster, Chairman
10012 Cullen Blvd.
Houston, TX 77051

RE: Anna Dupree Terrace Apartments

Dear Mr. Foster,

I am writing to you on behalf of the Anna Dupree Terrace Apartments located at 10012 Cullen Blvd., Houston, TX 77051. This letter is to affirm my support of their application for the 2017/2018 4% Housing Tax Credits being requested through the Texas Department of Housing and Community Affairs.

Please feel to contact my office if you have any additional questions or concerns at DistrictD@HoustonTX.gov or 832-393-3001.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Boykins".

Dwight Boykins
Houston City Council
District D

cc: Dr. Renu Khator, Chancellor, University of Houston System
Tilman Fertitta, Chairman, Board of Regents



Texas Housers

1800 West Sixth Street
Austin, TX 78703-4795

512.477.8910
texashousing.org

June 28, 2018

Texas Department of Housing and Community Affairs
Attn: J.B. Goodwin, chair, members of TDHCA Governing Board
221 East 11th St
Austin, Texas 78701

RE: Governing Board actions overruling staff recommendations in the LIHTC program

Dear TDHCA Governing Board Members,

We write to you to express grave concern about recent actions that the Board of the Texas Department of Housing and Community Affairs (the “Board”) has taken to overturn your staff’s evaluation of site eligibility for proposed developments in the Low Income Housing Tax Credit (LIHTC) program. The board’s actions are in conflict with the state objectives of the Qualified Allocation Plan (QAP) and Uniform Multifamily Rules (UMR) to encourage developments in quality and safe neighborhoods, as well as the state’s commitments in its current Analysis of Impediments to Fair Housing and in contradiction to the state’s obligation, as a recipient of federal entitlement funding, to affirmatively further fair housing (AFFH) in its policies and programs.

Since November of 2016, the TDHCA Board has used its discretionary power to declare eligible three sites, that, according to your staff’s review and recommendations, are “in an area that continues to struggle with undesirable neighborhood characteristics.” The decisions on these three sites, known as Pointe at Crestmont, Villa Americana, and Anna Dupree Terrace, were made in November 2016, November 2017, and March 2018, respectively. The developers of these three sites sought from TDHCA four percent LIHTC, which are subject to the TDHCA Uniform Multifamily Rules. These rules include a list of Undesirable Neighborhood Characteristics (UNC) and Undesirable Site Features (USF) which the Board may choose to waive in unique circumstances. The Board, however, has made a recent habit of waiving these rules for several developments in a racially and economically segregated area of Houston, and in doing so is establishing a precedent for the entire state undermining the efficacy of these rules.

The area in question, Crestmont Park, is located in south central Houston where it and other area neighborhoods, such as Sunnyside and South Park, have long-struggled with stark racial segregation, high poverty rates, high crime, low-performing schools, and economic stagnation. These same neighborhoods are also home to a significant amount of government-subsidized housing. Multifamily Finance Director Marni Holloway noted in her March 22, 2018 presentation to the Board on Anna Dupree Terrace that “44.5 percent

of the units in the primary market will be affordable units.” This is a massive and inappropriate overconcentration of government-subsidized housing and accounts in large part for the extreme concentration of poverty in this neighborhood and in its schools.

Despite your staff’s recommendations of ineligibility and substantial information supporting their recommendations for rejecting these three sites - much of which described clear fair housing issues like concentrated poverty and low-performing schools - the Board heard some questionable arguments from site eligibility proponents and overruled staff to deem the sites eligible.

During the public comment period on Anna Dupree, one proponent provided the Board some history to support the perceived significance of the property, and in doing so made an inadvertent case for how this proposed development fails to AFFH. The managing agent for Anna Dupree Terrace, Bill Elsbree, recounted the history of the property’s namesake stating that Mrs. Dupree “saw a need for a home for elderly African-Americans, because they were barred from living in the half-dozen senior homes that were operating in Houston in...the late 1940s.” She went on to fundraise and build a home for this population “in 1952 on a site adjacent to today’s Anna Dupree Terrace.”

Mrs. Dupree is indeed a hero who deserves recognition for acting as necessary within the racist political environment of her day. Mrs. Dupree had no choice under the Jim Crow segregation laws and practices of her day but to develop housing for African-American seniors exclusively in this neighborhood. But the TDHCA board is making decisions now in an era when this government board not only has the option to expand housing choices beyond high poverty, racially segregated neighborhoods, but has the legal and moral obligation to do so. Effectively, history demonstrates that Anna Dupree Terrace is a product of government-enforced segregation, and the Board’s action to make the site eligible for continued public assistance is a perpetuation of that pattern of segregation.

A common problem among these three developments is the existing high levels of crime. For all three proposed developments, the Part I violent crime rate as indicated by Neighborhood Scout (used by TDHCA) exceed the threshold set in the Uniform Multifamily Rules. In response to this issue raised by staff, the applicant and supporters often promise on-site security measures and an increased police presence. It is important to not normalize the exposure of low-income families, many of whom are households with young children or the elderly, to high crime that exists in areas like these. It is inappropriate for a state board to deem it acceptable to concentrate more assisted housing in high-crime neighborhoods as long as ‘the site is safe’. The safety of the site is not enough. Families should not have to fear that their children will be assaulted on the way to school or risk becoming crime victims whenever they have to leave the property to go shopping or to work. Most of us do not voluntarily choose to live in an apartment or neighborhood where there is a need for increased police presence due to pervasive violent crime in the immediate surrounding area. Residents of LIHTC housing should feel free and safe to leave their homes, stroll their neighborhoods on foot, and enjoy the safety that

families with more means are able to enjoy every day. The Board should not subject the residents of LIHTC housing to the high risk of violent crime. The UMRs have a rule in place to address this issue, but the Board waived this rule three times in this same area in order to concentrate additional LIHTC housing in direct conflict with its agency's fair housing obligations.

While TDHCA's UMRs allow limited housing development if the area is "revitalizing", if the precedent set by the Board is that the development of a car wash, a gas station, and a school expansion constitutes revitalization, that a poverty rate of 79 percent isn't too high, that increasing violent crime isn't a problem, that poor-performing schools are a non-issue, and that the concentration of affordable housing is acceptable, then the Board is effectively indicating that it is willing to declare eligible virtually any site brought to it for a ruling, regardless of any undesirable neighborhood characteristics or site feature it may have or the impact of that development on both the families that live there and the surrounding neighborhood.

Most of the citizens who appear before the board to make comments regarding applications and staff recommendations are single-issue oriented. They are present in the interest of overcoming an issue for their project. The Board's responsibility is to ensure the overarching goals and obligations of TDHCA are met. The first goal listed in the most recent State's Analysis of Impediments from 2013 is to "create greater mobility and improve housing opportunities for low income households and members of protected classes." It also states that "the overriding goal of the activities listed below is *to expand housing choice for all Texans, but especially those who are low income and/or are racial and ethnic minorities.*" (emphasis added) This overriding goal is supported through the precedents set by the Board. It is critical that the Board recall these agency goals and its obligations as its members exercise discretion to make decisions regarding the siting of affordable housing which has been historically segregated to low-income neighborhoods of color. Local and state governments have long failed to invest sufficient and equitable public funding to truly revitalize these neighborhoods.

It is a fact that the mere presence of a subsidized housing development has been shown to have no negative impact on a neighborhood in moderation. However, the Board's action has concentrated multiple subsidized housing developments in this area. The 44.5 percent affordable housing TDHCA has concentrated in the area is undermining, not supporting neighborhood revitalization. Neighborhood revitalization requires a wholistic approach that extends beyond subsidized housing. TDHCA's investment through its LIHTC program cannot be the only significant investment these areas continue to receive.

We call on the Board to minimize the use of its discretion in instances of overruling staff recommendations of ineligibility for proposed sites in the LIHTC program. TDHCA's considerations and requirements for sufficient mitigation must be demanding and result in a realistic expectation of neighborhood improvement and revitalization in order for

continued 4 percent LIHTC investments to be approved. The families who depend on the housing funded with public funds you are awarding need you to be sure that they are not being steered to neighborhood conditions that a prudent Texas renter would not want for their family.

Regards,



Charlie Duncan
Research Director
Texas Housers
charlie@texashousing.org



John Henneberger
Co-director
Texas Housers
john@texashousing.org

cc:

Leslie Bingham Escareno, vice chair
Paul A. Braden
Asusena Resendiz
Sharon Thomason
Leo Vasquez
Tim Irvine (via email)
Michael Lyttle (via email)
Terri Roeber (via email)
Marni Holloway (via email)

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 (#18408 Sansom Bluff, Sansom Park)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Sansom Bluff, sponsored by LDG Development, was initially submitted to the Department on March 9, 2018;

WHEREAS, a Carryforward Designation Certificate was issued by the Texas Bond Review Board (“BRB”) on January 4, 2018, and will expire on December 31, 2020, and a Certificate of Reservation was issued on August 6, 2018, and will expire on January 3, 2019;

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

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);

WHEREAS, the proposed development is an additional phase to Sansom Ridge (#16409), a 100-unit development which was approved by the Governing Board on July 14, 2016;

WHEREAS, pursuant to 10 TAC §11.3(f) of the Qualified Allocation Plan (“QAP”), additional phase developments serving the same target population as the proposed are considered ineligible unless the first phase has maintained occupancy of at least 90% for a minimum six month period;

WHEREAS, the applicant has requested a waiver, pursuant to 10 TAC §10.207, of 10 TAC §11.3(f) of the QAP and submitted a rent roll as of May 31, 2018, that reflects 99% occupancy, representing approximately a three month period instead of the required six months; and

WHEREAS, staff recommends 10 TAC §11.3(f) of the QAP be waived based on the submitted rent roll and that lease-up of 99% of the units at Sansom Ridge (#16409) effectively took six months which furthers the policies articulated in Tex. Gov’t Code §§2306.001 and 2306.002 in assisting Sansom Park in fulfilling the affordable housing needs in their community;

NOW, therefore, it is hereby

RESOLVED, that 10 TAC §11.3(f) of the QAP is waived;

FURTHER RESOLVED, that the issuance of a Determination Notice of \$1,797,822 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 Sansom Bluff 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.

BACKGROUND

General Information: Sansom Bluff, proposed to be located at the northeast corner of La Junta Street and Buchanan Street in Sansom Park, Tarrant County, involves the new construction of 296 units of which 281 will be rent and income restricted at 60% of Area Median Family Income. The remaining 15 will be market rate with no rent and income restrictions. The development will serve the general population and the site is currently zoned appropriately. The census tract (1104.02) has a median household income of \$38,109, is in the fourth quartile, and has a poverty rate of 27.8%.

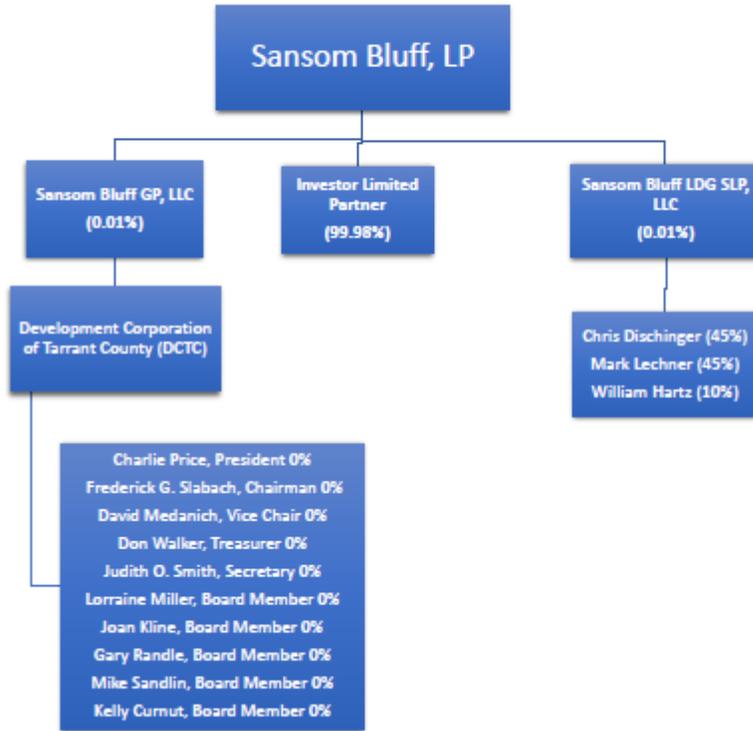
Waiver Request: Sansom Bluff is an additional phase to Sansom Ridge (#16409), a 100-unit development, serving the general population, that was approved by the Governing Board on July 14, 2016, and subsequently closed and began construction in August 2016. Pursuant to 10 TAC §11.3(f) of the QAP, additional phase developments serving the same target population as the proposed are considered ineligible unless the first phase has maintained occupancy of at least 90% for a minimum six month period. The applicant submitted a waiver of this requirement and submitted a rent roll as of May 31, 2018, that reflects Sansom Ridge is 99% occupied. Based on its review of the market and demand and the fact that lease-up of 99% of the units at Sansom Ridge effectively took six months, staff recommends the Board grant a waiver of 10 TAC §11.3(f) of the QAP. Moreover, pursuant to 10 TAC §10.207 of the Uniform Multifamily Rules, granting of the waiver furthers the policies articulated in Tex. Gov't Code §§2306.001 and 2306.002 in assisting Sansom Park in fulfilling the affordable housing needs in their community.

Organizational Structure and Previous Participation: The Borrower is Sansom Bluff, L.P., and includes the entities and principals as illustrated in Exhibit A. The applicant's portfolio is considered a large category 2 and the previous participation was deemed acceptable by EARAC without further review or discussion.

Public Comment: The Department has not received any letters of support or opposition.

EXHIBIT A

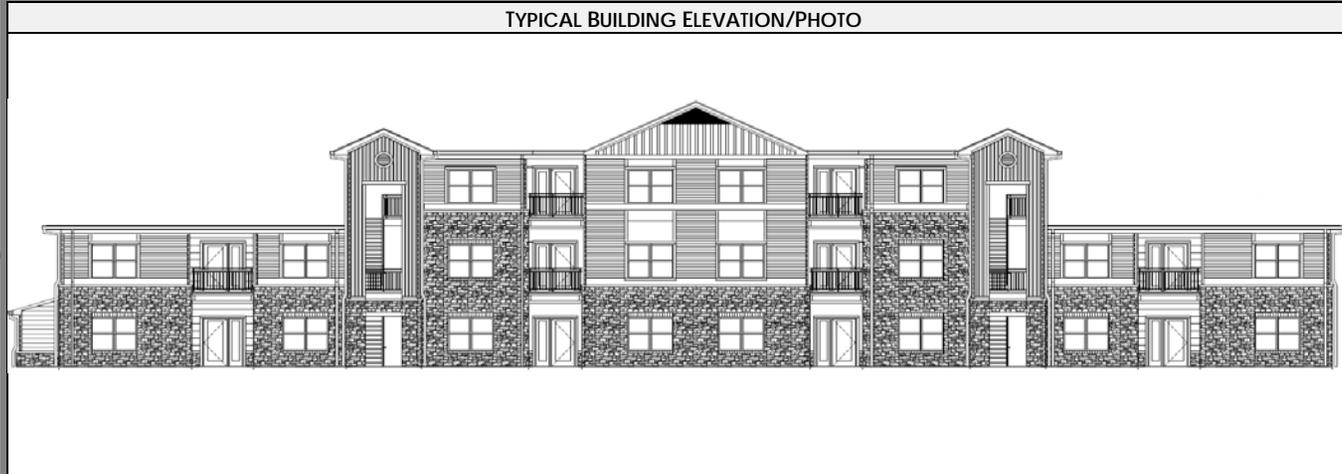
Sansom Bluff Applicant/Owner Organization Chart



18408 Sansom Bluff - Application Summary

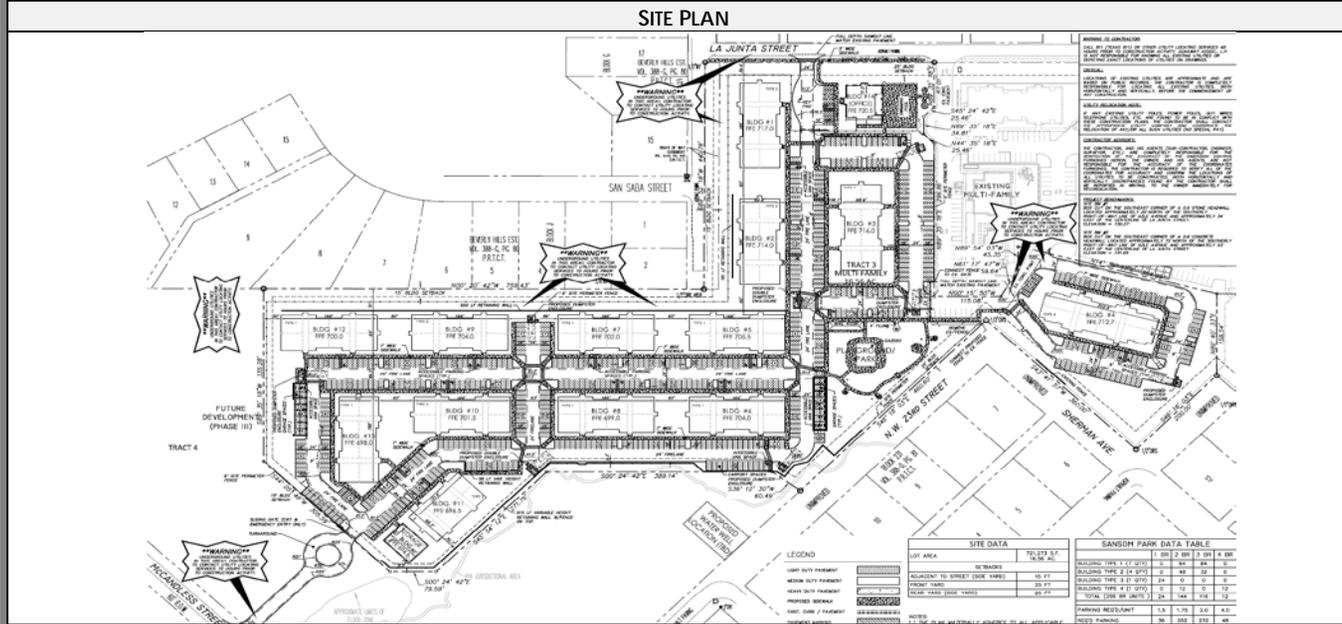
PROPERTY IDENTIFICATION		RECOMMENDATION					
Application #	18408	TDHCA Program	Request	Recommended			
Development	Sansom Bluff	LIHTC (4% Credit)	\$1,797,822	\$1,797,822	\$6,074/Unit	\$0.94	
City / County	Sansom Park / Tarrant		Amount	Rate	Amort	Term	Lien
Region/Area	3 / Urban	MF Direct Loan Const. to Perm. (Reg)					
Population	General						
Set-Aside	General						
Activity	New Construction						

KEY PRINCIPAL / SPONSOR		
William Hartz / LDG Multifamily, LLC & Charlie Price / Development Corp of Tarrant County		
Related Parties	Contractor - Yes	Seller - Yes



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	24	8%	40%	-	0%
2	144	49%	50%	-	0%
3	116	39%	60%	281	95%
4	12	4%	MR	15	5%
TOTAL	296	100%	TOTAL	296	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		TDHCA's Pro Forma	
Debt Coverage	1.24	Expense Ratio	44.0%
Breakeven Occ.	82.5%	Breakeven Rent	\$845
Average Rent	\$950	B/E Rent Margin	\$105
Property Taxes	\$671/unit	Exemption/PILOT	50%
Total Expense	\$4,732/unit	Controllable	\$3,002/unit



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (15% Maximum)			8.1%
Highest Unit Capture Rate	29%	2 BR/60%	144
Dominant Unit Cap. Rate	29%	2 BR/60%	144
Premiums (↑60% Rents)	Yes		\$131/Avg.
Rent Assisted Units	N/A		

DEVELOPMENT COST SUMMARY			
Costs Underwritten		Applicant's Costs	
Avg. Unit Size	1,030 SF	Density	17.9/acre
Acquisition		\$00K/unit	\$6K
Building Cost	\$81.73/SF	\$84K/unit	\$24,928K
Hard Cost		\$100K/unit	\$29,635K
Total Cost		\$158K/unit	\$46,749K
Developer Fee	\$5,794K	(70% Deferred)	Paid Year: 10
Contractor Fee	\$4,086K	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
Red Stone	16/40	5.00%	\$24,903,000	1.24	HOME Funds - DCTC	0/0	0.00%	\$900,000	1.24	Boston Financial	\$16,899,528
										LDG Multifamily, LLC	\$4,046,752
TOTAL DEBT (Must Pay)			\$24,903,000		CASH FLOW DEBT / GRANTS			\$900,000		TOTAL EQUITY SOURCES	\$20,946,280
										TOTAL DEBT SOURCES	\$25,803,000
										TOTAL CAPITALIZATION	\$46,749,280

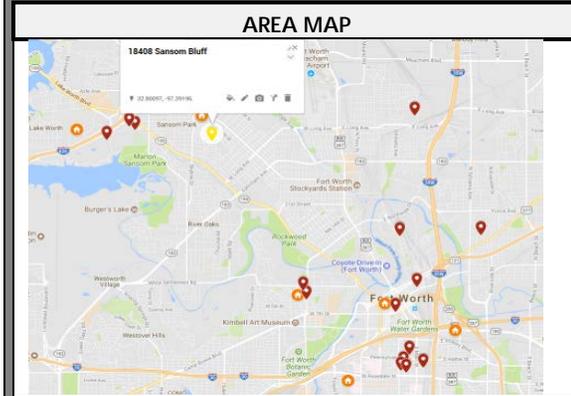
CONDITIONS

- Receipt and acceptance before Determination Notice:
 - Firm commitment from Development Corp of Tarrant County for \$900,000 loan clearly stating all terms and conditions.
- Receipt and acceptance by Cost Certification:
 - Attorney opinion validating federally sourced funds can be considered bona fide debt with a reasonable expectation that it will be repaid in full and further stating that the funds should not be deducted from eligible basis.

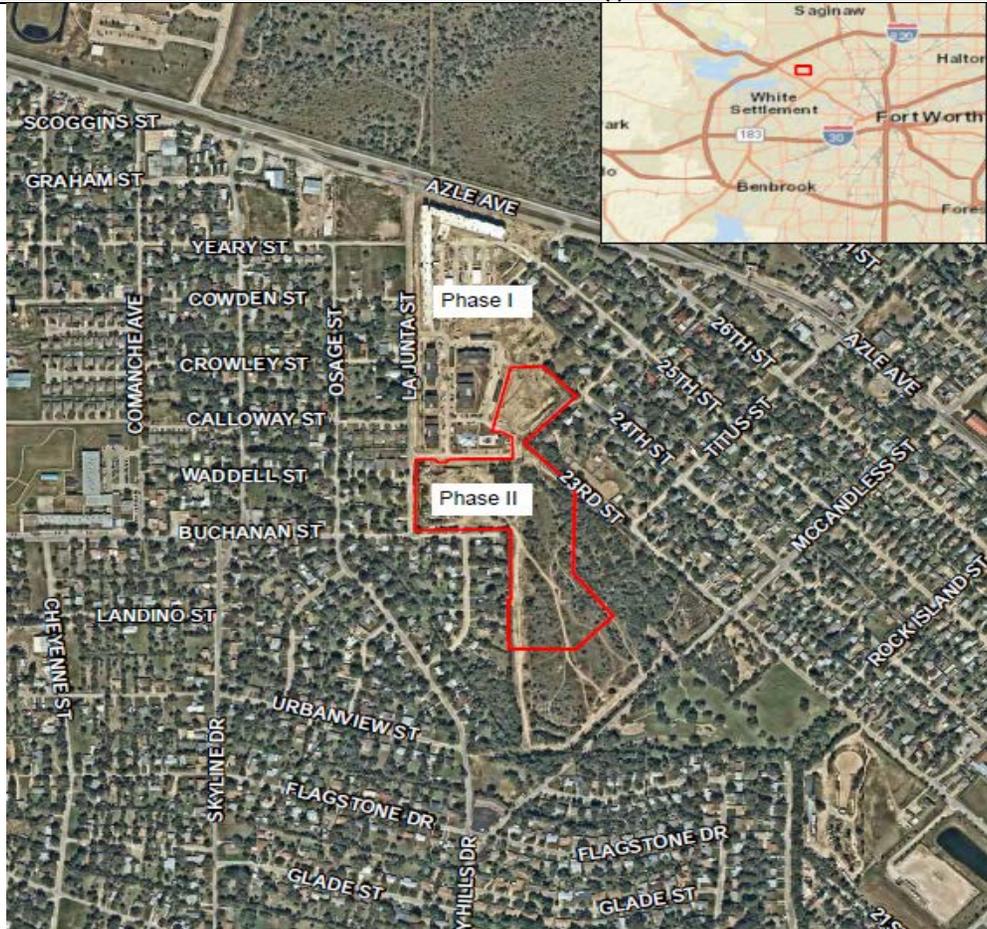
Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

BOND RESERVATION / ISSUER	
Issuer	Tarrant County HFC
Expiration Date	12/31/2020; 1/3/2019
Bond Amount	\$22,000,000 and \$8,000,000
BRB Priority	Priority 3
Close Date	TBD
Bond Structure	Private Placement with Redstone
% Financed with Tax-Exempt Bonds	63.8%

RISK PROFILE	
STRENGTHS/MITIGATING FACTORS	
<ul style="list-style-type: none"> Strong feasibility indicators (debt coverage, break-even margins, expense ratio) 8% Gross Capture Rate Delivered two adjacent developments that are both recently completed and fully occupied. 	
WEAKNESSES/RISKS	
<ul style="list-style-type: none"> High Controllable Expenses High capture rates for 2BR and 3BR units Significant Cost inflation in Tarrant County 	



AERIAL PHOTOGRAPH(S)



BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
OCTOBER 11, 2018

Presentation, discussion, and possible action on Determination Notice for Housing Tax Credits with another Issuer (#18435 Eisenhower II Apartments, El Paso)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Eisenhower II Apartments, sponsored by the Housing Authority of the City of El Paso (“HACEP”), was submitted to the Department on July 18, 2018;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on August 13, 2018, and will expire on January 10, 2019;

WHEREAS, the proposed issuer of the bonds is the Alamito Public Facilities Corporation; and;

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated as a Category 4 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 \$376,008 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 Eisenhower II Apartments, and conditioned upon the following, is hereby approved as presented to this meeting:

1. The Housing Authority of the City of El Paso (HACEP) or the management company contracted by HACEP is required to prepare or update its internal procedures to improve compliance outcomes and to provide copies of such new or updated procedures to the Department by **December 31, 2018**.
2. HACEP is required to designate the **CEO and the Asset Manager** to receive Compliance correspondence and ensure that this person or persons will provide timely responses to the Department for and on behalf of the proposed Development and all other Developments subject to TDHCA LURAs over which HACEP has the power to exercise control.
3. HACEP is required to ensure that the **Asset Manager and the Regional Managers (4)** attend the training listed in (A) and review the webinar trainings listed in (B) below and provide TDHCA with a certification of attendance for (A) and a certification of completion for (B) no later than **December 31, 2018**.
 - a. Housing Tax Credit Training sponsored by the Texas Apartment Association; and
 - b. Review the TDHCA Compliance Training webinars:
 - i. 2015 Tenant Selection Criteria Webinar Video;

- ii. 2015 Tenant Selection Criteria Presentation;
 - iii. 2015 Tenant Selection Criteria- Q and A's;
 - iv. §10.610 – Tenant Selection Criteria;
 - v. 2015 Affirmative Marketing Requirements Webinar Video;
 - vi. 2015 Affirmative Marketing Requirements Presentation;
 - vii. 2015 Affirmative Marketing Requirements- Q and A's.
- 4. HACEP is required to submit the written policies and procedures for all developments subject to a TDHCA LURA for Department review no later than **December 31, 2018**.
 - 5. HACEP agrees that for future applications submitted through **December 31, 2018** a qualified third party accessibility specialist will review the entire development site to confirm compliance with TDHCA accessibility standards and that such documentation be submitted 14 days prior to Board approval.
 - 6. The Executive Director, for good cause, may grant one extension of these conditions 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

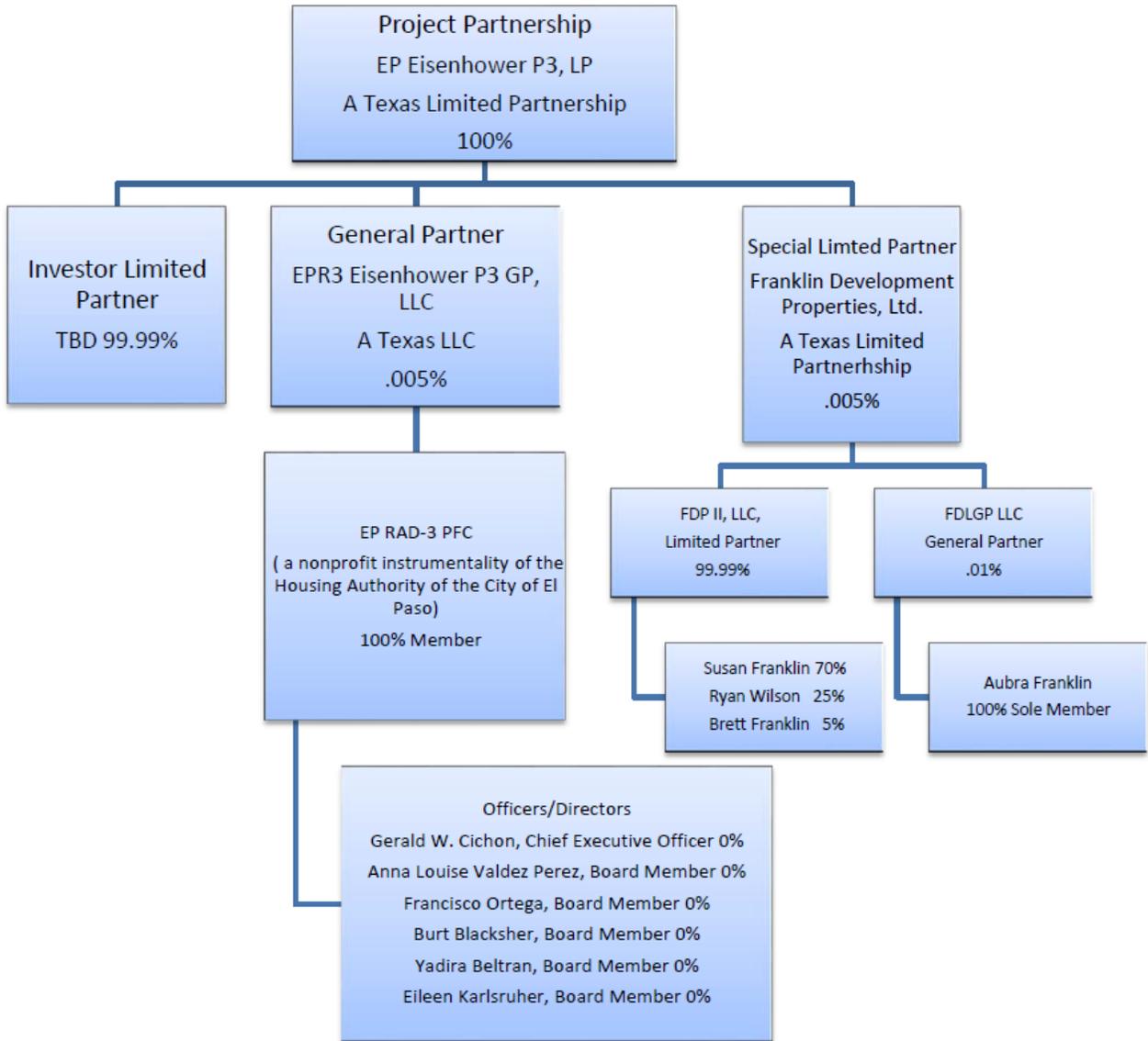
General Information: The subject property is located at 5628 Eisenhower, El Paso, El Paso County. Eisenhower was originally constructed in 1973, is occupied and currently owned by HACEP. Acquisition and rehabilitation of its 66 units is proposed as part of the HACEP's portfolio conversion under the Rental Assistance Demonstration ("RAD") program administered by HUD. The property was originally part of the Dwight D Eisenhower (#14425) project approved by the Department in 2014. However, there were several buildings (constituting the 66 units reflected in this award) that were located in the floodplain. The applicant has since received a Letter of Map Revision that changed the flood zone designation. The development will continue to serve the general population and conforms to current zoning. All of the units will be rent and income restricted at 60% of the Area Medium Family Income. The census tract (0002.05) has a median household income of \$25,238, is in the fourth quartile, and has a poverty rate of 31.1%.

Organizational Structure: The Borrower is EP Eisenhower P3, LP and includes the entities and principals as indicated in the organization chart in Exhibit A. The applicant's portfolio is considered a Category 4 and the previous participation was deemed acceptable by EARAC, with the aforementioned conditions, after review and discussion.

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

EXHIBIT A

Dwight D. Eisenhower Phase 3 Apartments
El Paso, Texas
Organizational Structure



18435 Eisenhower II Apartments - Application Summary

REAL ESTATE ANALYSIS DIVISION

October 4, 2018

PROPERTY IDENTIFICATION		RECOMMENDATION				
Application #	18435	TDHCA Program	Request	Recommended		
Development	Eisenhower II Apartments			LIHTC (4% Credit)	\$380,508	\$376,008
City / County	El Paso / El Paso					
Region/Area	13 / Urban					
Population	General					
Set-Aside	General					
Activity	Acquisition/Rehab (Built in 1973)					

KEY PRINCIPAL / SPONSOR		
Housing Authority of the City of El Paso (HACEP) Franklin Development Properties - Ryan Wilson (Developer) Alamito PFC (Related-Party Issuer) Affordable Housing Enterprises (Contractor) Gerald ("Jerry") W. Cichon		
Related Parties	Contractor - Yes	Seller - Yes



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
1	-	0%	30%	-	0%
2	22	33%	40%	-	0%
3	26	39%	50%	-	0%
4	16	24%	60%	66	100%
7	2	3%	MR	-	0%
TOTAL	66	100%	TOTAL	66	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		TDHCA's Pro Forma	
Debt Coverage	1.23	Expense Ratio	56.0%
Breakeven Occ.	87.1%	Breakeven Rent	\$571
Average Rent	\$623	B/E Rent Margin	\$52
Property Taxes	Exempt	Exemption/PILOT	100%
Total Expense	\$4,021/unit	Controllable	\$2,854/unit



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)	0.9%		
Highest Unit Capture Rate	3%	4 BR/50%	###
Dominant Unit Cap. Rate	2%	3 BR/50%	26
Premiums (↑60% Rents)	#DIV/0!	#DIV/0!	
Rent Assisted Units	64	97% Total Units	

DEVELOPMENT COST SUMMARY			
Costs Underwritten		TDHCA's Costs - Based on PCA	
Avg. Unit Size	842 SF	Density	6.9/acre
Acquisition		\$53K/unit	\$3,500K
Building Cost	\$70.81/SF	\$60K/unit	\$3,936K
Hard Cost		\$81K/unit	\$5,333K
Total Cost		\$194K/unit	\$12,784K
Developer Fee	\$1,395K	(26% Deferred)	Paid Year: 9
Contractor Fee	\$747K	30% Boost	No

REHABILITATION COSTS / UNIT				
Site Work	\$5K	7%	Finishes/Fixture	\$23K 28%
Building Shell	\$27K	34%	Amenities	\$8K 10%
HVAC	\$7K	9%	Total Exterior	\$41K 56%
Appliances	\$2K	2%	Total Interior	\$32K 44%

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
PNC Freddie Mac Loan	15/35	5.25%	\$2,700,000	1.23	HACEP - Seller Note	50/0	3.00%	\$3,500,000	1.23	PNC Tax Credit Capital	\$3,496,531
					Paisano HRC Gap Loan	50/0	3.00%	\$2,722,327	1.23	Paisano HRC	\$365,155
TOTAL DEBT (Must Pay)			\$2,700,000		CASH FLOW DEBT / GRANTS			\$6,222,327		TOTAL EQUITY SOURCES	\$3,861,686
										TOTAL DEBT SOURCES	\$8,922,327
										TOTAL CAPITALIZATION	\$12,784,013

CONDITIONS

- 1 Receipt and acceptance before Determination Notice:
 - HUD approval of RAD conversion including a commitment to enter into the Housing Assistance Payment contract (or executed CHAP or similar agreement), HUD approved rents and operating budget.
- 2 Receipt and acceptance by Cost Certification:
 - a: Attorney opinion validating federally sourced funds can be considered bona fide debt with a reasonable expectation that it will be repaid in full and further stating that the funds should not be deducted from eligible basis.
 - b: Certification of comprehensive testing for asbestos and lead-based paint; that any appropriate abatement procedures were implemented by a qualified abatement company; and that any remaining asbestos-containing materials or lead-based paint are being managed in accordance with an acceptable Operations and Maintenance (O&M) program.

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		AERIAL PHOTOGRAPH(S)	
Issuer	Alamito PFC		
Expiration Date	1/10/2019		
Bond Amount	\$10,000,000		
BRB Priority	Priority 3		
Close Date	TBD		
Bond Structure	Freddie Mac		
% Financed with Tax-Exempt Bonds	66.6%		
RISK PROFILE			
STRENGTHS/MITIGATING FACTORS			
<ul style="list-style-type: none"> o 10% construction contingency & available o Minimal lease up risk o Pro forma based on historical expenses o 100% rental assistance 			
WEAKNESSES/RISKS			
<ul style="list-style-type: none"> o Potential cost overruns associated with rehab 			
AREA MAP			

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 (#18422 Elysium Grand, Austin)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Elysium Grand, sponsored by the Austin Affordable Housing Corporation, was submitted to the Department on April 13, 2018;

WHEREAS, the Certification of Reservation from the Texas Bond Review Board was issued on July 11, 2018, and will expire on December 8, 2018;

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

WHEREAS, pursuant to 10 TAC §10.101(a)(2) of the Uniform Multifamily Rules related to Undesirable Site Features, applicants must disclose to the Department if the Development Site is located within the applicable distance of any undesirable site features;

WHEREAS, the applicant disclosed that the proposed Development Site is located within 500 feet of an active railroad track;

WHEREAS, the applicant submitted an ordinance from the City of Austin that regulates proximity to a railroad easement, and staff finds that this is acceptable mitigation under 10 TAC §10.101(a)(2) and, therefore, the site should be considered eligible; and

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated as an extra large Category 3 and deemed acceptable by Executive Award and Review Advisory Committee (“EARAC”) after review and discussion;

NOW, therefore, it is hereby

RESOLVED, that the site for Elysium Grand is hereby found to be eligible; and

FURTHER RESOLVED, that the issuance of a Determination Notice of \$391,757 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 Elysium Grand is hereby approved as presented to this meeting.

BACKGROUND

General Information: Elysium Grand, proposed to be located at 3300 Oak Creek Drive in Austin, Travis County, involves the new construction of 90 units, of which 12 will be rent and income restricted at 30% of

Area Median Family Income (“AMFI”), 40 units will be rent and income restricted at 50% of AMFI, 17 units will be rent and income restricted at 60% of AMFI, and the remaining 21 will be market rate units. Moreover, 25 Project-Based HUD Veterans Affairs Supportive Housing (“VASH”) vouchers have been awarded for the project by the Austin Housing Authority. The development will serve the general population, and the site conforms to the current zoning. The census tract (0018.46) has a median household income of \$85,764, is in the first quartile, and has a poverty rate of 6.2%.

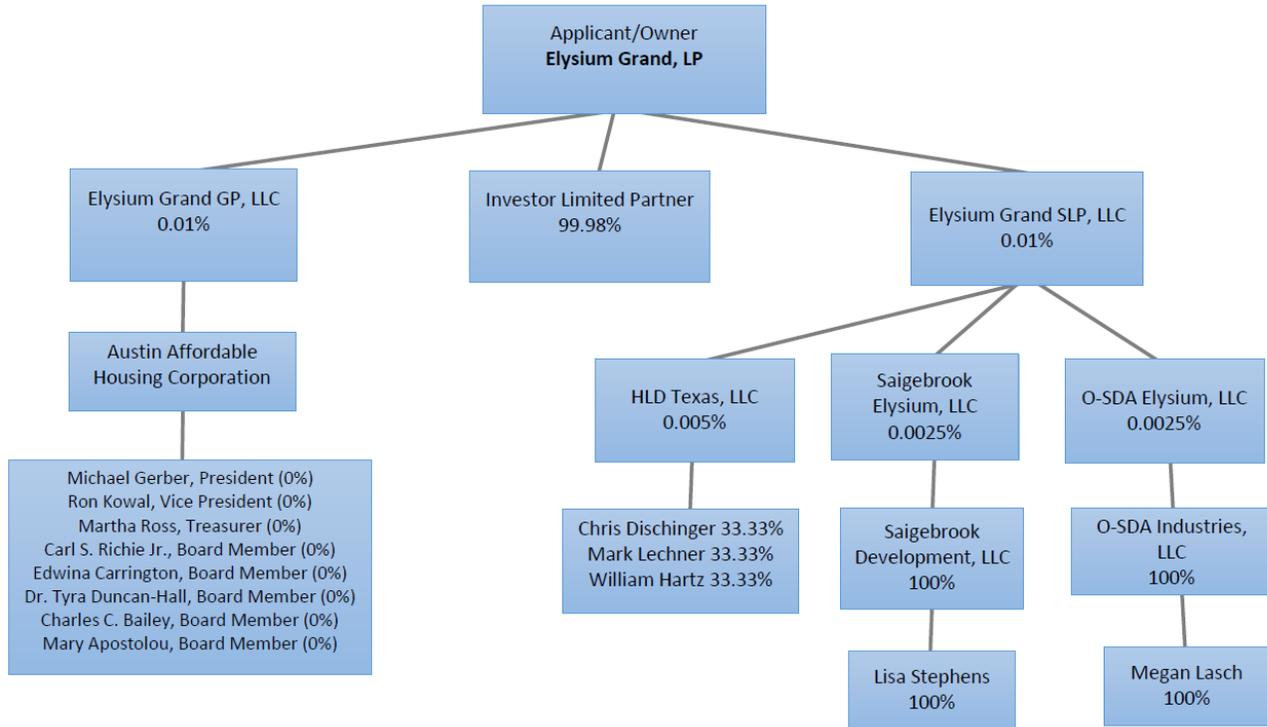
Site Analysis: The presence of an undesirable site feature under 10 TAC §10.101(a)(2)(E) of the Uniform Multifamily Rules require additional site analysis. Elysium Grand will be located within 500 feet from an active railroad track. An ordinance from the City of Austin was submitted as evidence that the proposed development will adhere to the requirements of the local ordinance. The subject property is located within the boundaries of a conditional overlay combining district that does not allow a building or structure to be constructed within a 400 foot wide setback from the railroad easement.

Under 10 TAC §10.101(a)(2) of the Uniform Multifamily Rules, where there is a local ordinance that regulates the undesirable feature to a multifamily development that has smaller distances than the minimum distances required by the Department, such smaller distances may be used. After reviewing the aforementioned facts relating to the proximity to an active railroad track and the local ordinance regulating the distance, staff believes it leads to a supported conclusion that the development site should be considered eligible under 10 TAC §10.101(a)(2)(E) of the Uniform Multifamily Rules.

Organizational Structure and Previous Participation: The Borrower is Elysium Grand, LP, and includes the entities and principals as indicated in Exhibit A. The applicant’s portfolio is considered an Extra Large Category 3 and the previous participation was deemed acceptable by the EARAC without further review or discussion.

Public Comment: The Department received two letters of opposition from members of the community and no letters of support.

EXHIBIT A



18422 Elysium Grand - Application Summary

REAL ESTATE ANALYSIS DIVISION

August 30, 2018

PROPERTY IDENTIFICATION		RECOMMENDATION			
Application #	18422	TDHCA Program	Request	Recommended	
Development	Elysium Grand	LIHTC (4% Credit)	\$391,757	\$391,757	\$4,353/Unit \$0.92
City / County	Austin / Travis				
Region/Area	7 / Urban				
Population	General				
Set-Aside	General				
Activity	New Construction				

KEY PRINCIPAL / SPONSOR		
<ul style="list-style-type: none"> Megan Lasch / O-SDA Industries, LLC Lisa Stephens / Saigebrooke Development, LLC Chris Dischinger / HLD Texas, LLC Michael Gerber / Austin Affordable Housing Corp. 		
Related Parties	Contractor - Yes	Seller - No

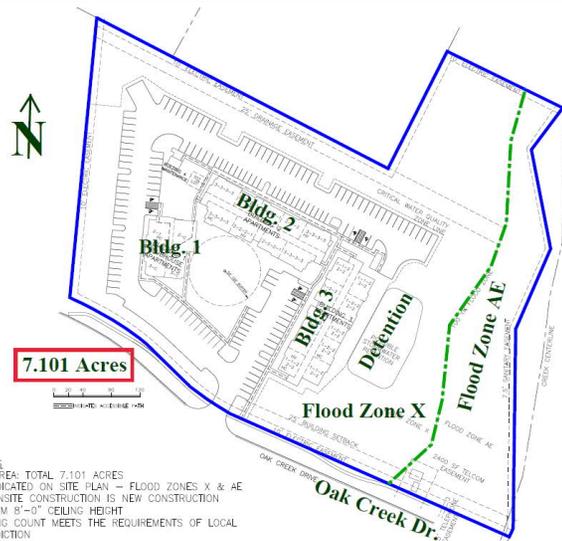
TYPICAL BUILDING ELEVATION/PHOTO



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	12	13%
1	19	21%	40%	-	0%
2	53	59%	50%	40	44%
3	18	20%	60%	17	19%
4	-	0%	MR	21	23%
TOTAL	90	100%	TOTAL	90	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	1.18	Expense Ratio	33.2%
Breakeven Occ.	83.1%	Breakeven Rent	\$954
Average Rent	\$1,064	B/E Rent Margin	\$110
Property Taxes	Exempt	Exemption/PILOT	100%
Total Expense	\$3,997/unit	Controllable	\$2,482/unit

SITE PLAN



- SITE NOTES**
- SITE AREA: TOTAL 7.101 ACRES
 - AS INDICATED ON SITE PLAN - FLOOD ZONES X & AE
 - ALL ONSITE CONSTRUCTION IS NEW CONSTRUCTION
 - MINIMUM 8'-0" CEILING HEIGHT
 - PARKING COUNT MEETS THE REQUIREMENTS OF LOCAL JURISDICTION

MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)			0.4%
Highest Unit Capture Rate	3%	3 BR/50%	8
Dominant Unit Cap. Rate	3%	2 BR/50%	18
Premiums (↑60% Rents)	Yes	\$345/Avg.	
Rent Assisted Units	25	28% Total Units	

DEVELOPMENT COST SUMMARY			
Costs Underwritten		Applicant's Costs	
Avg. Unit Size	905 SF	Density	12.7/acre
Acquisition		\$23K/unit	\$2,075K
Building Cost	\$101.10/SF	\$92K/unit	\$8,235K
Hard Cost		\$111K/unit	\$9,996K
Total Cost		\$214K/unit	\$19,258K
Developer Fee	\$2,033K	(84% Deferred)	Paid Year: 11
Contractor Fee	\$1,399K	30% Boost	No

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES	
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount
Red Stone	16/40	4.99%	\$10,607,179	1.18	Austin Housing Finance Corp.	40/0	4.00%	\$3,320,000	1.18	Stratford Capital Group	\$3,623,028
										Saigebrook Development, LLC	\$1,707,472
TOTAL DEBT (Must Pay)			\$10,607,179		CASH FLOW DEBT / GRANTS			\$3,320,000		TOTAL EQUITY SOURCES	\$5,330,500
										TOTAL DEBT SOURCES	\$13,927,179
										TOTAL CAPITALIZATION	\$19,257,679

CONDITIONS

1 Receipt and acceptance by Cost Certification:

- a: Certification from Appraisal District that the property qualifies for property tax exemption.
- b: Architect certification that all noise assessment recommendations were implemented and the Development is compliant with HUD noise guidelines.

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 Housing Finance Corporation
Expiration Date	12/8/2018
Bond Amount	\$10,000,000
BRB Priority	Priority 3
Close Date	TBD
Bond Structure	Private Placement
% Financed with Tax-Exempt Bonds	64.0%

RISK PROFILE

STRENGTHS/MITIGATING FACTORS

- Gross capture rate under 1%, with highest unit capture rate of 3%
- Attractive design should enhance leasing
- Residential in-fill location
- Developer experience

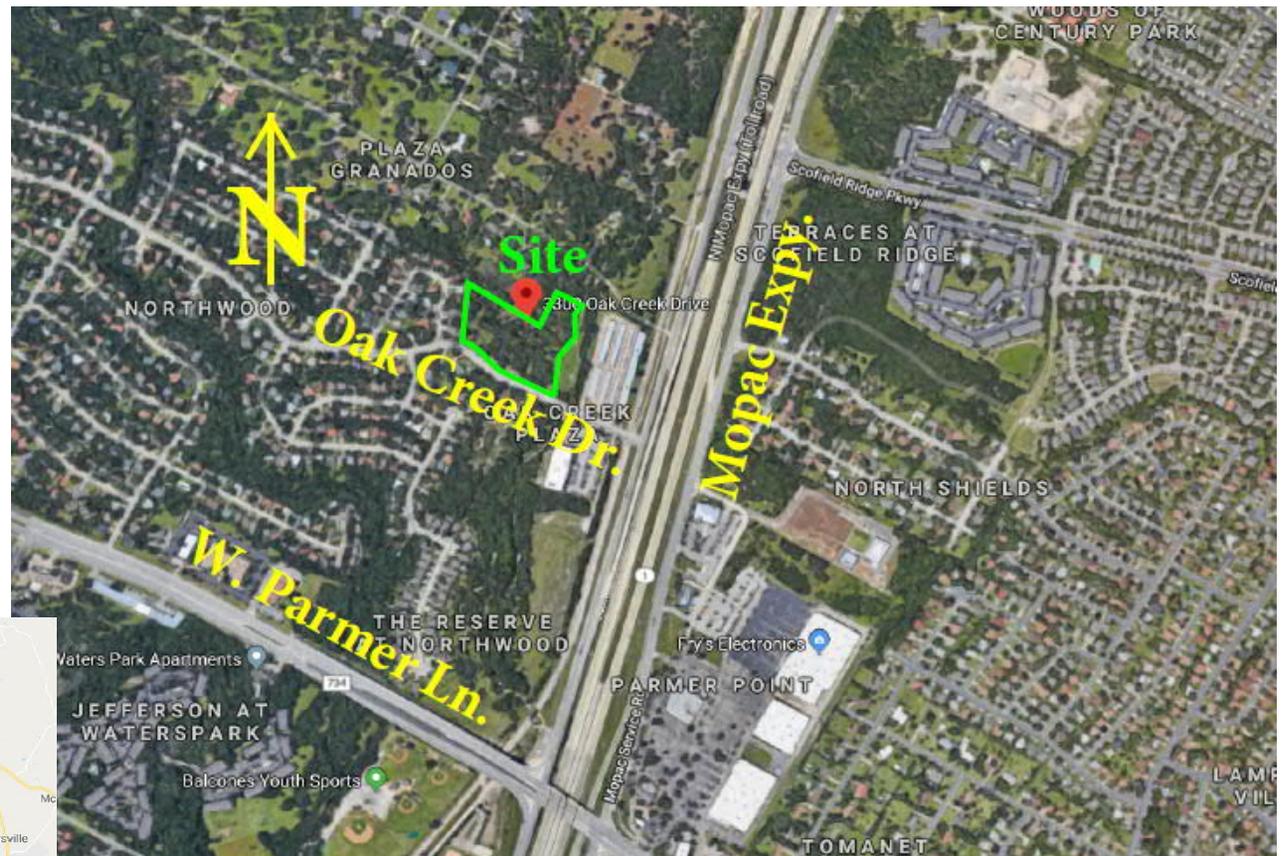
WEAKNESSES/RISKS

- Market unit rents exceed 60% rents by an average of \$253/unit
- Single point of ingress/egress
- Building 2 access is less convenient since parking lot does not form a complete loop
- Proximity to railroad and expressway
- Feasibility depends on full property tax exemption

AREA MAP



AERIAL PHOTOGRAPH(S)



From: [Carolyn Isbell](#)
To: [Shannon Roth](#)
Subject: FW: Opposition to Elysium Grand; TDHCA number 18422, 3300 Oak Creek Drive, Austin, Texas 78727
Date: Wednesday, September 05, 2018 4:42:20 PM
Importance: High

Dear Shannon:

I have been out of town until yesterday but am in hopes that you will consider my comments below. I am unable to attend the meeting tomorrow due to work.

Thank you-

Carolyn Isbell

First of all, let me begin by stating that I am aware of and sensitive to the need for affordable housing in Austin especially as the cost of living in Austin is becoming prohibitive to many of its existing and new residents. However, my husband and I have owned a home in the proposed area for Elysium Park for over 22 years and have many overall concerns regarding the location of this Development.

Elysium Park would be placed in a location that would be dangerous to new residents living in the housing subdivision as they will be “literally hemmed/pinned in” by a 100 year flood zone (with a large drainage easement that flows swiftly with large rains and at times flood), active railroad tracks and inadequate street ingress and egress. Will the City of Austin, TDHCA, Developer, etc. assume the possible liability/lawsuits of these new residents by placing them in an unsafe area? Again, the need for subsidized housing is high but it needs to be at a location that is beneficial, not detrimental to its residents. The affordable housing residents deserve to have a safe place to live and not “pegged” into a location by a Developer who can perhaps acquire the land at a lesser price because of extenuating, compromising issues. Likewise, affordable housing developments should not be subject to an “unfit” location for the sake of expediency. I think it’s a safe assumption that the Texas Department Housing Community Affairs and City of Austin desire to provide safe, affordable housing for its residents. To make affordable housing work in Austin there needs to be success stories, not horror stories.

- 1) Flood zone- Elysium Park will be built mere feet from a 100 year flood plain. This flood plain is such a concern to City of Austin-Watershed Protection Department that we were recently mailed a brochure from them entitled “Know the Dangers of Flooding” (see attached). It boggles my mind that Apartments with a high density of people would be built

next to what turns into a raging, small river during heavy rains. Evacuation of 385 apartments (actual residents 770 plus?) because of flooding would be difficult- being hampered further by the railroad crossing and limited street access could make it disastrous. Also, I'm assuming residents would need flood insurance. Does renter's insurance allow for loss of contents due to floods or will the Developer need to provide additional insurance? Will FEMA be notified of this Development? What are FEMA's guidelines regarding this type of Development in/next to a Flood Zone?

- 2) Elysium Park would also be placed inside and in very close distance to railroad tracks that **have to be crossed** to exit the Development. There has already been a recent death at one of these crossings near the proposed Elysium Park. Again, hard to understand the reasoning of placing a highly populated community containing children within such close proximity to active, operating railroad tracks. Are there any regulations in regards to building high density housing next to existing railroad tracks?
- 3) Surface/flood water being diverted differently causing water flow patterns to change. There obviously will be impact downstream from the very large complex Elysium Park will be. Places that normally don't flood may. Who is responsible for possible damages to residences/businesses by the changed flow of surface/flood water? Also, it would most likely affect nearby Water Park Road which is notorious for flooding making it an even more dangerous road to drive during heavy rain/flooding.
- 4) Surface water flow changes also cause environmental concerns. How will the increased pollution from surface water be dealt with as it impacts other areas? Is this under the jurisdiction of the Austin-Watershed Protection Department? Is it also the Watershed Department's responsibility to inspect this land and make sure any development falls within compliance/regulations?
- 5) Wildlife concerns- there is an abundance of deer and other wildlife in this highly wooded area. Are there any safeguards in place for them? Will the land in question be inspected to insure there are no endangered species? Is this the responsibility of SOS? Does it need to be brought to their attention or a similar agency?
- 6) Large, mature trees will need to be cut down. The City of Austin has

ordinances protecting trees past a certain size. Will this be enforced? If not, how will adequate impervious ground cover percentages be achieved? With such a large development on a small piece of land (385 units on 7 acres) it does not seem possible. Will there be enough green space to mitigate storm water runoff?

- 7) The limestone earth in this area is too porous to support the weight of multi-story apartment buildings. This was discovered when apartment buildings were proposed on the present day location of Preston Oaks (adjacent to Northwood), a single family subdivision. The apartments had to be scaled down to single family housing because of caves and the porous limestone. Again, a danger to future residents if a multi-family building is constructed on land that cannot support the weight.
- 8) There are no safe routes/walkways for residents to walk for employment, grocery shopping, etc. The nearest grocery store would entail crossing Parmer and Mopac which is notoriously congested. Same for the nearest pharmacy (Walgreen's). There are no major employers within safe walking/biking distance. There are no nearby bus routes. Residents are subject to unnecessary risk because of the existing infrastructure or lack thereof.
- 9) Longtime residents in Northwood along Pegasus Street will be subject to a four story building virtually in their backyard. Recently, the Austin City Council voted to phase out most forms of short term rentals. One of the determining factors was cited as the Council being respectful of the "sanctity of residential housing". This philosophy is not consistent with the homeowners who reside on Pegasus and other nearby streets in Northwood. Why is their "sanctity of residential housing" not being considered as it was for other Austin citizens?

The proposed Elysium Park subdivision location is **NOT** a win/win for future residents, existing residents or the City of Austin. Affordable housing needs to be addressed but it needs to be done in the best interest of the people it will benefit. As the saying goes- "if you are going to do something – do it right". Don't let others be the victims of expediency.

For all these reasons and others I didn't list, **please do not grant the housing tax credits to this project.**

Thank you for your time and attention.

Respectfully,

Carolyn Isbell

Concerned citizen and taxpayer

McNeil Neighborhood- adjacent to Northwood

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From: [Beckham, Jeanie](#)
To: [Shannon Roth](#); [Teresa Morales](#)
Cc: [nancylemmons@yahoo.com](#); [donnaablumberg@gmail.com](#); [jla.bredl@att.net](#); [Nnedeeds@yahoo.com](#); [leanna_ut@yahoo.com](#)
Subject: Submission for the October 11 hearing re: Elysium Grand
Date: Thursday, October 04, 2018 10:39:07 AM
Attachments: [AHFC SPEECH NOTES TO MAYOR AND COUNCIL FINAL.pdf](#)
[Cover letter for NW2 w names.pdf](#)

Good morning,

I am the Vice President of the Northwood Neighborhood Association. Attached is a cover letter and document we would like to submit for the October 11th hearing regarding the Elysium Grand project applying for 4% tax credits.

Please let me know if you have any difficulty opening the attachments. I will be happy to hand deliver this submission to you, if preferable.

Thank you,

Jeanie Beckham



Northwood Neighborhood

October 1, 2018

Per Mayor Adler's request, please find the enclosed speech and supporting information - this is the speech that was presented by Ms. Farida Deeds, representing the neighborhoods, at the September 20, 2018, Austin Housing Finance Committee meeting regarding the Multi-family Housing Revenue Bonds for proposed Elysium Grand at 3300 Oak Creek.

Over a lengthy period of time we have tried to show important issues with this proposed development. You will find that our information is backed up by facts and recorded documents that are on file with governing agencies. Allowing 3, 5 or 7 minutes to speak before the board and never being allowed to provide a rebuttal to the statements of the developer is disheartening. It comes across that the word of the developer is taken as gospel, when documents prove otherwise.

We as a neighborhood, have been belittled, berated and accused of many things that simply are not true. We believe this site is not suitable for 4 and 5 story apartments, be they luxury or affordable. The Watershed Protection Department has acknowledged at least 1 sinkhole at this site and noted other possible geological features that may make heavy multistory buildings questionable in the long run. And the lack of public transportation makes this site a poor location for residents without reliable transportation – imagine having to walk a mile along the busy MoPac frontage road in August and then cross the 6 lane divided highway of Parmer just to get groceries, and then repeating the trip back while carrying them!

We understand fully the urgent need for affordable housing in Austin. However, how much should taxpayers have to pay so developers can make a profit? From what we have read, fees are being waived, funding has been provided that does not seem rational, and now through a creative mechanism the FOR-PROFIT developer/development may not have to pay property taxes.

Council members have referred to us as an affluent neighborhood; however, our neighborhood is not in the “affluent” pay range a council member implied. Some may be surprised how many state employees live here, including many state retirees, who have not had a cost of living increase in over 16 years. The taxes never seem to stop rising, yet it appears there is a willingness to exempt this developer from paying property taxes.

These few items that are mentioned above are outlined in the enclosed document. We only ask one thing, to please take the time to read and review what we are submitting to you today. What we have presented has taken a lot of time and research and is full of facts which may benefit in any decision made regarding this project. The depth of research we have provided, should be done on every development across the city of Austin.

We are hoping you realize we are doing our due diligence not only for our neighborhood but also for Austin. We hope you will do the same by carefully reviewing this material.

Thank you,
Northwood Neighborhood Association

Leanna Lang, Northwood President
northwoodpresident@gmail.com

Jeanie Beckham, Northwood Vice President
northwoodvicepresident@gmail.com

Nancy Grijalva, Northwood Treasurer
northwoodtreasurer@gmail.com

Donna Blumberg, Northwood Secretary
northwoodsecretary@gmail.com

As requested by Mayor Adler

Neighborhood comments presented at Austin Housing Finance Corporation (AHFC) meeting Thursday, September 20, 2018

regarding proposed Elysium Grand at 3300 Oak Creek (District 7)
and the issuance of Private Activity Bonds
maximum amount \$13,000,000*

*prior maximum amount was \$10,000,000

*Sections of comments presented during AHFC meeting on Sep 20, 2018
are contained within a shaded box.*

Supporting documentation follows each box. Sources are listed where relevant.

To the best of our ability, we convey our message with facts and supporting references.

On multiple occasions, the neighborhood has mentioned that our main concern is with the SCALE of this project,
whether affordable housing or otherwise.

“For starters, let’s agree we will not force density in the middle of neighborhoods.”

– Mayor Adler’s “Austin Bargain” in the 2017 State of the City Address on Jan 28, 2017



Map screen print taken on Sep 29, 2018 from Google Maps near 3300 Oak Creek, Austin, Texas

Inset rendered-image as of Sep 16, 2018 from source: <http://saigebrook.com/properties/elysium-grand/elysium-grand.html>

SUMMARY

To our Mayor and Austin City Council Members:

On multiple occasions, the neighborhood has mentioned that our main concern is with the SCALE of this project and yet our own Councilmember and staff, members on City Council, the developer and its attorneys, and the press have insinuated otherwise.

The stance is against the zoning that was sought and the proposed density of apartments, whether affordable or otherwise. Those trying to nullify our legitimate concerns find it easiest to simply state that opponents of the development and the zoning must be against affordable housing, rather than actually consider the true challenges and research the tough topics that were brought to their attention.

The neighborhood would have liked to have mitigated some of these concerns by having fewer multi-family residential units, but the developer refused as fewer units would not have been profitable. The neighborhood is not concerned with the developer's ability to make a profit! The neighborhood is more concerned with what is the right thing for:

- the site and the community that surrounds it,
- the prospective residents who will inhabit it, and
- the money that will fund it.

The City of Austin, public officials, and community organizations should all have those same concerns and strive to **achieve the right balance**. All voices need to be heard and taken into consideration without the negative connotation that just because an entity doesn't support the aspect of one project that it is against affordable housing in general.

"Austin Bargain"

Do you recall Mayor Adler's presentation in 2017 STATE OF THE CITY ADDRESS: THE SPIRIT OF AUSTIN on January 28, 2017? We do.

"I want to propose a different way – one that embraces the opportunity to do change as well as Austin has ever done it – and to do it together, aiming for a resolution where we all win.

In rewriting our land development code, I'd like to propose we treat each other like we're on the same team. We can all win if we achieve two goals: (1) protect our neighborhoods, and (2) deliver the increased housing supply we need to make Austin more affordable.

How do we do both? Maybe it makes sense to agree on a compromise up front. Let's call it the "Austin Bargain," an agreement that protects all of us from our worst fears so the community as a whole can achieve the best possible outcome.

For starters, **let's agree we will not force density in the middle of neighborhoods**. There's no sense in shoving density where it would ruin the character of the city we're trying to save in the first place, where it's not wanted by its neighbors, and where we would never get enough of the additional housing supply we need anyway."

If the City's true goal is to have affordable housing at this site solely because it is west of Mopac and it has access to good schools, ignoring all other criteria, that can still be achieved...preferably with a SMALLER-SCALED project that is suitable for the site.

Speech start: *Thank you, Mayor. Thank you, Council. I'm (insert name here) representing the neighborhood speaking to AHFC Agenda Item #3 or is it #4. Is it \$10 million or \$13 million?*

- On Aug 23, 2018, Austin Housing Finance Corporation (AHFC) set the public hearing for \$10,000,000.
- On Aug 31, 2018, there was a posting for a public hearing notice published with an amount that was not \$10,000,000 and was instead \$13,000,000.
- And even after Aug 31, 2018, on Sep 07, 2018, when AHFC agenda item was added, it still indicated \$10,000,000 when the supporting documentation showed \$13,000,000.
- Did the AHFC ever set a public hearing for \$13,000,000 before the conduct public hearing took place on Sep 20?

Please refer to ADDENDUM 1.

Why is the amount for the private activity bond now up to \$13,000,000 and not \$10,000,000?

How is this recent request for an additional \$3 million justified?

For the Sep 20, 2018 meeting backup material (<http://www.austintexas.gov/department/city-council/2018/20180920-ahfc.htm>)

Agenda Backup: Back-Up for the agenda item AHFC004, the Private Activity Bonds amount indicated \$9,800,000, so up to \$10,000,000 seems sufficient and up to \$13,000,000 seems unnecessary.

RBA Backup			
Item Title: RBA Backup – Elysium Grand Apartments			
<u>Estimated Sources & Uses of Funds</u>			
<u>Sources:</u>		<u>Uses:</u>	
Private Activity Bonds	\$ 9,800,000	Acquisition	\$ 2,000,000
Tax Credits	3,664,913	Hard Costs	10,078,777
AHFC funding	3,320,000	Soft & Carrying Costs	<u>5,673,752</u>
Deferred Developer Fee	<u>967,616</u>	Total	\$ 17,752,529
Total	\$ 17,752,529		

Source: <http://www.austintexas.gov/edims/document.cfm?id=305943>

Speech (cont'd): *On multiple occasions, you've heard neighbors' concerns about this site. Originally, our concern was with the zoning needed for the project. We just want an appropriately scaled project at this site.*

The developer initially planned for 1, 2, and 3-story buildings on this site. But due to flood plain, critical water quality zone, and a sinkhole, to compensate, the developer sought 4 and 5 story buildings. In fact, the proposed four-story building and clubhouse directly abut the 50-foot buffer perimeter of the critical environmental feature. The developer made a bad assumption about the site, and a project of this scale may be questionable as to how much additional costs (and hopefully no impact to safety) may be incurred.

Whether with our Councilmember's office or with our State Representative; whether at Austin City Council, Zoning and Platting Commission, or City staff meetings; whether with the Texas Department of Housing and Community Affairs (TDHCA), our concern has been repeatedly about the site and the scale of this project, whether affordable or otherwise, at this site.

1, 2, 3-story buildings in preliminary site plan -> morphed to 4 and 5-story buildings -> and zoning request

In early 2016, the initial site plan presented was 1, 2, and 3-story structures, and the neighborhood noticed how much of the plan encroached on the critical water quality zone (CWQZ). Below is a side-by-side depiction of the initial site plan and the Critical Water Quality Zone (CWQZ), including 100-year flood plain.

On the left is the Preliminary Site Plan presented by applicant via a handout to neighborhood in end 2015/early 2016.

It was mostly 3-story buildings, no more than 3-story structures
It included a swimming pool and surface driveway and parking spaces

source: *hardcopy documentation distributed by developer to neighborhood, including this Preliminary Site Plan*



On the right is the Critical Water Quality Zone (CWQZ), including 100-year flood plain.

source: <https://data.austintexas.gov/Geodata/Creek-Buffers/upp2-fp85>

Critical Water Quality Zone (CWQZ), including 100 year flood plain (shaded area)



Source: <https://data.austintexas.gov/Geodata/Creek-Buffers/upp2-fp85>

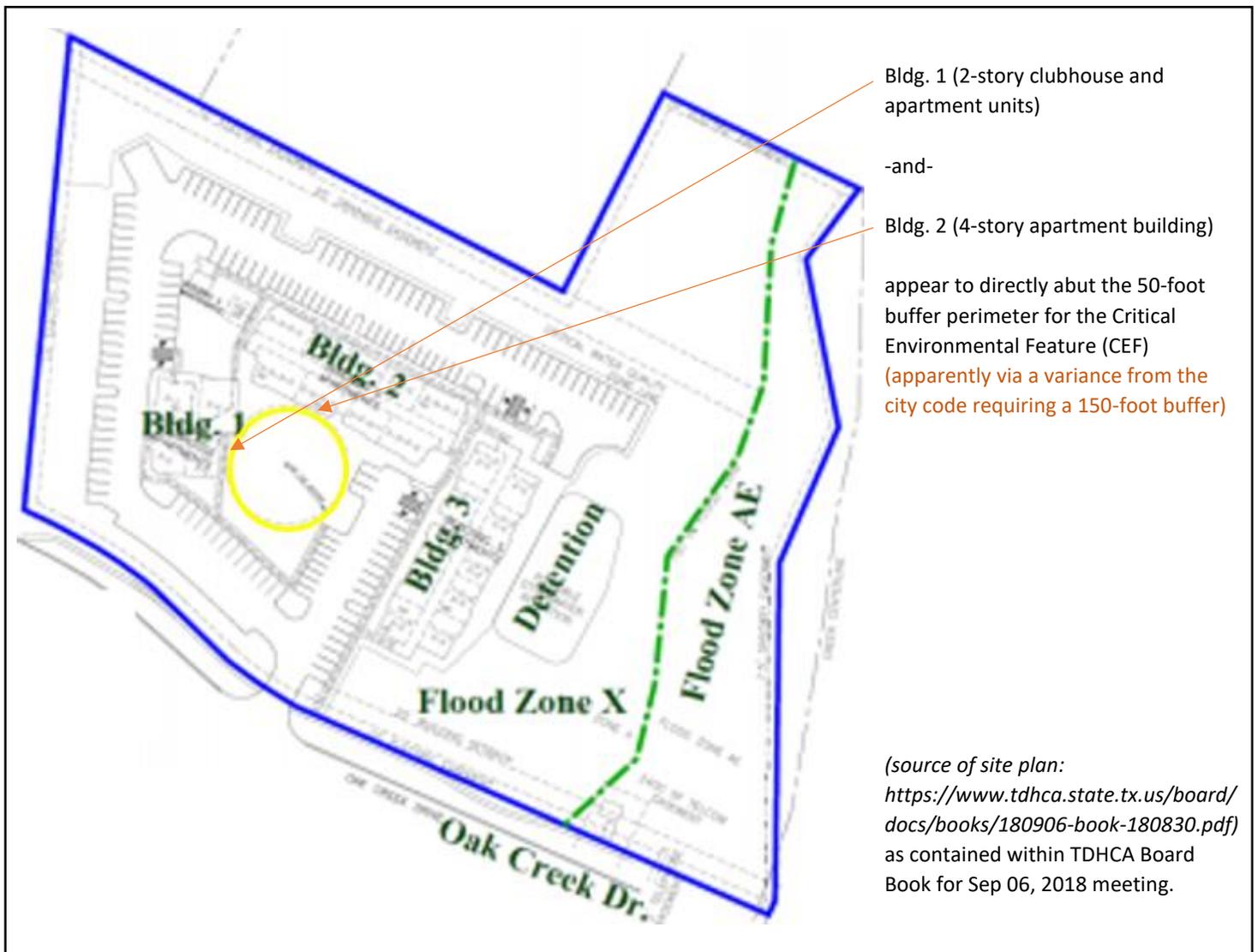
Sinkhole and Critical Environmental Feature (CEF)

After the neighborhood representative's speech on Sep 20, 2018, the developer claimed no sinkhole. But during the meeting, the neighborhood was given no opportunity to support that **the claim of a sinkhole was mentioned by City staff itself** during the first reading at zoning at a City Council meeting.

From City staff, Chuck Lesniak, Environmental Officer, spoke on Feb 02, 2017, per the hearing transcript:

Good evening, mayor and council. Chuck Lesniak. I can speak generally about the property and what we know about it and then answer any questions. Usually during the zoning case we really don't address these kind of issues because they're more appropriately addressed in the site plan when we know exactly what the layout is. Excuse me. The neighborhood does have their facts correct, it does have floodplain on the property, critical water quality zone that covers a significant portion of the property. There are at least two critical environmental features or Karst features, likely a third one that will need to be excavated out and investigated in site plan. It's filled with brush and debris and we can't tell what it is. **Our geologist thinks it's likely another sinkhole.** The applicant does understand -- I spoke with the applicant's agent. The applicant does understand they will need to work around all these three and maybe more once we dig into it more, they'll have to work around these. **City code requires 150-foot critical environmental feature buffer around those environmental features. That can be reduced down to 50 feet through an administrative variance if certain conditions are met.** We don't know if they will be able to do that or not and we'll be able to evaluate that at site plan. So I think the applicant is aware of the challenges involved in developing this site, that those are all more appropriately addressed at site plan.

(source: <http://www.austintexas.gov/edims/document.cfm?id=271096> pages 88-89/93)



The developer made a bad assumption about the site as to how much was developable

Based on a couple of prior Austin area projects, it appears Saigebrook sought undeveloped properties of ~5, 6, and 7 acres trying to create apartment communities of 1, 2, and 3 story buildings. Prior projects, Art at Bratton's Edge (~5 acres) and LaMadrid Apartments (~6 acres), have 1, 2 and/or 3 story buildings.

Like the prior-mentioned projects, in 2016, the developer presented a preliminary site plan for Elysium Park (~7 acres), containing 1, 2 and 3-story buildings. But unlike the other 5 and 6-acres sites prior, this site has 100-year flood plain, critical water quality zone, and critical environment feature, which the developer likely realized LATER. The developer likely didn't intend for this so it had to change the site plan to include taller 4 and 5-story buildings and likely also changed its zoning application to reflect a more dense zoning district.

ZONING APPLICATION FOR ZONING

11491689

PROJECT INFORMATION

DEPARTMENT USE ONLY

APPLICATION DATE: 2/12/16 FILE NUMBER(S): C14-2016-0023

TENTATIVE ZAP/PC DATE: _____

TENTATIVE CC DATE: TPD CITY INITIATED YES NO

CASE MANAGER: Shirley G. Swartz ROLLBACK YES NO

APPLICATION ACCEPTED BY: (signature)

OTHER PROJECT DATA

OWNER'S NAME: John K. Condon and Two-Way Land, L.P.

PROJECT NAME: Elysium Park

PROJECT STREET ADDRESS (or Range): 3400 & 3302 Oak Creek Drive

Austin, Texas ZIP 78727 COUNTY: Trv.

If project address cannot be defined, provide the following information:

Frontage ft. _____ ALONG THE _____ SIDE OF _____ APPROXIMATELY

(N,S,E,W) Frontage road _____

Distance _____ Direction _____ FROM ITS INTERSECTION WITH _____ Cross street _____

TAX PARCEL NUMBER(S): _____

Is Demolition proposed? NO

If yes, how many residential units will be demolished? N/A Unknown _____

Type of Residential Unit: SF, duplex, triplex, townhouse/condos, multi-family, manufactured homes Multi-family

Number of Proposed Residential units (if applicable): Yes _____ If Yes, How many? 80

20 1 Bedroom 16 Affordable 44 2 Bedroom 40 Affordable

16 3 Bedroom 14 Affordable N/A 4 or more Bedroom N/A Affordable Unknown _____

AREA TO BE REZONED:

ACRES 7.104 OR SQ FT _____

Existing Zoning	Existing Use	Tract #	# of Acres/SF	Max # of Res Units Per Acre
<u>IP-CO</u>	<u>Undevel.</u>	<u>1</u>	<u>5.79</u>	_____
<u>RR</u>	<u>Undevel.</u>	<u>2</u>	<u>1.314</u>	_____

Proposed Zoning	Proposed Use	Tract #	Proposed # of Acres/SF	Max # of Res Units Per Acre	Proposed Total # of Units Per Acre
<u>MF-4-CO</u>	<u>Apartments</u>	<u>1 & 2</u>	<u>7.104</u>	<u>36-54</u>	<u>12</u>

Name of Neighborhood Plan: _____

Page 7 of 19 April 2013

See case C14-2016-0023 zoning application where the "4" is manually written.

(source: <https://abc.austintexas.gov/attachment/attachmentDownload.jsp?p=rhL9yeJHMmUCynYV0gpaHYQIUeakbjOS5oWueW5EIIq7inE%2BsPiJR3CO38Fn9WPo5kPrLtpNNTfu4oi7c8ZhZPx4Cp2g5xn9q6Jpr2rhjUTzHGGuxai25wQSQB6qL>)

The developer made a bad assumption about the site as to how much was developable (cont'd)

The developer wants to compensate for the site's shortfalls of floodplain, critical water quality zone (CWQZ) and critical environmental feature (CEF) with 4 and 5-story buildings on a neighborhood street in an area with single family homes and rural residential where commercial buildings are not more than 3 stories.

THIS IS NOT APPROPRIATE!

Proposed Elysium Grand at 3300 Oak Creek Drive in North Austin

4 and 5 stories would look MONSTROUS here
whether affordable housing or otherwise



Mopac Frontage Road view. Screen print taken on Sep 29, 2018 from Google Maps

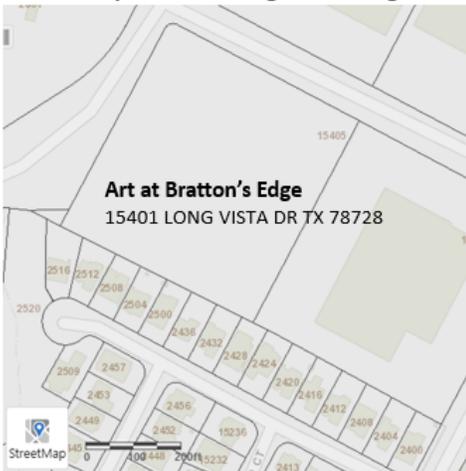
*rendered-image of 5-story building superimposed

The developer made a bad assumption about the site as to how much was developable (cont'd)

So unlike other undeveloped 5 and 6-acre sites near single family residences that the developer had come across in the Austin area prior where it could develop up to 3 story buildings, THIS SITE, although seemingly desirable based on undevelopable acreage, is not suitable for a project of such a scale.

Two other Austin-area Saigebrook projects proposed on undeveloped sites with comparable acreage with single family homes nearby Source of maps (Sep 26 2018): <http://www.austintexas.gov/FloodPro/>

Why should Elysium Grand be 4 and 5-stories??? **It should NOT!!!**



Art at Bratton's Edge
15401 LONG VISTA DR TX 78728

of acres: 5.0485
acres per Travis CAD for 15401 LONG VISTA DR TX 78728

Source as of Sep 16 2018:
<https://www.saigebrook.com/properties/bratton-edge/bratton-edge.html>

The community consists of **two and three-story** buildings and a two story clubhouse/ amenities center with units above

Total Units: 78

- 16 - 1 Bdr/1 Bath
- 46 - 2 Bdr/2 Bath
- 16 - 3 Bdr/2 Bath

Affordability
87% affordable
30%, 50%, 60% AMI
13% Market Rate



LaMadrid Apartments
11320 MANCHACA RD TX 78748

of acres: 6.0250
acres per TravisCAD for 11320 MANCHACA RD TX 78748

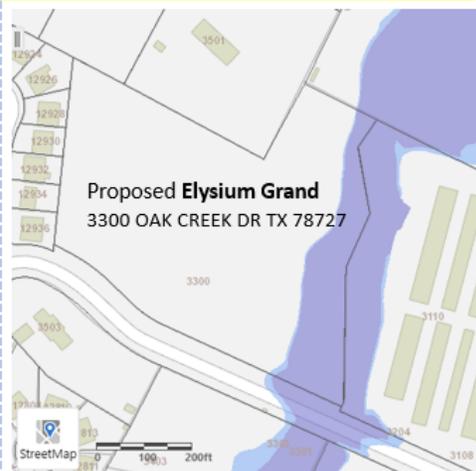
Source as of Sep 16 2018:
<https://www.saigebrook.com/properties/la-madrid/la-madrid.html>

LaMadrid Apartments will be a unique blend of garden and townhome units within **one, two and three-story** buildings plus a clubhouse/amenities center.

Total Units: 95

12 - 1 Bdr/1 Bath	6 - 1 Bdr/1 Bath
48 - 2 Bdr/2 Bath	5 - 2 Bdr/2.5 Bath
10 - 3 Bdr/2 Bath	14 - 3 Bdr/2.5 Bath

Affordability
87% affordable
30%, 50%, 60% AMI
13% Market Rate



Proposed Elysium Grand
3300 OAK CREEK DR TX 78727

of acres: 7.1040* (*floodplain, CWQZ, CEF)
acres per TravisCAD for 3300 OAK CREEK DR TX 78727

Source as of Sep 16 2018:
<http://saigebrook.com/properties/elysium-grand/elysium-grand.html>

This 7.1 acre multi-family development will consist of **90 units** of which 69 are targeted as affordable housing and 21 for market rate housing.

The proposed development will be comprised of a **four and five-story** building, each serviced with elevators. The development will also have a clubhouse and amenities center with units above encouraging residents with active community engagement.

***100 -year floodplain, darker shaded section on map
CWQZ Critical Water Quality Zone, not shown on map
CEF Critical Environment Feature, not shown on map**

The developer made a bad assumption about the site as to how much was developable (cont'd)

If you compare the developer's other two Austin area projects on similarly-sized acreage, you'll see that Elysium Grand proposed structures are greater than 3 stories, but the others are not. The proposed Elysium Grand development is along a neighborhood street, and the site does not directly border or have direct access on the Mopac frontage road. This site is not suited for such **monstrous structures** within the critical water quality zone and on known karst terrain with at least one known critical environmental feature and with sole access along a neighborhood street with people's single-family home driveway and bordering rural residential and where commercial buildings are not taller than three stories. It is completely out of place in this neighborhood. There has been almost no mention of the proximity to the elevated Mopac Expressway and the active railroad track for commuter and freight trains--should much of the natural vegetation and trees be removed as proposed, there will be little to no barrier to block noise and vibrations from the major roads and railroad track. Your argument is that people want affordable housing and they don't care where it is. **Why would you intentionally subject those with such limited housing options to this site with floodplain and access that has been known to flood, railroad track nearby and the noise of the surrounding track and highways, and lack of adequate public transportation and low walkability score? Is being west of Mopac by several hundred feet and having good access to schools your only reason so that all other factors do not matter?**

Appropriate

Art at Bratton's Edge - **two and three-story** buildings and a two story clubhouse/ amenities center with units above



LaMadrid - blend of garden and townhome units within **one, two and three-story** buildings plus a clubhouse/amenities center.



LaMadrid Apartments



NOT APPROPRIATE!

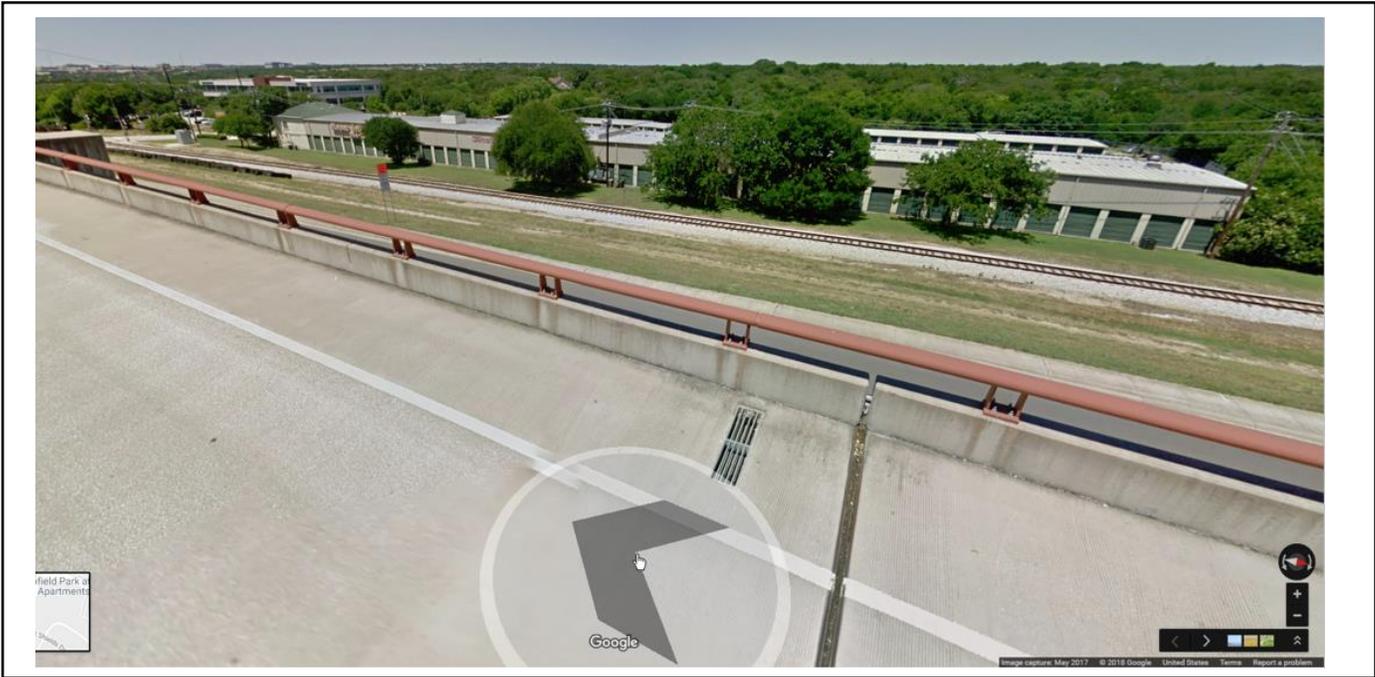
Proposed Elysium Grand - The proposed development will be comprised of a **four and five-story** building, each serviced with elevators. The development will also have a clubhouse and amenities center with units above



Source as of Sep 16 2018: <https://www.saigebrook.com/properties/bratton-edge/bratton-edge.html>
<https://www.saigebrook.com/properties/la-madrid/la-madrid.html>
<http://saigebrook.com/properties/elysium-grand/elysium-grand.html>

The developer made a bad assumption about the site as to how much was developable (cont'd)

4 and 5-story buildings --whether affordable housing, luxury apartments, commercial or otherwise— should not be placed here as there are no other structures in the immediate area with such heights.



Proposed Elysium Grand at 3300 Oak Creek Drive in North Austin

Oak Creek Drive

Railroad Crossing

Office/Medical Building 2-3 stories

Church

Roadway known to flood

Proposed Condos

Proposed Elysium Grand 2, 4, 5-stories

Single Family homes

Storage Units 1-2 stories

Rural Residential homes

Southbound Mopac Frontage Road

Southbound Mopac Expressway

An annotated version of the aerial photograph from the previous image. It features several colored arrows and boxes pointing to specific locations: a green circle around the railroad crossing, a purple arrow to an office/medical building, a yellow arrow to a church, a blue arrow to a roadway known to flood, a green arrow to proposed condos, a yellow box and arrow to the proposed Elysium Grand (2, 4, 5-stories), a blue arrow to single family homes, a blue arrow to storage units (1-2 stories), and a red arrow to rural residential homes. The text 'Proposed Elysium Grand at 3300 Oak Creek Drive in North Austin' is at the top. Other labels include 'Oak Creek Drive', 'Railroad Crossing', 'Office/Medical Building 2-3 stories', 'Church', 'Roadway known to flood', 'Proposed Condos', 'Single Family homes', 'Storage Units 1-2 stories', 'Rural Residential homes', 'Southbound Mopac Frontage Road', and 'Southbound Mopac Expressway'. A circular callout with a grey arrow is also present at the bottom.

Elevated Mopac view: Screen print taken on Sep 29, 2018 from Google Maps

Speech (cont'd): *Some may feel this site to be along a major corridor, but the site does not border or have direct access to the Mopac frontage road; its sole access is Oak Creek, a neighborhood road with people's driveways; it has been known to flood (and will expand the floodplain with Atlas 14); and it backs rural residential. 4 and 5 story buildings may be fine along Jollyville, Braker or Lamar but it is not appropriate at this site.*

The city pushed through a zoning change only just before the 2017 application and not 2016. TDHCA Multifamily Rules changed in that the site could not be within 500 feet of an active railroad track, which this site is. So, the City passed the zoning to include an ordinance, likely so that the application would not be disqualified. Then a couple of months later, zoning for Austin Oaks along the Mopac corridor limited residential buildings to 4 stories-- this where commercial and parking structures were taller yet.

So why this site's zoning with taller building heights - is it possibly because it's only for this affordable housing project?

Zoning

Before the 2016 TDHCA 9% HTC application, the site zoning was IP-CO and RR (not compatible with a multifamily development), but the application didn't require the actual zoning change; it just needed to provide evidence that it was in process of seeking a zoning change.

But in 2017, since **the site was within 500 feet of a railroad track (an undesirable feature per 2017 TDHCA Uniform Multifamily Rules)** and a local ordinance could specify a distance smaller than 500 feet and essentially override the distance to make the application eligible, the developer and the City made sure that the zoning was changed BEFORE the 2017 TDHCA 9% HTC application deadline AND it included an ordinance specifying the distance from the railroad track. In fact, the zoning was changed on February 16, 2017, just days before the March 01, 2017 application deadline.

And to further point out, the distance to the railroad track was not presented in the conditional overlay at the first zoning reading on Feb 02 2017 where the neighborhood was presented and provided public comment; but rather it was introduced only at the 2nd and 3rd reading during the course meeting; to our knowledge, it was never presented to the public until just before the City Council vote.

In August 4, 2016, when there was a request for postponement for the first reading of the zoning case, per the transcript from the Austin City Council meeting on August 4, 2016, one councilmember said,

"I would like to hear from the dais that we're in support of putting affordable housing at this site and that we're not going to deny this zoning case just because it's affordable housing."

In fact, on February 16, 2017, the neighborhood feels that the Austin City Council did quite the contrary and did pass the zoning case because it is for affordable housing. **Affordable housing should not be the justification for incompatible zoning.**

Zoning (cont'd)

Even the recent zoning ordinance passed just a couple of months later on April 13, 2017, for the redevelopment of Austin Oaks, located 6 miles closer to the urban core than the site at Oak Creek, the residential buildings were restricted to 4 stories; this in an area with taller buildings and a proposed mix of office towers (up to 9 stories), retail, housing units and parking garages.

In the couple of months following the Oak Creek zoning change, by seeing the results of the Austin Oaks ordinance for lower residential structures in relation to taller nearby commercial structures, it only further promotes the belief that 3300 Oak Creek was rezoned from IP-CO (which allowed up to 35-foot tall structures) to a medium-high density multifamily zoning district (which allows for 42-foot and 52-foot tall structures) because it was for an affordable housing project and it was necessary so that the application would remain eligible so that it could get TDHCA funding.

In Austin Oaks, residential building heights cannot exceed four stories, whereas other commercial and parking garage structures in the vicinity have much higher limits. So why at the site along Oak Creek are multi-family residential structures to be 4 and 5 stories and exceed other structures in heights in the area when commercial structures don't even exceed three stories?

Austin Oaks PUD ordinance 20170413-036
Permit/Case: 2014-075006 ZC
Reference File Name: C814-2014-0120

5 / 141

H. The following uses and maximum building heights shall be included on **Exhibit B**:

1. Building 3 on Parcel 3 is limited to 105 feet and 8 stories;
2. Building 4 on Parcel 3 is limited to 117.5 feet and 9 stories;
3. Parking garage 2 on Parcel 3 serving buildings 3 and 4 is limited to 83 feet and 8 levels;
4. Building 5 on Parcel 4 is limited to the permitted uses on the ground floor as established in **Exhibit D: Permitted Use Table** with parking garage 3 above the ground floor. The maximum height of a building or structure on Parcel 4 is limited to 53 feet;

Page 4 of 16

(source:<https://abc.austintexas.gov/attachment/attachmentDownload.jsp?p=rhL9yeJHMmUCynYV0gpaHYQIUeakbjOS5oWueW5EJlq7inE%2BsPiJJR3CO38Fn9WPo5kPrLtpNNQ4kkuM%2BAHMcJRNgy6KdCfArMSypbbpxM7yRfawHko8Y6ieXyh%2Fmpu3>)

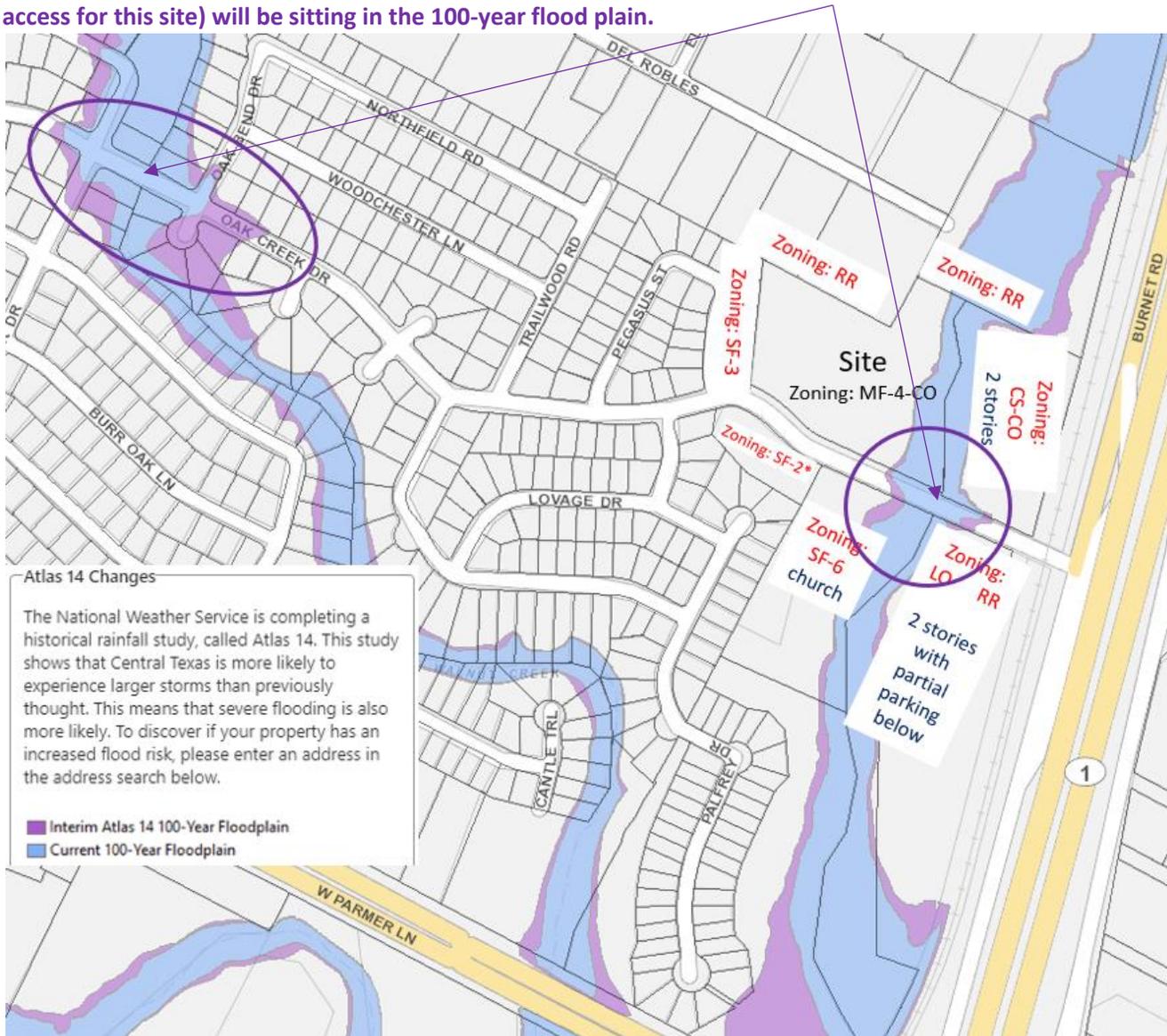
5. Building 6 on Parcel 5 is limited to the permitted uses on the ground floor as established in **Exhibit D** with parking garage 3 above the ground floor. The maximum height of a building or structure on Parcel 5 is limited to 53 feet;
6. An office use is required on Parcel 6 and is limited to 67.5 feet and 5 stories;
7. A residential use is required on Parcel 8 and is limited to 55 feet and 4 stories; and
8. A residential use is required on Parcel 9 and is limited to 55 feet and 4 stories.
9. Parking garage 6 on Parcel 9 is limited to 63 feet and 6 levels.

Zoning (cont'd)

What is the City doing allowing for 4 and 5-story structures on Oak Creek when even the nearby businesses don't exceed three stories? Even the apartments on nearby major thoroughfare Parmer Lane are only three stories tall.

The self-storage facility is located between the site and the Mopac frontage road. The only street access to the site is via Oak Creek, which has flooded as recently as Oct 2013 (including a high-water rescue) and May 2015.

Also, with the proposed Atlas 14 changes to have the current 500-year flood plain serve as the new 100-year flood plain, a little more of the site will be in the 100-year floodplain, and importantly, more of Oak Creek road will be in that flood plain, when we already know the road to have flooded. In fact, **BOTH ends of Oak Creek (the only access for this site) will be sitting in the 100-year flood plain.**



*Existing single-family home, changed to SF-6 recently

(Source: <http://www.austintexas.gov/FloodPro/> with Explore Atlas 14 changes view as of Sep 25 2018)

Zoning (cont'd)

Within the 2017 TDHCA 9% HTC application #17272, mention of the City zoning and draft ordinance:
(source: <https://www.tdhca.state.tx.us/multifamily/docs/imaged/2017challenges/17272.pdf>)

53 / 543



City of Austin

Founded by Congress, Republic of Texas, 1839
Planning and Zoning Department
One Texas Center, 505 Barton Springs Road
P.O. Box 1088, Austin, Texas 78767

February 23, 2017

Ms. Megan Lasch
421 West 3rd Street #1504
Austin, TX 78701

Dear Ms. Lasch,

I wanted to confirm that on February 16, 2017 the Austin City Council heard rezoning case C14-2016-0023.SH (Elysium Park) and approved MF-4-CO, Multifamily Residence-Moderate-High Density-Conditional Overlay District, zoning on 2nd/3rd readings with the following conditions/changes read into the record to amend the draft ordinance:

- 1) Add to Part 2.C. at the end of the sentence, "Vegetative buffers shall be placed and maintained along the east property lines." Strike the words, "or parking facility" from Part 2.C.
- 2) Add a new Part 2.D. language stating, "Interior driveways and parking may not be constructed within a 50 foot wide setback along the north and west property lines."
- 3) Add a new Part 2.E. stating, "No building or structure shall be constructed within a 400 foot setback from the railroad easement as described in Exhibit B."
- 4) Add a new Part 2.E. to state, "The maximum height of a building or structure shall not exceed 42 feet, if within the 42 foot height boundary footprint as described in Exhibit C."
- 5) Add a new Part 2.G. to state, "The maximum height of a building or structure may not exceed 52 feet, if within the 52 foot height boundary as described in Exhibit D."
- 6) Add a Part 2.H. to state, "The maximum height of a building or structure on the property outside the building footprints in Exhibits C and D may not exceed 35 feet."
- 7) Add a Part 2.I. to state, "The development of the property shall comply with LDC 25-2-E (Subchapter E) regarding lighting requiring they following outdoor lighting applications shall be illuminated by fixtures that are either fully shielded or fully cut off:
 - Public street and pedestrian lighting,
 - Parking lots,
 - Pathways,
 - Recreational areas,
 - Billboards,

- Product display area lighting, and
- Building overhangs and open canopies.

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

Sincerely,

A handwritten signature in black ink that reads "Sheri Sirwaitis".

Sheri Sirwaitis, Senior Planner
Currently Planning Division

SS

cc: Jerry Rusthoven, Assistant Director of the Planning and Zoning Department

TDHCA Uniform Multifamily Rules – Undesirable Features distance within active railroad track

Screen prints of 2016 and 2017 TDHCA Multifamily Rules as related to undesirable feature active railroad and zoning

Year 2016 – 100 feet

Year 2017 – 500 feet (this site is within 500 feet)

2016 TDHCA Uniform Multifamily Rules

§10.101(a)(3)(B)

Source: <https://www.tdhca.state.tx.us/multifamily/docs/16-UniformMFRules-10TAC10-SubA-EandG.pdf>

27 / 149

(3) Undesirable Site Features. Development Sites within the applicable distance of any of the undesirable features identified in subparagraphs (A) - (J) of this paragraph will be considered ineligible. Rehabilitation (excluding Reconstruction) Developments with ongoing and existing federal assistance from HUD, USDA, or Veterans Affairs ("VA") may be granted an exemption by the Board. Such an exemption must be requested at the time of or prior to the filing of an Application and must include a letter stating the Rehabilitation of the existing units is consistent with achieving at least one or more of the stated goals as outlined in the State of Texas Analysis of Impediments to Fair Housing Choice or, if within the boundaries of a participating jurisdiction or entitlement community, as outlined in the local analysis of impediments to fair housing choice. The distances are to be measured from the nearest boundary of the Development Site to the undesirable feature. If Department staff identifies what it believes would constitute an undesirable site feature not listed in this paragraph or covered under subparagraph (J) of this paragraph, staff may request a determination from the Board as to whether such feature is acceptable or not. If the Board determines such feature is not acceptable and that, accordingly, the Site is ineligible, the Application

28 / 149

shall be terminated and such determination of Site ineligibility and termination of the Application cannot be appealed.

- (A) Development Sites located within 300 feet of junkyards. For purposes of this paragraph, a junkyard shall be defined as stated in Transportation Code, §396.001;
- (B) Development Sites located within 100 feet of active railroad tracks, unless the Applicant provides evidence that the city/community has adopted a Railroad Quiet Zone or the railroad in question is commuter or light rail;

68 / 149

(11) Zoning. (§2306.6705(5)) Acceptable evidence of zoning for all Developments must include one of subparagraphs (A) - (D) of this paragraph. In instances where annexation of a Development Site occurs while the Application is under review, the Applicant must submit evidence of appropriate zoning with the Commitment or Determination Notice.

(A) No Zoning Ordinance in Effect. The Application must include a letter from a local government official with appropriate jurisdiction stating that the Development is located within the boundaries of a political subdivision that has no zoning.

(B) Zoning Ordinance in Effect. The Application must include a letter from a local government official with appropriate jurisdiction stating the Development is permitted under the provisions of the zoning ordinance that applies to the location of the Development.

(C) Requesting a Zoning Change. The Application must include evidence in the form of a letter from a local government official with jurisdiction over zoning matters that the Applicant or Affiliate is in the process of seeking a zoning change, that a zoning application was received by the political subdivision, and that the jurisdiction received a release agreeing to hold the political subdivision and all other parties harmless in the event the appropriate zoning is denied. Documentation of final approval of appropriate zoning must be submitted to the Department with the Commitment or Determination Notice.

2017 TDHCA Uniform Multifamily Rules

§10.101(a)(2)(E)

Source: <https://www.tdhca.state.tx.us/multifamily/docs/17-UniformMFRules-10TAC10SubA-CG.pdf>

26 / 88

(2) Undesirable Site Features. Development Sites within the applicable distance of any of the undesirable features identified in subparagraphs (A) - (K) of this paragraph may be considered ineligible as determined by the Board, unless the Applicant provides information regarding mitigation of the applicable undesirable site feature(s). Rehabilitation (excluding Reconstruction) Developments with ongoing and existing federal assistance from HUD, USDA, or Veterans Affairs ("VA") may be granted an exemption by the Board. Such an exemption must be requested at the time of or prior to the filing of an Application. Historic Developments that would otherwise qualify under §11.9(e)(6) of this title (relating to the Qualified Allocation Plan) may be granted an exemption by the Board, and such exemption must be requested at the time of or prior to the filing of an Application. The distances are to be measured from the nearest boundary of the Development Site to the nearest boundary of the property or easement containing the undesirable feature, unless otherwise noted below. **Where there is a local ordinance that regulates the proximity of such undesirable feature to a multifamily development that has smaller distances than the minimum distances noted below, then such smaller distances may be used and documentation such as a copy of the local ordinance identifying such distances relative to the Development Site must be included**

27 / 88

in the Application. In addition to these limitations, a Development Owner must ensure that the proposed Development Site and all construction thereon comply with all applicable state and federal requirements regarding separation for safety purposes. If Department staff identifies what it believes would constitute an undesirable site feature not listed in this paragraph or covered under subparagraph (K) of this paragraph, staff may request a determination from the Board as to whether such feature is acceptable or not. If the Board determines such feature is not acceptable and that, accordingly, the Site is ineligible, the Application shall be terminated and such determination of Site ineligibility and termination of the Application cannot be appealed.

- (A) Development Sites located within 300 feet of junkyards. For purposes of this paragraph, a junkyard shall be defined as stated in Transportation Code, §396.001;
- (B) Development Sites located within 300 feet of a solid waste or sanitary landfills;
- (C) Development Sites located within 300 feet of a sexually-oriented business. For purposes of this paragraph, a sexually-oriented business shall be defined in Local Government Code, §243.002, or as zoned, licensed and regulated as such by the local municipality;
- (D) Development Sites in which the buildings are located within 100 feet of the nearest line or structural element of any overhead high voltage transmission line, support structures for high voltage transmission lines, or other similar structures. This does not apply to local service electric lines and poles;
- (E) Development Sites located within 500 feet of active railroad tracks, measured from the closest rail to the boundary of the Development Site, unless the Applicant provides evidence that the city/community has adopted a Railroad Quiet Zone or the railroad in question is commuter or light rail;

Speech (cont'd): *Your claim is no site is perfect, and you've worked around these imperfect 'features' of flood plain, sinkhole, railroad track but mainly, you've overlooked your own housing rules that state*

Proposed site locations should be reasonably accessible to public transportation routes and

... the corporation will not issue bonds for the financing new construction of multifamily projects that are not S.M.A.R.T. Housing™ certified.

Even if the project claims SMART housing, it sought a transportation waiver, so you've worked around this shortfall, too, ...to claim SMART housing so as likely to gain funding and fee waivers. (By the way, the waiver in the supporting documentation is not for this site.)

Lack of adequate access to transportation gives pause to some elected officials

Elected officials can have legitimate reasons for NOT supporting this effort at this site. The State Representative did not give her support for the 2016 application citing one reason as the lack of public transportation. In 2017, she gave her support because there were plans to provide transportation. Now again, there is no formal plan that we're aware of for providing transportation and the site still lacks adequate access to public transportation.

During an AHFC meeting this past May 24, one Austin Councilmember stated that although the project has a good range of incomes and mix of units, she questioned why we continue to place people in situations where they will be car dependent, and she voted No to approve an inducement resolution for private activity bond for this project.

It seems odd to accept an affordable housing project knowingly in an area that does not have adequate public transportation and where accessibility from the site to amenities is limited by foot, and the City gave this site a low walkability score. Residents will be car dependent.

Some documentation may claim that the bus stop is within ¼ of a mile, but actually, the nearest bus stop is 1 mile walking/biking distance away (in the southbound direction only) and is offered only Monday through Friday and is only offered 4 times during the rush-hour morning times. The northbound direction is further 1.2 miles and also runs a restricted schedule. The nearest MetroRail is 1.4 miles away, and should you wish to walk or bike from the site to the Howard Lane station, it would be on the sidewalk alongside 55 mph traffic, mostly without any barrier separating, with traffic in the OPPOSING direction.

Austin Housing Finance Corporation Multi-family Rules

In the AUSTIN HOUSING FINANCE CORPORATION Multi-family rules

(source: https://www.austintexas.gov/sites/default/files/files/Housing/Bonds/mf_rules_051412.pdf)

In the Program Guidelines (p. 12/20)

Quote: Proposed site locations should be reasonably accessible to public transportation routes.

End quote

In the General Requirements and Statement of Policy (p. 9/20)

Quote:

... the corporation will not issue bonds for the financing new construction of multifamily projects that are not S.M.A.R.T. Housing™ certified.

End quote

S.M.A.R.T. Housing Policy Resource Guide

If a project is deemed S.M.A.R.T. housing, it can achieve the below:

4 / 42

The goals of **S.M.A.R.T. Housing™** include:

- ◆ Provide waivers of development fees (including Permit, Capital Recovery, Construction Inspection, and Parkland Dedication) to promote the development of **S.M.A.R.T. Housing™**
- ◆ Use public resources to leverage private investment
- ◆ Stimulate the development of housing on vacant lots in new and existing subdivisions
- ◆ Promote the use of existing City infrastructure and services
- ◆ Promote the creation of alternative funding sources for the development of **S.M.A.R.T. Housing™** (Safe, Mixed-Income, Accessible, Reasonably-Priced, and Transit-Oriented)

(source:

https://www.austintexas.gov/sites/default/files/files/Housing/Application_Center/SMART_Housing/smart_guide_0708.pdf)

Even if some components of S.M.A.R.T. housing aren't met, a waiver can be granted so that it can be eligible for the fee waivers and public funding, as the City would surely want for an affording housing project. **On what basis was the transportation waiver granted and where is a copy of the transit-oriented waiver for the site 3300 Oak Creek?**

The S.M.A.R.T. housing transit-oriented waiver in the supporting packet was for another proposed affordable housing project by Saigebrook (The Aballi 6900 Block of Old Bee Caves Rd, TDHCA 9% HTC pre-application 16298).

SIDE NOTE: Recent study presented in front of Council on Tue Sep 18, 2018

Uprooted: Residential Displacement in Austin's Gentrifying Neighborhoods, and What Can Be Done About It

(source: <https://sites.utexas.edu/gentrificationproject/>)

“This report makes the case for geographically-targeted measures to reduce residential displacement in the hardest-hit neighborhoods. To make a measurable difference, truly place-based strategies will be required.

Efforts that are equally distributed throughout the city will likely fail to operate at a sufficient intensity to meaningfully offset displacement pressures in the neighborhoods that are being swept by a rising tide of gentrification.”

UT gentrification executive summary.pdf by Alice Woods

Summary

In summary, this report provides a framework for understanding which neighborhoods in Austin are home to large numbers of vulnerable residents being actively displaced from their communities or at the highest risk of displacement. Absent major interventions by the City of Austin and other stakeholders, these residents—who are largely low-income persons of color—will be pushed out farther away from opportunity and dislocated from their communities. In the process, neighborhoods that have historically been home to African-American and Hispanic residents will lose their cultural character and become enclaves for largely white and wealthier residents.

This report makes the case for geographically-targeted measures to reduce residential displacement in the hardest-hit neighborhoods. To make a measurable difference, truly place-based strategies will be required. Efforts that are equally distributed throughout the city will likely fail to operate at a sufficient intensity to meaningfully offset displacement pressures in the neighborhoods that are being swept by a rising tide of gentrification. In many ways, enacting such place-based strategies will be a new way of doing business, so to speak, for the City of Austin. Meaningfully reducing displacement will require an ironclad and sustained concentration of efforts and resources in the places that need them the most.

So why are we forcing an unsuitably-sized affordable housing project on a site that is not accessible to public transportation, has a low walkability score, and is not in a currently designated gentrification-identified part of our city AND spending so much of our tax dollars to do so?

If it's solely because the site is a few hundred feet west of Mopac and has access to good schools and you wish to ignore all other criteria, then that's one thing, and the goal should be to have an affordable housing project that is PROPERLY SCALED for this site.

Speech (cont'd): *You've overridden the RHDA guideline to limit funding to 2.5 million dollars per project and given 3.32 million in zero interest loan from the local city fund.*

Here are what we could find as the recent RHDA guidelines on the Internet:

8 / 19

VI. LIMITS OF ASSISTANCE

A. Acquisition, Rehabilitation, New Construction, Debt Relief, and Rent Buy-down

Assistance is available in the amount of \$2,500,000 per project and the per-unit limits stated below, or other such amounts as the AHFC Board may authorize, for:

1. Acquisition of land for the development of affordable housing.

- a. Acquisitions must include existing units or vacant land that will facilitate the new construction of units. Assistance can be provided for the acquisition of land or existing rental properties, only if the acquisition price is equal to or less than the fair market value of the property. The applicant must demonstrate the fair market value of the property by supplying one of the following:
 - i. a pre-construction appraisal on the property to be acquired, conducted less than six months prior to receipt of a funding application by AHFC;

RHDA Program Guidelines
Page 7 of 19 (FY 2016-17)

- ii. an appraisal for comparable properties within the same neighborhood, conducted less than six months prior to receipt of a funding application by AHFC or
- iii. a tax assessment (less than one year old) for the property or for comparable properties within the same neighborhood.

(source: https://austintexas.gov/sites/default/files/files/NHCD/Forms/RHDA_Guidelines__FY_16-17_Rev_6-1-15.pdf)

Speech (cont'd): *And what of the RFDA guideline to assist in acquisition of property only if the acquisition price is equal to or less than the fair market value of the property? Even before TDHCA housing tax credits have been attained, AHFC served as the lender of funds for purchase price of \$2.075 million when the listing price showed only \$1.4 million and which TCAD has appraised at \$835,516 from 2016-2018. For whatever reason, the developer initially offered 1 million dollars over asking and later amended to \$2 million plus \$24,000 for every unit over 80.*

Listing Price – Flyer and CoStar listing

Per the developer’s, Megan Lasch’s, claim at the Sep 20, 2018 AHFC Meeting

“..you know, there’s been talk about the fact that we overpaid for the land. Trust me, I’m not in the business to overpay for land. The flyer that was mention was an old flyer from 2014,”

In addition to this flyer that is alleged to be “old,” there is also a listing on a commercial real estate website, **CoStar**, where the List price shows as **\$1,400,000**, on a screen print taken on **October 24, 2017**.

That \$1,400,000 list price on CoStar is the same list price as on the flyer.

Per the screen print below, it shows: Price \$1,400,000
 Last Updated Sep 15, 2017
 Status Under Contract

For Sale at \$1,400,000 (\$197,183/AC - \$4.53/SF)
 3300 Oak Creek Dr - 7.1 Acres
 Austin, TX 78727 - Northwest Submarket
 7.10 Acres (309,276 SF) of Residential Land

Summary Property Sale Comps Analytics Tenant Assessments Contacts Images Map

For Sale

Price	\$1,400,000	On Market	32 Mos 18 Days
Price/AC	\$197,183.10	Last Updated	Sep 15, 2017
Price/SF	\$4.53		Update
Sale Type	Investment OR		
Status	Under Contract		

Documents

- Marketing Brochure/Flyer

Sale Contacts >>

Michael Matz
 Agent
 (281) 489-8800 (p)
 (512) 657-1627 (m)
 michael@cunninghamvent.com

Cunningham Vent
 10497 Town & Country
 Houston, TX 77024
 (281) 489-8800 (p)
 (832) 443-9962 (f)

Land

Type	3 Star Residential Land		
Zoning	SF-6		
Land AC - Gross	7.10 AC	Land SF - Gross	309,276 SF
Land AC - Net	7.10 AC	Land SF - Net	309,276 SF
Min Div Size	7.10 AC		

Off Sites: Curb/Gutter/Sidewalk, Electricity, Gas, Sewer, Streets, Water

Current Use: Vacant Land

Frontage: 705' on Oak Creek Drive

Parcel: 02661305080000

Taxes: \$0.02/SF (2008)

Walk Score®: Car-Dependent (19)
 Transit Score®: Minimal Transit (17)

Assessment >>

2017 Assessment	
Land	\$835,516 \$2.70/SF

RHDA Guidelines – Applicant must demonstrate the fair market value of the property

What **evidence** was provided to show that the land price was equal to or less than the fair market value of the property?

Per RHDA guidelines, how did the applicant demonstrate the fair market value of the property?

8 / 19

VI. LIMITS OF ASSISTANCE

A. Acquisition, Rehabilitation, New Construction, Debt Relief, and Rent Buy-down

Assistance is available in the amount of \$2,500,000 per project and the per-unit limits stated below, or other such amounts as the AHFC Board may authorize, for:

1. Acquisition of land for the development of affordable housing.

a. Acquisitions must include existing units or vacant land that will facilitate the new construction of units. Assistance can be provided for the acquisition of land or existing rental properties, only if the acquisition price is **equal to or less than the fair market value of the property**. The applicant must demonstrate the fair market value of the property by supplying one of the following:

- i. a pre-construction appraisal on the property to be acquired, conducted less than six months prior to receipt of a funding application by AHFC;
- ii. an appraisal for comparable properties within the same neighborhood, conducted less than six months prior to receipt of a funding application by AHFC or
- iii. a tax assessment (less than one year old) for the property or for comparable properties within the same neighborhood.

RHDA Program Guidelines
Page 7 of 19 (FY 2016-17)

Source: https://austintexas.gov/sites/default/files/files/NHCD/Forms/RHDA_Guidelines__FY_16-17_Rev_6-1-15.pdf

Travis County Central Appraisal District (TCAD) valuation of property

For Address: 3300 OAK CREEK DR TX 78727, **the TCAD appraisal is below the sale price of \$2.075 million**

- Shows appraised value as \$557,000 in 2014 and 2015 when the asking price was \$1.4 million and the initial contract price was \$2.4 million in 2015 (more than 4 times the TCAD appraised value)
- Shows appraised value as \$835,516 from 2016 – 2018 when the final sales price was \$2.075 million.

Roll Value History

Year	Improvements	Land Market	Ag Valuation	Appraised	HS Cap	Assessed
2019	N/A	N/A	N/A	N/A	N/A	N/A
2018	\$0	\$835,516	0	835,516	\$0	\$835,516
2017	\$0	\$835,516	0	835,516	\$0	\$835,516
2016	\$0	\$835,516	0	835,516	\$0	\$835,516
2015	\$0	\$557,010	0	557,010	\$0	\$557,010
2014	\$0	\$557,010	0	557,010	\$0	\$557,010

(source: as of Sep 27 2018 http://propaccess.traviscad.org/clientdb/Property.aspx?prop_id=378853)

Contract within 2016 TDHCA 9% HTC application #16161 for Elysium Park at 3300 Oak Creek

The asking price may have been \$1.4 million in 2014 (as claimed by the developer), but the first purchase price was a full million dollars more – purchase price of \$2.4 million was made in September 2015 by Wolfpack Group, LLC and Louis Wolfson III, louisw@pinnaclehousing.com.

69 / 383

3. **Purchase Price.** The purchase price to be paid by Purchaser for the Property (the "Purchase Price") shall be Two Million Four Hundred Thousand and No/100 Dollars (\$2,400,000.00). The Purchase Price shall be paid by Purchaser to Seller as follows: (i) the Escrow Deposit shall be applied against the Purchase Price, and (ii) the balance of the Purchase Price shall be paid in cash at Closing, subject to closing adjustments and prorations as hereinafter provided, in immediately available funds in the form of a certified or cashier's check or by wire transfer.

78 / 383

If to Seller: John K. Condon
Edward R. Coleman
405 Beardsley Lane
Austin, TX 78746
Telephone No.: 512 924 0005
Fax No.:
Email: johnkcondon@icloud.com

With a copy to: _____

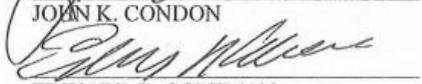
If to Purchaser: Wolfpack Group, LLC
421 West 3rd Street
Suite 1504
Austin, TX 78701
Attention: Louis Wolfson III
Telephone No.: (512) 383-5470
Email: louisw@pinnaclehousing.com

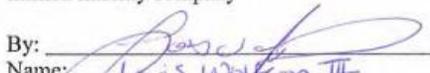
With copies to: Shutts & Bowen LLP
201 South Biscayne Boulevard
1500 Miami Center
Miami, Florida 33131
Attention: Robert Cheng, Esq.
Telephone No.: (305) 415-9083
Fax No.: (305) 347-7783
Email: rcheng@shutts.com

81 / 383

IN WITNESS WHEREOF, the parties hereto hereby execute this Agreement as of the Effective Date.

SELLER:

JOHN K. CONDON

EDWARD R. COLEMAN

PURCHASER:
WOLFPACK GROUP, LLC, a Florida limited liability company
By: 
Name: Louis Wolfson III
Title: President
Date: 9/30/15

(source: 2016 TDHCA 9% HTC application #16161 for Elysium Park at 3300 Oak Creek <https://www.tdhca.state.tx.us/multifamily/docs/imaged/2016challenges/16161.pdf>)

Contract within 2017 TDHCA 9% HTC application #17272 for Elysium Grand at 3300 Oak Creek

In early 2017, the purchase price was amended to be \$2 million plus \$24,000 for each multifamily residential unit above 80.

And closing could be dependent on the purchaser obtaining the TDHCA tax credits (either the 4% or the 9%). But the purchaser did not obtain any TDHCA housing tax credits by Dec 31, 2017; and instead relied on a total of up to \$3.32 million from the City in zero interest loan, which was approved by AHFC on Dec 14, 2017, just prior to closing.

96 / 543

3. PURCHASE PRICE: Notwithstanding anything in the Agreement to the contrary, the Purchase Price shall be Two Million and No/100 Dollars (\$2,000,000.00). Any and all references to the Purchase Price in the Agreement shall mean and refer to the "Purchase Price" as defined in this Section 3; provided, however, the base Purchase Price shall be subject to increase by Twenty Four Thousand and No/100 Dollars (\$24,000.00) for each multifamily residential unit above eighty (80) for which Purchaser receives approval as of the Closing Date, as determined based upon the Final Site Plan Approval (as defined in the Agreement). In the event that only eighty (80) multifamily residential units are approved based upon the Final Site Plan Approval (as defined in the Agreement), the Purchase Price shall be and remain Two Million and No/100 Dollars (\$2,000,000.00).

99 / 543

IN WITNESS WHEREOF, the parties hereto hereby execute this Amendment as of the Effective Date.

SELLER:



IN WITNESS WHEREOF, the parties hereto hereby execute this Amendment as of the Effective Date.

SELLER:

JOHN K. CONDON



EDWARD R. COLEMAN

PURCHASER:

SAIGEBROOK DEVELOPMENT, LLC, a Florida limited liability company

By: 
Name: Lisa Stephens
Title: President

Date: 1-3-17

108 / 543

(c) By Closing, Purchaser shall have obtained Financing (as hereinafter defined), or Purchaser shall have waived in writing the requirement and condition precedent to obtain Financing. "Financing" means either:

(i) Purchaser obtaining (1) an allocation of so-called "4%" Tax Credits (as hereinafter defined) and a Bond Allocation (as hereinafter defined), and (2) a binding commitment acceptable to Purchaser in its sole and absolute discretion for the syndication/sale of the Tax Credits to an investor in an amount that when combined with the Bond Allocation, in Purchaser's sole and absolute discretion, enables Purchaser to acquire the Property and construct its intended improvements. The term "Bond Allocation" shall mean an allocation of multifamily revenue housing bonds issued by the Texas Department of Housing and Community Affairs ("TDHCA") or a local housing finance authority on terms and conditions satisfactory to Purchaser, and the term "Tax Credits" shall mean low-income housing tax credits allocated or awarded by TDHCA pursuant to TDHCA's 2017 Application Cycle under the Federal low-income housing tax credit program; or

(ii) Purchaser obtaining (1) an allocation of so-called "9%" Tax Credits, with all time to appeal such award having expired and with no appeal then pending and no appeal instituted or petition filed, and (2) a binding commitment acceptable to Purchaser in its sole and absolute discretion for a syndication/sale of such Tax Credits to an investor in an amount that in Purchaser's sole and absolute discretion, enables Purchaser to acquire the Property and construct its intended improvements.

If Purchaser has not obtained TDHCA Financing within the time period provided for herein, whether as a result of (x) not receiving TDHCA Financing, or (y) not submitting or withdrawing its application for TDHCA Financing as a result of Purchaser's good faith determination that its application for TDHCA Financing would not be successful, Purchaser shall have the right to terminate this Agreement upon delivering written notice thereof to Seller; provided, however, Purchaser's withdrawal of its application for Tax Credits shall not be a condition precedent to the return of the Escrow Deposit.

(source: 2017 TDHCA 9% HTC application #17272 for Elysium Grand at 3300 Oak Creek.
<https://www.tdhca.state.tx.us/multifamily/docs/imaged/2017challenges/17272.pdf>)

Contract within 2017 TDHCA 9% HTC application #17272 for Elysium Grand at 3300 Oak Creek (cont'd)

Information related to Deposit = \$40,000 and Extension fees = \$40,000

Deposit (hard and non-refundable after June 30, 2017) and

Closing extension fee of \$10,000 per month (non-refundable) after August 31, 2017 but no later than December 31, 2017.

(similar language was in the 2015 signed contract, which can be found in the TDHCA 9% HTC application #16161)

101 / 543

2. Deposits. Seller and Purchaser acknowledge that in accordance with the terms of the Original Agreement, Forty Thousand and No/100 Dollars (\$40,000.00) was deposited with Gracy Title (the "Title Company") comprising both the Initial Deposit and the Second Deposit under the Original Agreement (together with any interest thereon, sometimes collectively referred to herein as the "Escrow Deposit"). If Purchaser fails to terminate this Agreement prior to the expiration of the Inspection Period (as hereinafter defined), the Escrow Deposit shall be non-refundable to Purchaser (except as otherwise expressly provided for herein) and credited to the Purchase Price (as hereinafter defined) at the closing of the transaction evidenced by this Agreement ("Closing"), or otherwise disbursed by Title Company to the appropriate party in accordance with the applicable provisions of this Agreement. Notwithstanding any other provision hereof to the contrary, in any event in which the Escrow Deposit is returned to Purchaser, the amount of One Hundred and No/100 Dollars (\$100.00) shall be withheld therefrom, which amount the parties bargained for and agreed to as independent consideration (the "Independent Consideration") for Seller's grant to Purchaser of Purchaser's exclusive right to purchase the Property pursuant to the terms hereof and for Seller's execution, delivery and performance of this Agreement. The Independent Consideration is independent of any other consideration or payment provided in this Agreement, is non-refundable under any circumstances and shall be retained by Seller notwithstanding any other provisions of this Agreement. Notwithstanding anything contained in this Agreement to the contrary, portions of the Escrow Deposit shall become non-refundable to Purchaser in all events except if Closing does not occur as a result of a default by

MEADOCs 13538926 3

-2-

Seller or Seller is unable to deliver title in the manner required by this Agreement, as follows:

(i) if this Agreement has not been terminated by Purchaser in accordance with the terms hereof by 5:00 p.m. Central Time on March 31, 2017, \$10,000.00 of the Escrow Deposit shall be deemed hard and non-refundable to Purchaser;

(ii) if this Agreement has not been terminated by Purchaser in accordance with the terms hereof by 5:00 p.m. Central Time on April 30, 2017, \$5,000 of the Escrow Deposit shall be deemed hard and non-refundable to Purchaser for an aggregate hard deposit of \$15,000.00;

(iii) if this Agreement has not been terminated by Purchaser in accordance with the terms hereof by 5:00 p.m. Central Time on May 31, 2017, \$10,000.00 of the Escrow Deposit shall be deemed hard and non-refundable to Purchaser, for an aggregate hard deposit of \$25,000.00; and

(iv) if this Agreement has not been terminated by Purchaser in accordance with the terms hereof by 5:00 p.m. Central Time on June 30, 2017, the remaining \$15,000.00 of the Escrow Deposit shall be deemed hard and non-refundable to Purchaser, for an aggregate hard deposit of \$40,000.00

110 / 543

10. Closing. Unless sooner terminated by either Seller or Purchaser pursuant to the provisions of this Agreement and subject to the terms and conditions of this Agreement, Closing shall take place at the offices of the Title Company by mail, on or before August 31, 2017 (the "Closing Date"). Purchaser shall have the right to close this transaction prior to August 31, 2017. If Purchaser elects to exercise such right, it will notify Seller of the earlier Closing Date at least ten (10) business days prior to the new Closing Date. Purchaser shall also have the right to extend the Closing Date (but to no later than December 31, 2017) by exercising up to four (4) consecutive 1-month Closing extensions (each 1-month Closing extension being referred to herein as a "Closing Extension"). If Purchaser elects to exercise a Closing Extension, it shall notify Seller and Title Company in writing of such election on or before the previously-scheduled Closing Date and deliver an extension fee in the amount of Ten Thousand and No/100 Dollars (\$10,000.00)

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-10-

("Extension Fee") to Seller. If a Closing Extension is timely exercised by Purchaser, the Closing Date will be extended by one (1) month to the last business day of the calendar month following the month of the prior Closing Date. Each Extension Fee is non-refundable upon payment to Seller, except if Closing does not occur due to a default by Seller under this Agreement or Seller's inability to convey title to the Property in the manner required by this Agreement, in which case the Extension Fee shall be immediately returned to Purchaser, which obligation shall survive the termination of this Agreement. Purchaser will receive a credit toward its payment of the Purchase Price for each Extension Fee paid to Seller.

(source: 2017 TDHCA 9% HTC application #17272 for Elysium Grand at 3300 Oak Creek.

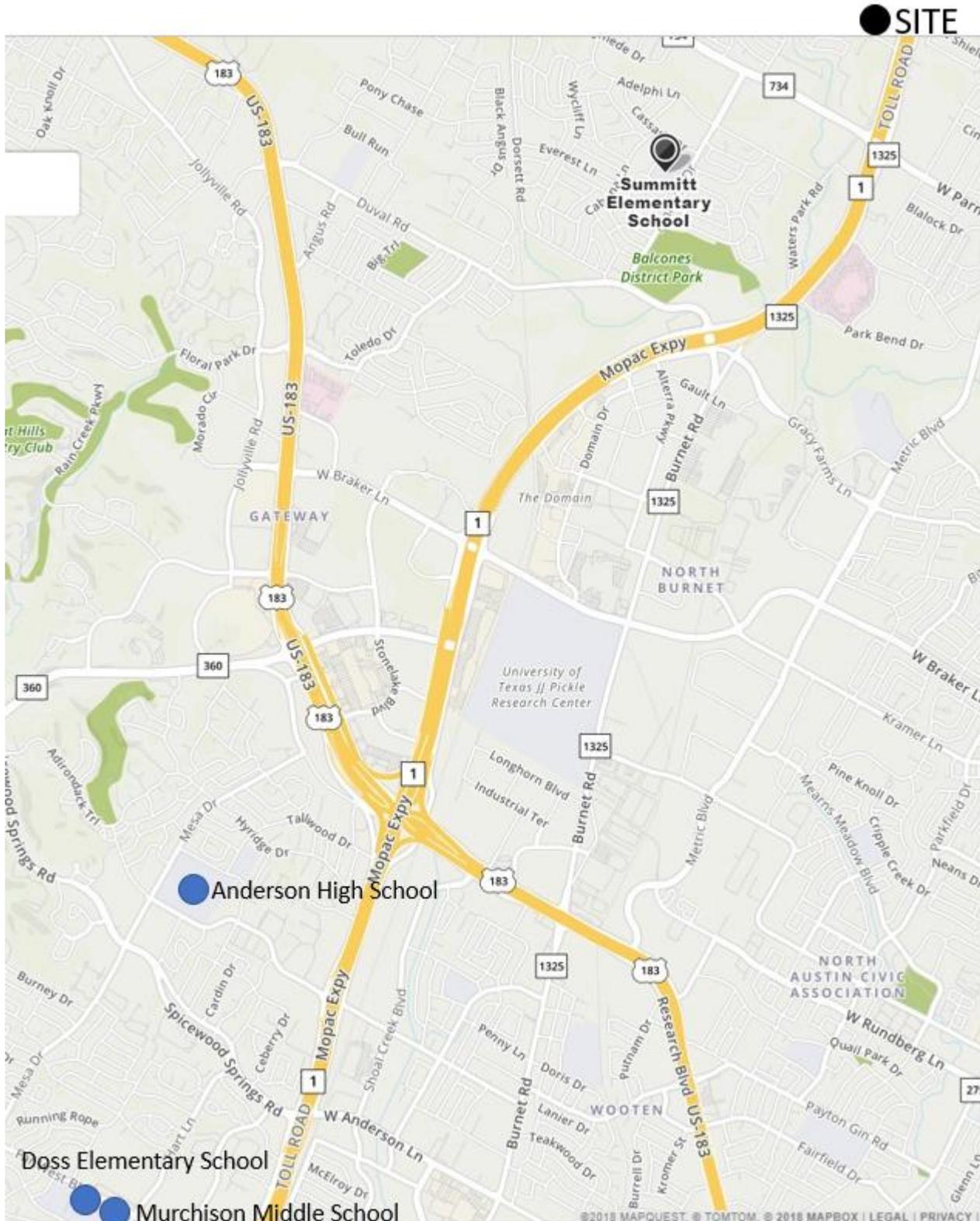
<https://www.tdhca.state.tx.us/multifamily/docs/imaged/2017challenges/17272.pdf>)

Speech (cont'd): *You overlooked a letter sent by the neighborhood requesting to look further into matters, and instead went to the developer for an explanation whose own attorney provided a response, and you took the developer at its word.*

Please refer to ADDENDUM 2.

Speech (cont'd): *During one councilmember's prior commentary, he referred to income figures, likely of the middle school and high school areas, yet this site is in a completely different census tract - more than 7 and 5 miles north of those schools. Our elementary school's demographic better depicts the cultural and economic aspects in our area, and we embrace that diversity within our community.*

Street Map (the site is approximately 7 miles north of Murchison Middle School)

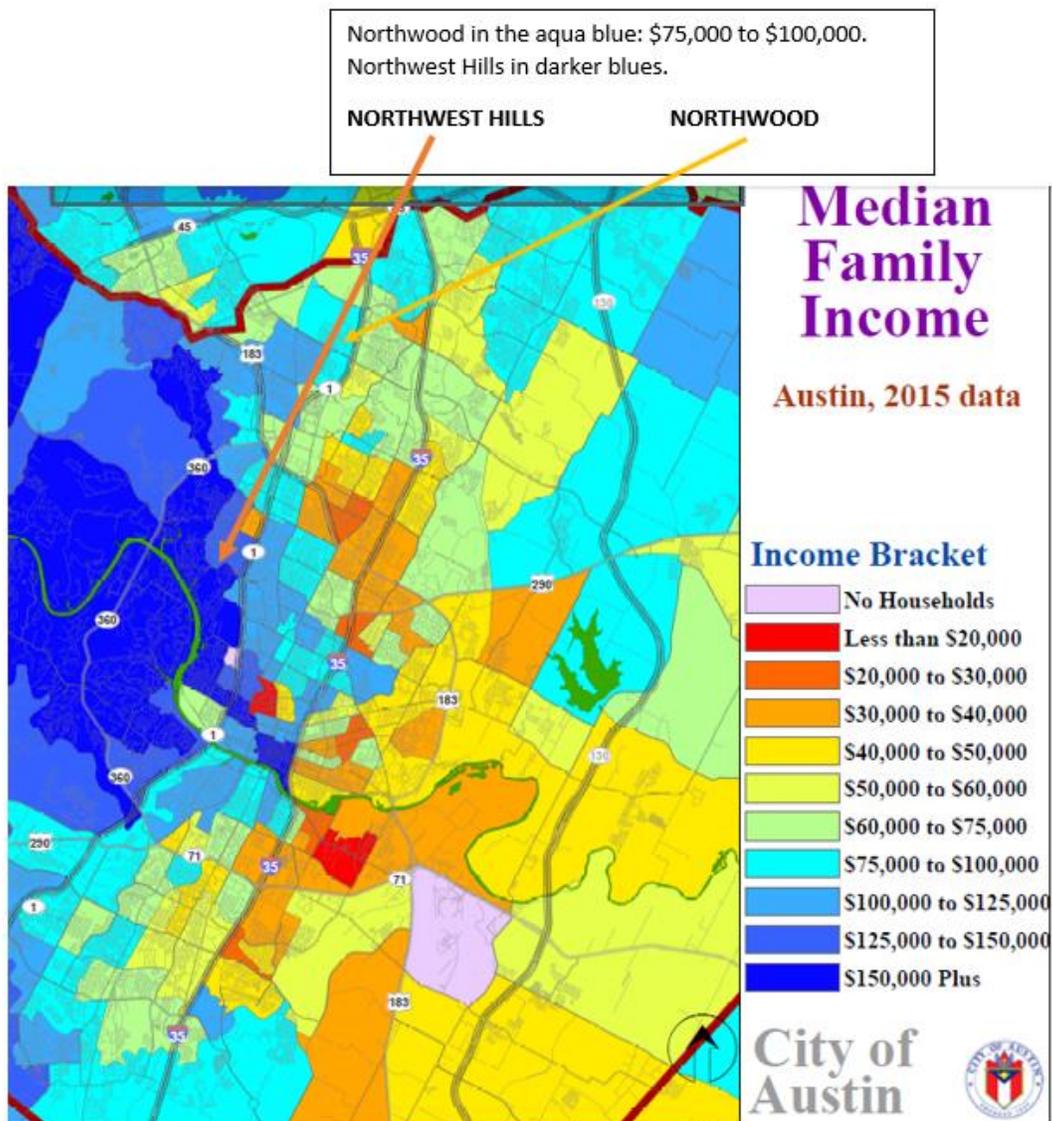


Our neighborhood location versus that nearer to Murchison Middle School

One Austin City Councilmember's comments at August 04, 2016 City Council meeting regarding the agenda item for the zoning of the site for the project:

"I don't think we should pass up an opportunity to put affordable housing where families will have access to Murchison Middle with a hundred to \$125,000 a year, west of Mopac, where we have little subsidized affordable housing ...Again, we talk a lot about affordable housing, we talk a lot about being an economically segregated city, and this is a chance for us to do something about it"

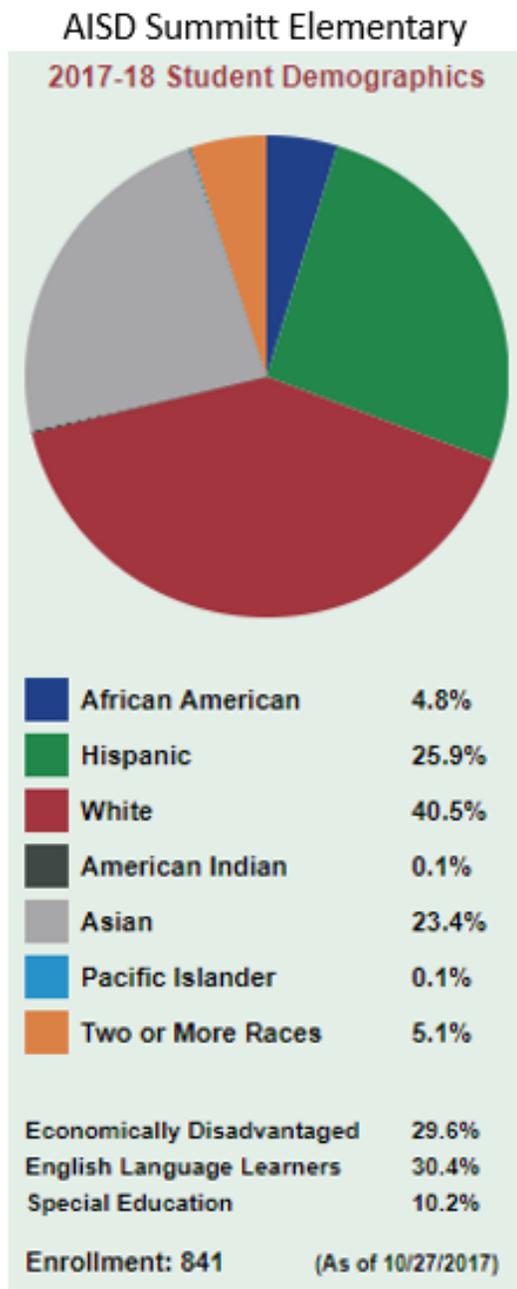
From his quote, we think he is confusing our neighborhood, Northwood, with Northwest Hills nearer the middle school. Northwood's income levels ARE NOT \$125,000. Our area's median Family Income is \$75,000 to \$100,000. Some areas that feed into Murchison Middle School may have Median Family Income of more than \$100,000 but not our neighborhood.



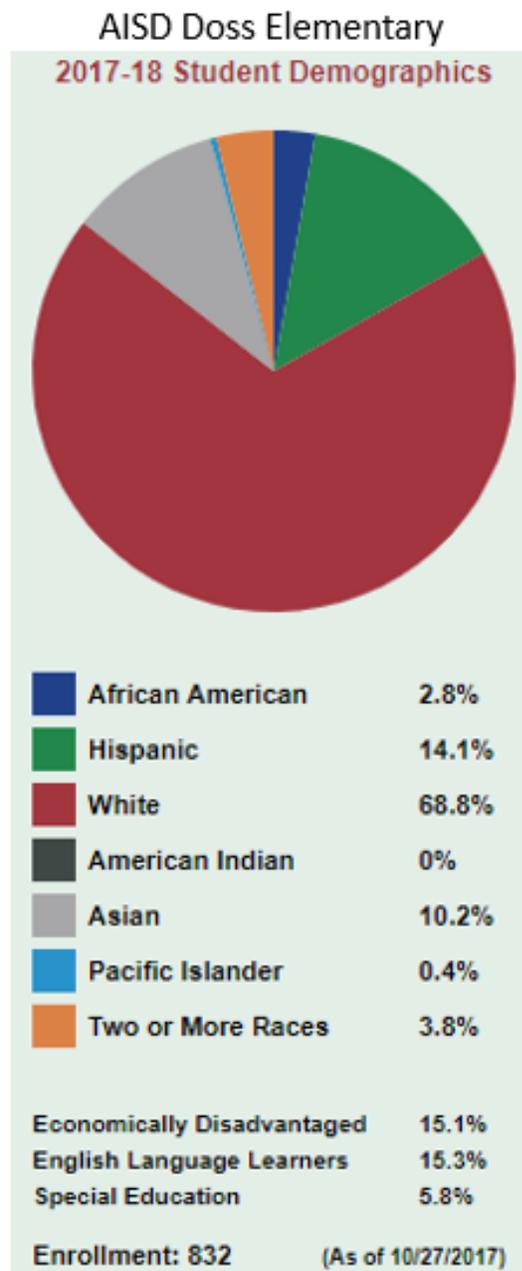
(source: http://www.austintexas.gov/sites/default/files/files/Planning/Demographics/MSA_ACS_2015_tracts_MFI_core.pdf)

Our neighborhood location versus that nearer to Murchison Middle School (cont'd)

A neighborhood demographic is better characterized by the elementary school, which is traditionally closer to neighborhoods than a middle school or high school. That is certainly the case with our neighborhood, which is 5 to 7 miles north of both the high school and middle school.



Source:
<https://www.austinisd.org/schools/summitt>



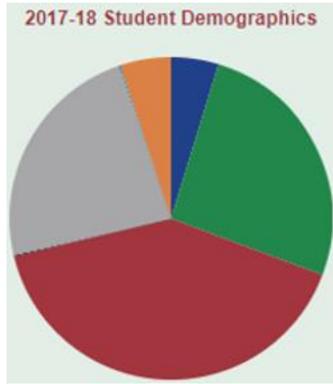
Source:
<https://www.austinisd.org/schools/doss>

Comparison of Race/Ethnicity

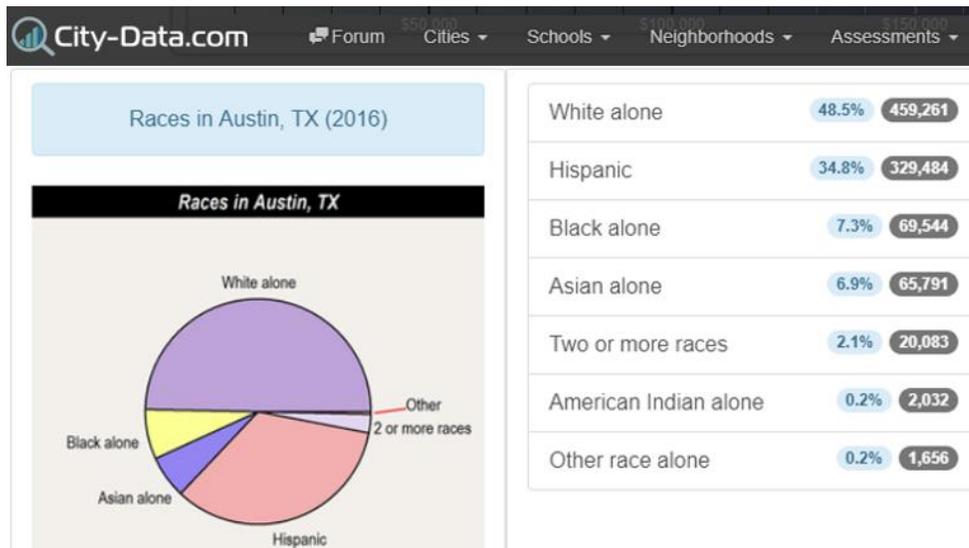
In our neighborhood area, as represented by Summitt Elementary School, versus the rest of Austin as a whole. You can see that our neighborhood community is diverse and is not too far out of line with the Austin average (perhaps except for the Asian community since Summitt Elementary does have a Vietnamese Dual-Language Program). Not every area in Austin will have the same balanced breakdown of race, and **our area currently does have diversity and we embrace that; any insinuation otherwise is unwarranted.**

Summitt Elementary

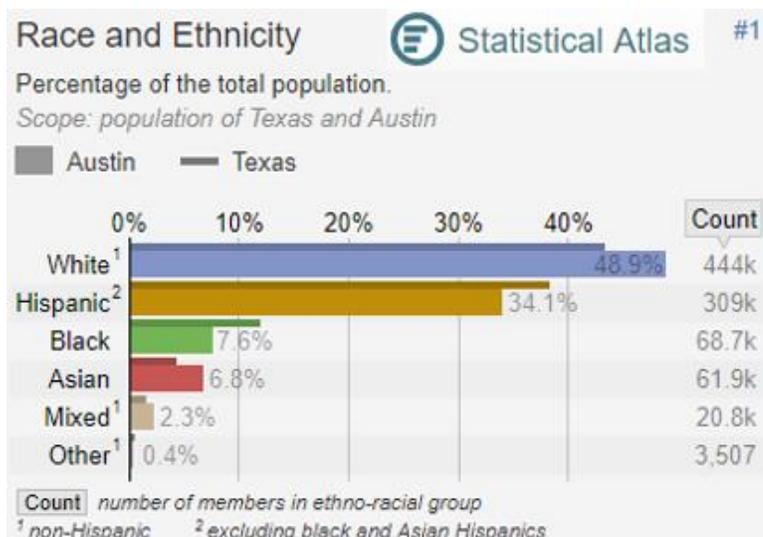
(source: <https://www.austinisd.org/schools/summitt>)



White	40.5%
Hispanic	25.9%
African American	4.8%
Asian	23.4%
Pacific Islander	0.1%
Two or More Races	5.1%
American Indian	0.1%



(source: <http://www.city-data.com/city/Austin-Texas.html>)



(source: <https://statisticalatlas.com/place/Texas/Austin/Race-and-Ethnicity>)

Data from the US Census Bureau, specifically from the 2010 census, and from the 2012-2016 American Community Survey.)

Speech (cont'd): *On February 11, 2016, an exchange between a council member and developer went as followed, per the transcript:*

>> (Councilmember): I have a question for the developer. Do you -- does the developer -- if this is approved and you receive the 9% tax credits, do you know if the developer plans to seek an agreement with the school district for payment in lieu of taxes?

>> (Developer): No, ma'am, we are a for-profit company, and we will pay property taxes. That is not part of our typical process, and it's nothing that we have ever done in the state of Texas.

*Yet in the September 2017 submission of the RHDA application, annual expenses for the Property Tax item shows **NOTHING**, no expense.*

*So not only are we trying to fund this project with state and local dollars
AND we're also waiving fees*

AND we're paying for-profit entities nearly 3 million dollars in developer and contractor fees

are we now also planning to waive property tax for this for-profit developer ???

...And all this spending without having sought a single competitive bid for this project!

How are we planning to recover dollars for our city resources and schools if more people are utilizing those resources and for-profit companies are not required to put money back in?

Will this practice be the norm as you ask voters to support the affordable housing bond package this November?

There are plenty of people who don't qualify for affordable housing who struggle to pay property tax; how do you explain this to them?

Side-stepping paying property taxes by a for-profit developer

If anything, a for-profit developer should pay property taxes to show it's a good steward for the community, the very community that provided funding for the development itself. And since the development does benefit people who use city (police, fire department, transportation, etc.) and school (ACC and AISD) resources, what better way to show support than to contribute toward funding those very resources.

Can we expect this to be a continued practice, because we know the TDHCA 9% Housing Tax Credit program to be very competitive. In 2017 and 2018*, for Region: Urban 7, all 9% HTC awards were given to projects in Austin, and there were still other projects in Austin that did not get the award. Will all other projects that are unable to get the 9% HTC seek to waive property tax?

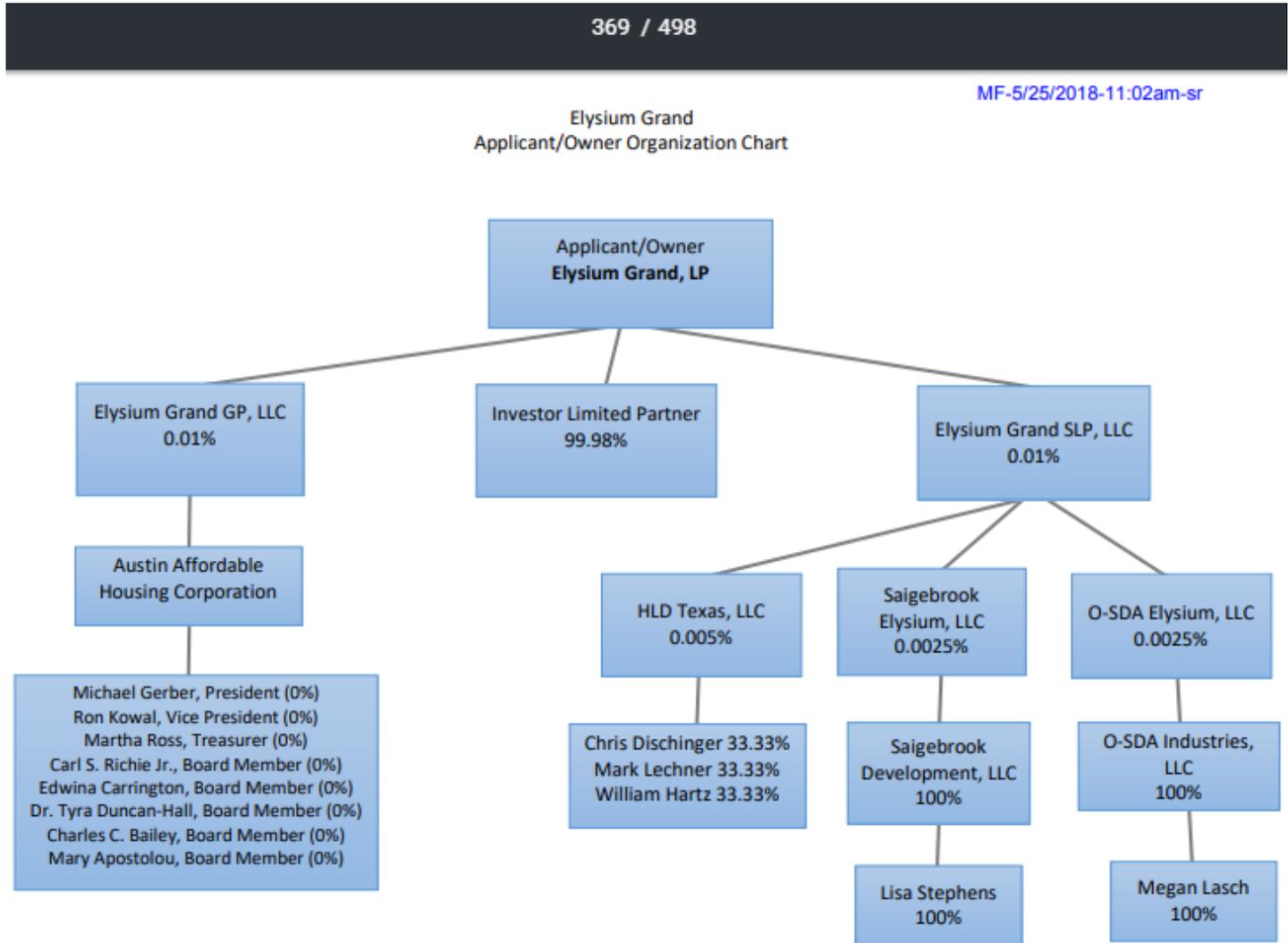
**as of Sep 28 2018 (sources:*

<https://www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/docs/171011-CompHTCFullAppLog.xlsx>

<https://www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/docs/18-HTC-AwardWaitlist.xlsx>)

Side-stepping paying property taxes by a for-profit developer (cont'd)

As presented in TDHCA 4% HTC application #18422 Elysium Grand, the Applicant/Owner organization structure is shown below.



(source: <https://www.tdhca.state.tx.us/multifamily/docs/imaged/2018TEBApps/18422.pdf>)

Just because Austin Affordable Housing Corporation appears to be 0.01% owner of Elysium Grand, LP, should not preclude Elysium or the for-profit developer from paying property tax.

Just because the city provided more funding toward the project should not make it a requirement to be a part of the organizational structure.

Instead, it seems to be a creative mechanism to attempt to avoid paying property tax.

2017 and 2016 TDHCA 9% HTC Application– operating expenses (property tax)

SHOWS property tax as part of operating expenses when submitted in the 2017 9% HTC application 17272.

211 / 543

15 Year Rental Housing Operating Pro Forma (All Programs)

The pro forma should be based on the operating income and expense information for the base year (first year of stabilized occupancy using today's best estimates of market rents, restricted rents, rental income and expenses), and principal and interest debt service. The Department uses an annual growth rate of 2% for income and 3% for expenses. Written explanation for any deviations from these growth rates or for assumptions other than straight-line growth made during the proforma period should be attached to this exhibit.

INCOME	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15
POTENTIAL GROSS ANNUAL RENTAL INCOME	\$617,724	\$630,078	\$642,680	\$655,534	\$668,644	\$738,237	\$815,074
Secondary Income	\$ 7,680	\$ 7,834	\$ 7,990	\$ 8,150	\$ 8,313	\$ 9,178	\$ 10,134
POTENTIAL GROSS ANNUAL INCOME	\$625,404	\$637,912	\$650,670	\$663,684	\$676,957	\$747,416	\$825,207
Provision for Vacancy & Collection Loss	(\$46,905)	(\$47,843)	(\$48,800)	(\$49,776)	(\$50,772)	(\$56,056)	(\$61,891)
Rental Concessions	\$0						
EFFECTIVE GROSS ANNUAL INCOME	\$578,499	\$590,069	\$601,870	\$613,907	\$626,186	\$691,359	\$763,317
EXPENSES							
General & Administrative Expenses	\$37,200	\$38,316	\$39,465	\$40,649	\$41,869	\$48,538	\$56,268
Management Fee	\$ 28,925	\$ 29,503	\$ 30,094	\$ 30,695	\$ 31,309	\$ 34,568	\$ 38,166
Payroll, Payroll Tax & Employee Benefits	\$ 132,301	\$ 136,270	\$ 140,358	\$ 144,569	\$ 148,906	\$ 172,623	\$ 200,117
Repairs & Maintenance	\$ 55,000	\$ 56,650	\$ 58,350	\$ 60,100	\$ 61,903	\$ 71,763	\$ 83,192
Electric & Gas Utilities	\$ 21,595	\$ 22,243	\$ 22,911	\$ 23,598	\$ 24,306	\$ 28,177	\$ 32,665
Water, Sewer & Trash Utilities	\$ 25,391	\$ 26,152	\$ 26,937	\$ 27,745	\$ 28,578	\$ 33,129	\$ 38,406
Annual Property Insurance Premiums	\$ 27,200	\$ 28,016	\$ 28,856	\$ 29,722	\$ 30,614	\$ 35,490	\$ 41,142
Property Tax	\$ 32,500	\$ 33,475	\$ 34,479	\$ 35,514	\$ 36,579	\$ 42,405	\$ 49,159
Reserve for Replacements	\$ 24,000	\$ 24,720	\$ 25,462	\$ 26,225	\$ 27,012	\$ 31,315	\$ 36,302
Other Expenses	\$ 67,040	\$ 69,051	\$ 71,123	\$ 73,256	\$ 75,454	\$ 87,472	\$ 101,404
TOTAL ANNUAL EXPENSES	\$451,152	\$464,397	\$478,034	\$492,074	\$506,529	\$585,478	\$676,822
NET OPERATING INCOME	\$127,347	\$125,671	\$123,836	\$121,833	\$119,656	\$105,881	\$86,495
DEBT SERVICE							
First Deed of Trust Annual Loan Payment	\$37,200	\$37,200	\$37,200	\$37,200	\$37,200	\$37,200	\$37,200
Second Deed of Trust Annual Loan Payment							
Third Deed of Trust Annual Loan Payment							
Other Annual Required Payment							
Other Annual Required Payment							
ANNUAL NET CASH FLOW	\$90,147	\$88,471	\$86,636	\$84,633	\$82,456	\$68,681	\$49,295
CUMULATIVE NET CASH FLOW	\$90,147	\$178,618	\$265,254	\$349,888	\$432,344	\$810,187	\$1,105,127
Debt Coverage Ratio	3.42	3.38	3.33	3.28	3.22	2.85	2.33
Other (Describe)							
Other (Describe)							

(source: <https://www.tdhca.state.tx.us/multifamily/docs/imaged/2017challenges/17272.pdf>)

SHOWS property tax as part of operating expenses when submitted in the 2016 9% HTC application 16161.

251 / 383

15 Year Rental Housing Operating Pro Forma

*All Programs Must Complete the following:
The pro forma should be based on the operating income and expense information for the base year (first year of stabilized occupancy using today's best estimates of market rents, restricted rents, rental income and expenses), and principal and interest debt service. The Department uses an annual growth rate of 2% for income and 3% for expenses. Written explanation for any deviations from these growth rates or for assumptions other than straight-line growth made during the proforma period should be attached to this exhibit.*

INCOME	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15
POTENTIAL GROSS ANNUAL RENTAL INCOME	\$815,916	\$832,234	\$848,879	\$865,857	\$883,174	\$975,095	\$1,076,584
Secondary Income	\$ 14,400	\$ 14,688	\$ 14,982	\$ 15,281	\$ 15,587	\$ 17,209	\$ 19,000
POTENTIAL GROSS ANNUAL INCOME	\$830,316	\$846,922	\$863,861	\$881,138	\$898,761	\$992,304	\$1,095,584
Provision for Vacancy & Collection Loss	(\$62,274)	(\$63,519)	(\$64,790)	(\$66,085)	(\$67,407)	(\$74,423)	(\$82,169)
Rental Concessions	\$0						
EFFECTIVE GROSS ANNUAL INCOME	\$768,042	\$783,403	\$799,071	\$815,053	\$831,354	\$917,882	\$1,013,416
EXPENSES							
General & Administrative Expenses	\$37,200	\$38,316	\$39,465	\$40,649	\$41,869	\$48,538	\$56,268
Management Fee	\$ 38,402	\$ 39,170	\$ 39,954	\$ 40,753	\$ 41,568	\$ 45,894	\$ 50,671
Payroll, Payroll Tax & Employee Benefits	\$ 116,941	\$ 120,449	\$ 124,062	\$ 127,784	\$ 131,618	\$ 152,581	\$ 176,883
Repairs & Maintenance	\$ 64,500	\$ 66,435	\$ 68,428	\$ 70,481	\$ 72,595	\$ 84,158	\$ 97,562
Electric & Gas Utilities	\$ 13,200	\$ 13,596	\$ 14,004	\$ 14,424	\$ 14,857	\$ 17,223	\$ 19,966
Water, Sewer & Trash Utilities	\$ 52,400	\$ 53,972	\$ 55,591	\$ 57,259	\$ 58,977	\$ 68,370	\$ 79,260
Annual Property Insurance Premiums	\$ 27,200	\$ 28,016	\$ 28,856	\$ 29,722	\$ 30,614	\$ 35,490	\$ 41,142
Property Tax	\$ 74,700	\$ 76,941	\$ 79,249	\$ 81,627	\$ 84,076	\$ 97,467	\$ 112,990
Reserve for Replacements	\$ 24,000	\$ 24,720	\$ 25,462	\$ 26,225	\$ 27,012	\$ 31,315	\$ 36,302
Other Expenses	\$ 26,800	\$ 27,604	\$ 28,432	\$ 29,285	\$ 30,164	\$ 34,968	\$ 40,537
TOTAL ANNUAL EXPENSES	\$475,343	\$489,219	\$503,504	\$518,210	\$533,348	\$616,003	\$711,583
NET OPERATING INCOME	\$292,699	\$294,184	\$295,567	\$296,843	\$298,005	\$301,879	\$301,833
DEBT SERVICE							
First Deed of Trust Annual Loan Payment	\$243,327	\$243,327	\$243,327	\$243,327	\$243,327	\$243,327	\$243,327
Second Deed of Trust Annual Loan Payment							
Third Deed of Trust Annual Loan Payment							
Other Annual Required Payment							
Other Annual Required Payment							
ANNUAL NET CASH FLOW	\$49,373	\$50,857	\$52,241	\$53,516	\$54,679	\$58,552	\$58,506
CUMULATIVE NET CASH FLOW	\$49,373	\$100,230	\$152,471	\$205,987	\$260,666	\$543,743	\$836,388
Debt Coverage Ratio	1.20	1.21	1.21	1.22	1.22	1.24	1.24
Other (Describe)							
Other (Describe)							

(source: <https://www.tdhca.state.tx.us/multifamily/docs/imaged/2016challenges/16161.pdf>)

2018 TDHCA 4% HTC Application 18422 – operating expenses (property tax)

DOES NOT SHOW property tax as part of operating expenses and instead reflects “-” NOTHING when submitted in the 2018 4% HTC application 18422.

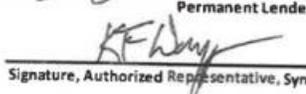
15 Year Rental Housing Operating Pro Forma (All Programs)

The pro forma should be based on the operating income and expense information for the base year (first year of stabilized occupancy using today's best estimates of market rents, restricted rents, rental income and expenses), and principal and interest debt service. The Department uses an annual growth rate of 2% for income and 3% for expenses. Written explanation for any deviations from these growth rates or for assumptions other than straight-line growth made during the proforma period should be attached to this exhibit.

INCOME	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15
POTENTIAL GROSS ANNUAL RENTAL INCOME	\$1,149,180	\$1,172,164	\$1,195,607	\$1,219,519	\$1,243,909	\$1,373,376	\$1,516,319
Secondary Income	\$ 21,600	\$ 22,032	\$ 22,473	\$ 22,922	\$ 23,381	\$ 25,814	\$ 28,501
POTENTIAL GROSS ANNUAL INCOME	\$1,170,780	\$1,194,196	\$1,218,080	\$1,242,441	\$1,267,290	\$1,399,190	\$1,544,819
Provision for Vacancy & Collection Loss	(\$87,809)	(\$89,565)	(\$91,356)	(\$93,183)	(\$95,047)	(\$104,939)	(\$115,861)
Rental Concessions	\$0						
EFFECTIVE GROSS ANNUAL INCOME	\$1,082,972	\$1,104,631	\$1,126,724	\$1,149,258	\$1,172,243	\$1,294,251	\$1,428,958
EXPENSES							
General & Administrative Expenses	\$32,000	\$32,960	\$33,949	\$34,967	\$36,016	\$41,753	\$48,403
Management Fee	\$ 54,148	\$ 55,231	\$ 56,336	\$ 57,462	\$ 58,612	\$ 64,712	\$ 71,447
Payroll, Payroll Tax & Employee Benefits	\$ 103,000	\$ 106,090	\$ 109,273	\$ 112,551	\$ 115,927	\$ 134,392	\$ 155,797
Repairs & Maintenance	\$ 49,075	\$ 50,547	\$ 52,064	\$ 53,626	\$ 55,234	\$ 64,032	\$ 74,230
Electric & Gas Utilities	\$ 16,500	\$ 16,995	\$ 17,505	\$ 18,030	\$ 18,571	\$ 21,529	\$ 24,958
Water, Sewer & Trash Utilities	\$ 22,835	\$ 23,520	\$ 24,226	\$ 24,952	\$ 25,701	\$ 29,794	\$ 34,540
Annual Property Insurance Premiums	\$ 31,500	\$ 32,445	\$ 33,418	\$ 34,421	\$ 35,454	\$ 41,100	\$ 47,647
Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve for Replacements	\$ 22,300	\$ 23,173	\$ 24,070	\$ 24,986	\$ 25,924	\$ 29,357	\$ 34,033
Other Expenses	\$ 28,160	\$ 29,005	\$ 29,875	\$ 30,771	\$ 31,694	\$ 36,742	\$ 42,595
TOTAL ANNUAL EXPENSES	\$359,718	\$369,968	\$380,515	\$391,367	\$402,533	\$463,411	\$533,649
NET OPERATING INCOME	\$723,254	\$734,663	\$746,209	\$757,891	\$769,710	\$830,840	\$895,309
DEBT SERVICE							
First Deed of Trust Annual Loan Payment	612,927	612,927	612,927	612,927	612,927	612,927	612,927
Second Deed of Trust Annual Loan Payment							
Third Deed of Trust Annual Loan Payment							
Other Annual Required Payment							
Other Annual Required Payment							
ANNUAL NET CASH FLOW	\$110,327	\$121,736	\$133,282	\$144,964	\$156,783	\$217,913	\$282,382
CUMULATIVE NET CASH FLOW	\$110,327	\$232,062	\$365,344	\$510,308	\$667,091	\$1,603,890	\$2,854,567
Debt Coverage Ratio	1.18	1.20	1.22	1.24	1.26	1.36	1.46
Other (Describe)							
Other (Describe)							

By signing below I (we) are certifying that the above 15 Year pro forma, is consistent with the unit rental rate assumptions, total operating expenses, net operating income, and debt service coverage based on the bank's current underwriting parameters and consistent with the loan terms indicated in the term sheet and preliminarily considered feasible pending further diligence review. The debt service for each year maintains no less than a 1.15 debt coverage ratio. (Signature only required if using this pro forma for points under §11.9(e)(1) relating to Financial Feasibility)


 Signature, Authorized Representative, Construction or Permanent Lender


 Signature, Authorized Representative, Syndicator

Cody Langeness
 Printed Name
 Aug 15, 2018
 Date
 KYLE F. WOLFF
 Printed Name

Phone: 212-277-6427
 Email: clangeness@redstone.co.com

8/16/2018
 Date

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

(source: <https://www.tdhca.state.tx.us/multifamily/docs/imaged/2018TEBApps/18422.pdf>)

2018 TDHCA 4% HTC Application 18422 –

Letter from special counsel to the Housing Authority of the City of Austin

It seems this letter within the 2018 TDHCA 4% HTC application 18422 may address why the annual expenses for property tax reflected zero

253 / 498

REA / 8-17-18 @ 1:54 PM / GK

COATS | ROSE

A PROFESSIONAL CORPORATION

August 14, 2018

Texas Department of Housing
and Community Affairs
221 E. 11th Street
Austin, TX 78701

Re: Elysium Grand, Austin, Travis County, Texas (the “**Project**”)

To Whom it May Concern:

We have acted as special counsel to the Housing Authority of the City of Austin (“**HACA**”) in connection with the development of the Project. The Project is being developed by Elysium Grand, LP, a Texas limited partnership (“**Partnership**”), of which the general partner is Elysium Grand GP, L.L.C, a Texas limited liability company (“**General Partner**”). The sole member of the General Partner is Austin Affordable Housing Corporation, a non-profit corporation formed by HACA (“**AAHC**”). You have asked for a letter from HACA counsel “identifying the statutory basis for the exemption and indicating that the exemption is reasonably achievable, subject to appraisal district review.” This letter is respectfully submitted solely for this purpose.

As subject to review by the Travis Central Appraisal District (the “**Appraisal District**”) as to the matters contained herein and any final opinion as to the Project’s exemption from ad valorem taxation, the legal basis for the Project to receive an exemption from ad valorem taxation is as follows:

1. HACA is a public body corporate and politic, duly and validly organized as a housing authority under the laws of the State of Texas, and operating pursuant to Chapter 392 of the Texas Local Government Code (the “**Local Gov’t Code**”). Because HACA is a political subdivision of the State of Texas, property owned by HACA is exempt from taxation if the property is used for public purposes Section 11.11 of the Texas Property Tax Code (the “**Tax Code**”). So long as the land on which the Project is located (the “**Land**”) continues to be used for the purpose of safe and sanitary housing for low income persons, the Land will qualify for exempt status under Section 11.11(a) of the Tax Code.
2. Under Section 392.006 of the Local Gov’t Code, a housing authority is a unit of government and its functions are essential governmental functions and not proprietary functions. The Texas Legislature found that there is a shortage of safe or sanitary housing at rents that persons of low income can afford and that the clearance, replanning, and reconstruction of the areas in which unsanitary or unsafe housing exists and the providing of safe and sanitary housing for persons of low income are public uses and purposes and governmental functions of state

Barton Oaks Plaza, 901 South MoPac Expressway, Building 1 Suite 500, Austin, Texas 78746

Phone: 512-469-7987 Fax 512-469-9408

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4851-4958-9616.v1

Page 2

concern for which public money may be spent and private property acquired Section 392.003 Local Gov't Code.

3. Section 392.005 of the Local Gov't Code specifically provides that the property of a housing authority is public property used for essential public and governmental purposes, and the property of a housing authority is exempt from all taxes and special assessments of a municipality, a county, another political subdivision, or the state. Additionally, Section 303.042 of the Local Gov't Code provides that a public facility corporation created by a housing authority is (a) engaged exclusively in performance of charitable functions and (b) exempt from taxation by this state or a municipality or other political subdivision of this state.

4. Upon closing, HACA will own fee title to the Land, and HACA will be treated as the owner of the Land for state tax purposes. HACA intends to lease the Land to the Partnership pursuant to a ground lease (the "**Ground Lease**"), which Ground Lease will require that the Partnership use the Land for the development and operation of the Project units in a manner which satisfies the low-income housing tax credit restrictions set forth in the Ground Lease. This use restriction passes on the "public purpose" use of the Land to the Partnership, and the Ground Lease provides that failure to comply with the use restriction constitutes a default under the Ground Lease.

5. Section 25.07(a) of the Tax Code requires that, with some exceptions, a leasehold or other possessory interest in exempt property shall be listed in the appraisal roles in the name of the owner of the possessory interest if the duration of the interest may be at least one year. However, the case of *Harris County Appraisal Dist. v. Southeast Texas Housing Finance Corp.*, 991 S.W.2d 18 (Tex. App.-Amarillo 1998) ("**Southeast Texas**"), suggests that if HACA owns sufficient equitable title to the leasehold estate in the Land, the use and possession of the estate by a non-exempt entity may be a matter of form over substance, and the leasehold estate should accordingly be tax-exempt.

In Southeast Texas, a housing finance corporation (the "**parent**") organized non-profit corporations for the purpose of holding title to land to be developed for low income and elderly housing. The parent issued bonds to purchase the properties and then transferred title to the single-purpose subsidiaries, which mortgaged the properties as security for the financing. The court found that the parent had equitable title to the properties and therefore the properties were tax-exempt. The determination of equitable title was based upon numerous factual findings, including the existence of interlocking boards of directors which permitted the board of the parent to control the actions of the boards of the subsidiaries, and the parent's contractual ability to cure any default of a subsidiary under the financing arrangements. Additionally, the charter of each subsidiary provided that upon dissolution the subsidiary's property would be distributed to the parent, and under each subsidiary's Articles of Incorporation, upon payment in full of the debt, the property owned by the subsidiary would revert to the parent.

HACA will own many of the indicia of ownership that were favorably considered by the Southeast Texas court. HACA will own the underlying fee title at all times and upon termination or expiration of the Ground Lease, full ownership of all of the improvements will be vested in

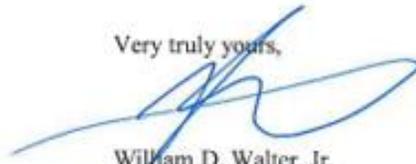
Page 3

HACA. HACA will be able to control the actions of General Partner through AAHC, its affiliated member of the General Partner. Under the Ground Lease, HACA will have an option to compel the transfer of legal title to the Project to itself. HACA, as the owner of the fee interest, could negotiate the right to cure any default of the Partnership under the financing that encumbers the Land and the improvements. Finally, the use of the Partnership as the ownership structure for the development of the Project is dictated by the Internal Revenue Code's restrictions on who is able to qualify to use low-income housing tax credits - the purchaser of tax credits must have an ownership interest in the development to which the tax credits relate, and the use of the Partnership is therefore dictated by the financial structure of the transaction.

Taken together, we believe it more likely than not that the Partnership's leasehold interest in the Land and the improvements under the Ground Lease would be held to be exempt from taxation through "equitable title" being vested in HACA, a tax-exempt governmental entity; and an exemption from ad valorem taxation is reasonably achievable, subject to appraisal district review.

This letter is provided to you solely for the purpose of complying with the Section 10.402(d)(7) of the 2018 Uniform Multifamily Rules. We assume no obligation to update or supplement this letter to reflect any fact which may hereafter come to our attention or any changes in law which may hereafter occur.

Very truly yours,



William D. Walter, Jr.

Cc: Mr. Barry Palmer
Mr. Ron Kowal

2018 TDHCA 4% HTC Application 18422 – Development Cost Schedule

Page 1 of 4 Contractor fees \$1,220,801 plus Developer fees \$1,850,512 equal ~\$3 million

264 / 498

REA / 8-17-18 @ 1:54 PM / GK

Development Cost Schedule

Self Score Total: 0

This Development Cost Schedule must be consistent with the Summary Sources and Uses of Funds Statement. All Applications must complete the total development cost column and the Tax Payer Identification column. Only HTC applications must complete the Eligible Basis columns and the Requested Credit calculation below:

	TOTAL DEVELOPMENT SUMMARY			Scratch Paper/Notes
	Total Cost	Eligible Basis (If Applicable)		
		Acquisition	New/Rehab.	
ACQUISITION				
Site acquisition cost	2,075,000			
Existing building acquisition cost				
Closing costs & acq. legal fees				
Other (specify) - see footnote 1				
Other (specify) - see footnote 1				
Subtotal Acquisition Cost	\$2,075,000	\$0	\$0	
OFF-SITES²				
Off-site concrete				
Storm drains & devices				
Water & fire hydrants				
Off-site utilities				
Sewer lateral(s)				
Off-site paving				
Off-site electrical				
Other (specify) - see footnote 1				
Other (specify) - see footnote 1				
Subtotal Off-Sites Cost	\$0	\$0	\$0	
SITE WORK³				
Demolition				
Asbestos Abatement (Demolition Only)				
Detention	146,260		146,260	
Rough grading	120,390		120,390	
Fine grading	89,298		89,298	
On-site concrete	240,248		240,248	
On-site electrical	57,860		57,860	
On-site paving	145,420		145,420	
On-site utilities	306,550		306,550	
Decorative masonry	32,546		32,546	
Bumper stops, striping & signs	10,200		10,200	
Retaining Walls & Mobilization	136,000		136,000	
Subtotal Site Work Cost	\$1,284,772	\$0	\$1,284,772	
SITE AMENITIES				
Landscaping				
Pool and decking				
Athletic court(s), playground(s)				
Fencing				
Other (specify) - see footnote 1				
Subtotal Site Amenities Cost	\$0	\$0	\$0	
BUILDING COSTS⁴:				
Concrete	674,714		674,714	
Masonry	457,301		457,301	
Metals	285,912		285,912	
Woods and Plastics	965,060		965,060	
Thermal and Moisture Protection	462,955		462,955	
Roof Covering	548,413		548,413	
Doors and Windows	673,981		673,981	
Finishes	512,127		512,127	
Specialties	315,735		315,735	
Equipment	0		0	
Furnishings	191,864		191,864	
Special Construction	325,297		325,297	
Conveying Systems (Elevators)	450,000		450,000	
Mechanical (HVAC; Plumbing)	691,969		691,969	
Electrical	464,672		464,672	

2018 TDHCA 4% HTC Application 18422 – Development Cost Schedule (cont'd)

REA / 8-17-18 @ 1:54 PM / GK

Individually itemize costs below:

Detached Community Facilities/Building			
Carpools and/or Garages			
Lead-Based Paint Abatement			
Asbestos Abatement (Rehabilitation Only)			
Structured Parking			
Commercial Space Costs			
Other (specify) - see footnote 1			
Subtotal Building Costs Before 11.9(e)(2)	\$7,020,000	\$0	\$7,020,000

Voluntary Eligible Building Costs (After 11.9(e)(2))*	\$86.18 psf	\$7,020,000
Enter amount to be used to achieve desired score.		

TOTAL BUILDING COSTS & SITE WORK (including site amenities)	\$8,304,772	\$0	\$8,304,772
--	-------------	-----	-------------

Contingency	5.00%	\$415,239	\$415,239
-------------	-------	-----------	-----------

TOTAL HARD COSTS	\$8,720,011	\$0	\$8,720,011
-------------------------	-------------	-----	-------------

OTHER CONSTRUCTION COSTS	%THC			%EHC
General requirements (<6%)	6.00%	523,201	523,201	6.00%
Field supervision (within GR limit)				
Contractor overhead (<2%)	2.00%	174,400	174,400	2.00%
G & A Field (within overhead limit)				
Contractor profit (<6%)	6.00%	523,201	523,201	6.00%

TOTAL CONTRACTOR FEES	\$1,220,801	\$0	\$1,220,801
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TOTAL CONSTRUCTION CONTRACT Before 11.9(e)(2)	\$9,940,812	\$0	\$9,940,812
--	-------------	-----	-------------

Voluntary Eligible "Hard Costs" (After 11.9(e)(2))*	\$122.04 psf	\$9,940,812
Enter amount to be used to achieve desired score.		

*To score points under §11.9(e)(2) related to Cost of Development per Square Foot, the Voluntary Eligible Building Costs OR the Voluntary Eligible Hard Costs indicated above must fall within the required thresholds. If voluntary costs are not entered, staff will consider the Subtotal Building Cost or the Total Construction Contract costs, as applicable.

SOFT COSTS¹

Architectural - Design fees	310,651	310,651	
Architectural - Supervision fees	103,550	103,550	
Engineering fees	176,375	176,375	
Real estate attorney/other legal fees			
Accounting fees			
Impact Fees			
Building permits & related costs	125,000	125,000	
Appraisal	10,000	6,500	
Market analysis	12,500	12,500	
Environmental assessment	5,510	5,510	
Soils report			
Survey			
Marketing			
Hazard & liability insurance	25,000	25,000	
Real property taxes			
Personal property taxes			
Builder's Risk Insurance	150,000	150,000	
Other (specify) - see footnote 1			
Other (specify) - see footnote 1			
Subtotal Soft Cost	\$918,586	\$0	\$915,086

FINANCING:

CONSTRUCTION LOAN(S)³

Interest	1,021,813	561,997
Loan origination fees		
Title & recording fees	250,000	250,000
Closing costs & legal fees		
Inspection fees	12,000	12,000
Credit Report		
Discount Points		

2018 TDHCA 4% HTC Application 18422 – Development Cost Schedule (cont'd)

Other (specify) - see footnote 1					
PERMANENT LOAN(S)					
Loan origination fees					
Title & recording fees					
Closing costs & legal					
Bond premium					
Credit report					
Discount points					
Credit enhancement fees					
Prepaid MIP					
Other (specify) - see footnote 1					
Other (specify) - see footnote 1					
BRIDGE LOAN(S)					
Interest					
Loan origination fees					
Title & recording fees					
Closing costs & legal fees					
Other (specify) - see footnote 1					
Other (specify) - see footnote 1					
OTHER FINANCING COSTS²					
Tax credit fees	23,334				
Tax and/or bond counsel					
Payment bonds					
Performance bonds					
Credit enhancement fees					
Mortgage insurance premiums					
Cost of underwriting & issuance	744,554		233,674		
Syndication organizational cost	15,000				
Tax opinion	3,500				
FF&E	104,812			0	
Other (specify) - see footnote 1					
Subtotal Financing Cost	\$2,175,013	\$0	\$1,057,671		
DEVELOPER FEES²					
Housing consultant fees ⁴					
General & administrative					
Profit or fee	1,850,521		1,850,521		
Subtotal Developer Fees	15.53%	\$1,850,521	\$0	\$1,850,521	15.53%
RESERVES					
Rent-up					
Operating	475,073				
Replacement					
Escrows					
Subtotal Reserves	\$475,073	\$0	\$0		
TOTAL HOUSING DEVELOPMENT COSTS⁵	\$17,435,004	\$0	\$13,764,090		
<i>The following calculations are for HTC Applications only.</i>					
Deduct From Basis:					
Federal grants used to finance costs in Eligible Basis					
Non-qualified non-recourse financing					
Non-qualified portion of higher quality units §42(d)(5)					
Historic Credits (residential portion only)					
Total Eligible Basis		\$0	\$13,764,090		
**High Cost Area Adjustment (100% or 130%)			100%		
Total Adjusted Basis		\$0	\$13,764,090		
Applicable Fraction			76.16%		
Total Qualified Basis	\$10,482,731	\$0	\$10,482,731		
Applicable Percentage ⁶			3.28%		
Credits Supported by Eligible Basis	\$343,834	\$0	\$343,834		
<i>(May be greater than actual request)</i>					

*11.9(c)(2) Cost Per Square Foot: DO NOT ROUND! Applicants are advised to

2018 TDHCA 4% HTC Application 18422 – Development Cost Schedule (cont'd)

Page 4 of 4

267 / 498

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ensure that figure is not rounding down to the maximum dollar figure to support the stated units

Requested Score for 11.9(e)(2)

Name of contact for Cost Estimate:

William Justin Hartz

Phone Number for Contact:

512-351-9335

If a revised form is submitted, date of submission:

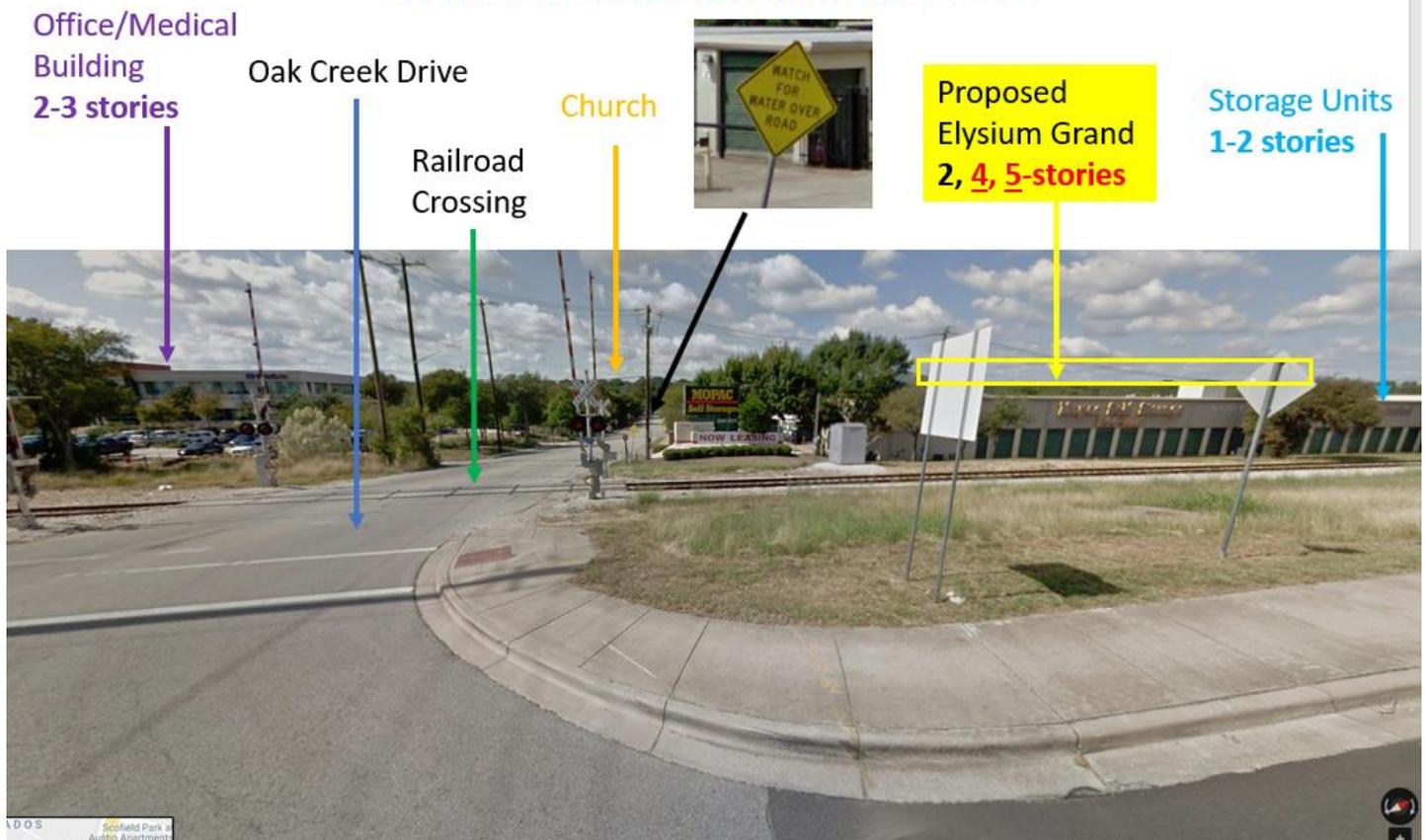
(source: <https://www.tdhca.state.tx.us/multifamily/docs/imagged/2018TEBApps/18422.pdf>
screen prints taken as of Sep 30 2018)

Speech end: *Our issue continues to be with the SCALE of this project at this SITE, whether affordable or otherwise -- but when asked if the developer could reduce the number of units or building heights, the response was that it could not because it would not be profitable.*

Even if you proceed with an affordable housing effort in this area, essentially, we will be subsidizing a resident's need for a car and not addressing overall affordability and reducing monthly living expenses.

Proposed Elysium Grand at 3300 Oak Creek Drive in North Austin

4 and 5 stories would look MONSTROUS here



Mopac Frontage Road view. Screen print taken on Sep 29, 2018 from Google Maps

The neighborhood would have liked to have mitigated some of these concerns by having fewer multi-family residential units, but the developer refused as fewer units would not have been profitable. The neighborhood is not concerned with the developer's ability to make a profit! The neighborhood is more concerned with what is the right thing for:

- the site and the community that surrounds it,
- the prospective residents who will inhabit it, and
- the money that will fund it.

If the City's true goal is to have affordable housing at this site solely because it is west of Mopac and it has access to good schools, that can still be achieved...preferably with a SMALLER-SCALED project that is suitable for the site.

We need an appropriately-scaled development at this site.

ADDENDUM 1

ADDENDUM 1

For the Thursday, September 20, 2018, meeting of the Austin Housing Finance Corporation (AHFC), an Agenda was posted with 3 items; per the posting date on the items, it indicates the agenda items were posted on Sep 07, 2018.

Item #3, or AHFC003, was:

Conduct a public hearing and receive public comment regarding the issuance of up to \$10,000,000 of Multi-family Housing Revenue Bonds to be issued by the Austin Housing Finance Corporation to finance the development of the Elysium Grand Apartments by Elysium Grand, LP, or an affiliated entity, which is a proposed affordable multi-family development that will be located at 3300 Oak Creek Drive. District(s) Affected: District 7.

(source: <http://www.austintexas.gov/department/city-council/2018/20180920-ahfc.htm>)

This aligns with the AHFC agenda item on August 23, 2018

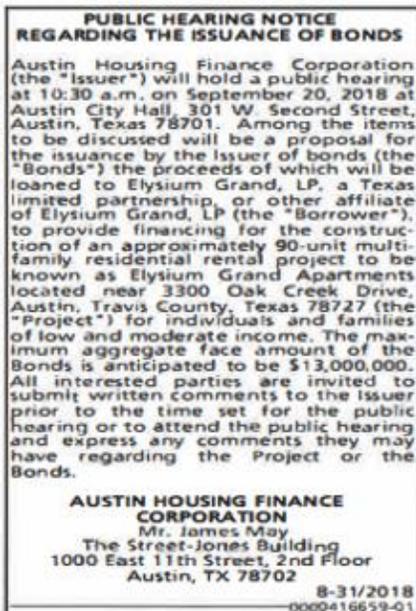
Item AHFC006 - August 23, 2018

Set a public hearing to receive public comment regarding the issuance of up to \$10,000,000 of Multi-family Housing Revenue Bonds to be issued by the Austin Housing Finance Corporation to finance the development of the Elysium Grand Apartments by Elysium Grand, LP, or an affiliated entity, for a proposed affordable multi-family development to be located at 3300 Oak Creek Drive. (Suggested date and time: 10:30 a.m., Thursday, September 20, 2018, Austin City Hall, 301 W. 2nd Street, Austin, Texas 78701). District(s) Affected: District 7.

(source: <http://www.austintexas.gov/department/city-council/2018/20180823-ahfc.htm>)

The backup to that AHFC003 indicates the anticipated amount to be \$13,000,000 and not the \$10,000,000 that was indicated during the AHFC August 23, 2018 meeting to set the public hearing.

Backup file: [20180920-AHFC003, Agenda Backup: TEFRA Notice](#), PDF, 197kb, posted 9/7/2018



← The posting for the public hearing notice is for \$13,000,000 and not \$10,000,000.

← The date of posting indicates Aug 31 2018

(source: <http://www.austintexas.gov/edims/document.cfm?id=305548>)

An Addendum to the agenda showed a 4th item; per the posting date on the item, it indicates the addendum agenda item was posted on Sep 14, 2018.

Item #4, or AHFC004, was:

Conduct a public hearing and receive public comment regarding the issuance of up to \$13,000,000 of Multi-family Housing Revenue Bonds to be issued by the Austin Housing Finance Corporation to finance the development of the Elysium Grand Apartments by Elysium Grand, LP, or an affiliated entity, which is a proposed affordable multi-family development that will be located at 3300 Oak Creek Drive.

ADDENDUM 2

ADDENDUM 2

Before the November 9, 2017 Austin House Finance Corporate (AHFC) meeting to conduct a public hearing for the agenda item below, the neighborhood prepared a letter and submitted it to the Austin City Council.

Item AHFC002 - November 9, 2017

Conduct a public hearing and receive public comment regarding the issuance of up to \$10,000,000 of Multi-family Housing Revenue Bonds to be issued by the Austin Housing Finance Corporation to finance the development by Elysium Grand, LP, or an affiliated entity, for the new construction of an affordable multi-family development to be known as Elysium Grand, located at 3300 Oak Creek Drive. District(s) Affected: District 7. (source: <http://www.austintexas.gov/department/city-council/2017/20171109-ahfc.htm>)

The letter included then-recent news articles about Pinnacle Housing Group. Several news articles were released regarding a theft of government funds charge due to submitted inflated construction costs involving some of the principals of Pinnacle Housing Group. The surplus federal money benefited Pinnacle partners Louis Wolfson III Michael Wohl, David Deutch, Mitchell Freidman and a fifth DAXC principal, Felix Braverman. The neighborhood recognized the Pinnacle company name and partners from business cards, email addresses and contracts related to Elysium; and we had recently seen a story shown on Frontline: Poverty, Politics, and Profit which mentioned Pinnacle and DAXC.

The United States and DAXC, an affiliate of Pinnacle Housing Group, entered into a deferred prosecution agreement filed pursuant to which DAXC paid \$5.2 million in forfeiture and fines to the United States. After the deferred prosecution agreement, Pinnacle was facing a potential 2-year ban by Florida Housing Corporation.

(sources: <https://www.justice.gov/usao-sdfl/pr/pinnacle-housing-group-s-affiliate-charged-4-million-government-theft-involving-low> and <https://www.miamiherald.com/news/local/community/miami-dade/article140198978.html>)

Project team/project and Pinnacle Housing Group:

In response to that letter, the developer's attorney submitted a letter to Austin Housing Finance Corporation. SEE ADDENDUM EXHIBIT "2-A". In addition, the developer spoke at the November 9, 2017 AHFC meeting addressing the neighborhood letter. The developer and its counsel assert that neither the development nor its principals have a current relationship with Pinnacle Housing Group.

Below is a screen print of the meeting transcript. Developer Lisa Stephens' reply to Councilmember Pool during the November 9, 2017 AHFC meeting:

>> Mayor Adler: Ms. Pool.

>> Pool: Thanks, mayor. This is in district 7, and I don't know if Lisa is the one who would want to answer the concerns that the neighbors have passed out or our neighborhood housing community development staff, but my understanding is that while sagebrook had partnered with pinnacle in past they have since separated and haven't started any new projects with pinnacle since 2015. My staff actually looked into this several months ago after sagebrook -- sagebrook alerted us to these issues about their former -- the issues that their former partners were facing, and so I appreciate they're being forthcoming and upfront about this so this is an opportunity to respond officially and publicly. So thank you. Please, mayor, could she go ahead and respond? Thanks.

>> Thank you, councilmember pool. You are correct. This was a former relationship that we had dating back two years now, since 2016 sagebrook has not partnered with any of the folks that are listed in the materials that you have. They are not involved with this transaction that is in front of you, elysium grand. They will not be involved in that transaction. It is strictly sagebrook is owned 100% by myself and I have a project manager Megan lash which a lot of you are familiar with and this project is she and I along with a local Austin developer of affordable housing that you know very well that has provided 6,000 units here in the city.

The developer stated at the November 09, 2017 City Council meeting, "since 2016 Saigebrook has not partnered with any of the folks that are listed in the materials you have. They are not involved with this transaction that is in front of you, Elysium Grand."

Why would the neighborhood link the project team/project to Pinnacle Housing Group?

Because:

- When the developer first met with the neighborhood, the business card read, "Pinnacle Housing Group"



- The initial email from the developer to the neighborhood indicating that the proposed development site was within the neighborhood boundaries was from Lindsey Wolfson with Wolfpack Group. Return email address was lindsey@pinnaclehousing.com. Wolfpack Group Title Manager is listed as Louis Wolfson, III in the Florida Secretary of State filing.



Meeting with Wolfpack

Lindsey Wolfson <lindsey@pinnaclehousing.com> Wed, Dec 9, 2015 at 5:01 PM
To: "Northwoodpresident@gmail.com" <Northwoodpresident@gmail.com>, "Northwoodvicepresident@gmail.com" <Northwoodvicepresident@gmail.com>

Good afternoon,

My name is Lindsey Wolfson and I am with Wolfpack Group. Our team is looking to purchase a 7 acre site off Oak Creek Drive, which lies within the boundaries of the Northwood Neighborhood Association. We would love the opportunity to meet with you and discuss this proposed project at your earliest convenience. Please let me know if you have time to meet in the next couple of weeks so that we can formally introduce ourselves and discuss the proposed project.

I look forward to hearing from you soon.

Thank you,

Lindsey Wolfson

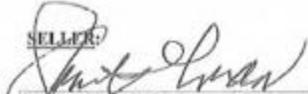
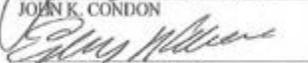
421 West 3rd Street #1504

Austin, TX 78701

Cell: [305.582.8891](tel:305.582.8891)

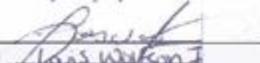
- The initial sales contract for the land was signed by Louis Wolfson III of Wolfpack Group on 9/30/2015, as shown in the 2016 TDHCA 9% HTC application #16161 Elysium Park.

IN WITNESS WHEREOF, the parties hereto hereby execute this Agreement as of the Effective Date.

SELLER:

 JOHN K. CONDON

 EDWARD R. COLEMAN

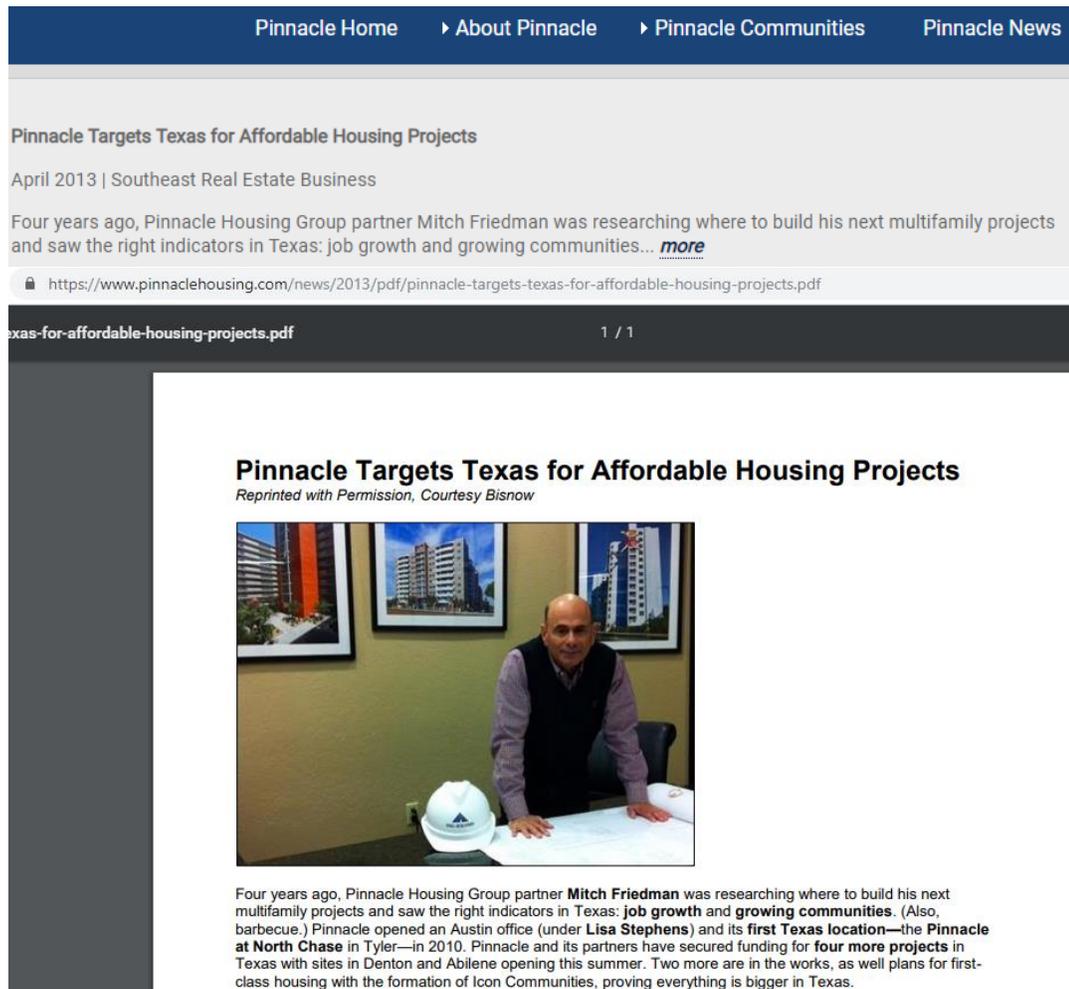
PURCHASER:

WOLFPACK GROUP, LLC, a Florida limited liability company

By: 
 Name: Louis Wolfson III
 Title: President
 Date: 9/30/15

(The amended sales contract presented in the 2017 TDHCA 9% HTC application #17171 Elysium Grand was signed by Lisa Stephens of Saigebrook Development, LLC.)

- According to a 2013 Multifamily BisNow newsletter, Pinnacle opened their Austin office under Lisa Stephens in 2010. (source: <https://www.bisnow.com/archives/newsletter/multifamily-bisnow/four-multifamily-misconceptions>) This article is also on Pinnacle Housing Group’s website, as shown below in screenshots. (source: <https://www.pinnaclehousing.com/news/2013/pdf/pinnacle-targets-texas-for-affordable-housing-projects.pdf>)



The screenshot shows a website navigation bar with links for Pinnacle Home, About Pinnacle, Pinnacle Communities, and Pinnacle News. Below the navigation bar is the article title "Pinnacle Targets Texas for Affordable Housing Projects" dated April 2013. The article text mentions Pinnacle Housing Group partner Mitch Friedman researching where to build his next multifamily projects in Texas. A URL is provided: <https://www.pinnaclehousing.com/news/2013/pdf/pinnacle-targets-texas-for-affordable-housing-projects.pdf>. Below the article text is a photograph of Mitch Friedman, a man in a vest, sitting at a desk with a white hard hat and blueprints. The article title is repeated below the photo: "Pinnacle Targets Texas for Affordable Housing Projects" with a sub-headline "Reprinted with Permission, Courtesy Bisnow". Below the photo is a paragraph of text: "Four years ago, Pinnacle Housing Group partner **Mitch Friedman** was researching where to build his next multifamily projects and saw the right indicators in Texas: **job growth** and **growing communities**. (Also, barbecue.) Pinnacle opened an Austin office (under **Lisa Stephens**) and its **first Texas location—the Pinnacle at North Chase** in Tyler—in 2010. Pinnacle and its partners have secured funding for **four more projects** in Texas with sites in Denton and Abilene opening this summer. Two more are in the works, as well plans for first-class housing with the formation of Icon Communities, proving everything is bigger in Texas."

- Pinnacle Housing Group’s website lists many of the same communities as Saigebrook Development’s website.
- Saigebrook Development’s address was listed as 421 West 3rd Street #1504 Austin, TX 78701 in the 2017 FLORIDA LIMITED LIABILITY COMPANY ANNUAL REPORT. There were several companies, including Pinnacle Housing Group and Wolfpack Group, listed under this same address whose manager under the Florida Secretary of State filings is one of the Pinnacle partners implicated in the Florida case.

And even still in 2017...

- Elysium Grand’s RHDA application submitted February 14, 2017, lists General Contractor as Pinroc Construction, LLC and includes Felix Braverman with Pinroc Construction. David Deutch is listed as authorized person per Florida Secretary of State records for Pinroc Construction, LLC & Louis Wolfson III Michael Wohl, David Deutch, Mitchell Freidman are listed as members in the Texas Secretary of State filings for Pinroc Construction, LLC. Deutch, Wohl, Friedman, Wolfson and Braverman were among the 5 mentioned in the news articles about Pinnacle Housing Group.

BUSINESS ORGANIZATIONS INQUIRY - VIEW ENTITY https://direct.sos.state.tx.us/corp_inquiry/corp_inquiry-entity.asp?page...

TEXAS SECRETARY of STATE
ROLANDO B. PABLOS

[UCC](#) | [Business Organizations](#) | [Trademarks](#) | [Notary](#) | [Account](#) | [Help/Fees](#) | [Briefcase](#) | [Logout](#)

BUSINESS ORGANIZATIONS INQUIRY - VIEW ENTITY

Filing Number: 801881171 Entity Type: Foreign Limited Liability Company (LLC)
Original Date of Filing: November 8, 2013 Entity Status: In existence
Formation Date: N/A
Tax ID: 32052437798 FEIN:

Name: PINROC CONSTRUCTION, LLC
Address: 9400 S. Dadeland Blvd.
Miami, FL 33156 USA

Fictitious Name: N/A
Jurisdiction: FL, USA
Foreign Formation Date: August 16, 2013

REGISTERED AGENT	FILING HISTORY	NAMES	MANAGEMENT	ASSUMED NAMES	ASSOCIATED ENTITIES
Last Update	Name	Title	Address		
April 20, 2017	LOUIS WOLFSON III	MEMBER	9400 S DADELAND BLVD SUITE 100 MIAMI, FL 33156 USA		
April 20, 2017	MICHAEL D WOHL	MEMBER	9400 S DADELAND BLVD SUITE 100 MIAMI, FL 33156 USA		
April 20, 2017	DAVID O DEUTCH	MEMBER	9400 S DADELAND BLVD SUITE 100 MIAMI, FL 33156 USA		
April 20, 2017	MITCHELL M FRIEDMAN	MEMBER	9400 S DADELAND BLVD SUITE 100 MIAMI, FL 33156 USA		

- Submitted in February 2017, within three of the RHDA applications submitted by Saigebrook Development, LLC for three of its projects: Aria Grand, Elysium Grand, and Greyshire Village, one of more of the below was listed:
 - General Contractor is listed as Pinroc Construction, LLC.
 - Felix Braverman is listed with Pinroc Construction, LLC.
 - The email address for Megan Lasch is shown as @pinrocllc.com

Please refer to ADDENDUM EXHIBIT “2-B”

(sources:

- -https://austintexas.gov/sites/default/files/files/Elysium_Grand_RHDA_FINAL_2_14_17Redacted.pdf
- -Screenshot from Aria Grand RHDA February 2, 2017
- -https://austintexas.gov/sites/default/files/files/Application_-_4M_-_Greyshire_Village_-_Saigebrook_Rec_d_2-3-17_Redacted_Compressed.pdf)

The developer stated at the November 09, 2017 City Council meeting, “since 2016 Saigebrook has not partnered with any of the folks that are listed in the materials you have. They are not involved with this transaction that is in front of you, Elysium Grand.”

Perhaps the developer no longer plans to use those parties, but you can see why the neighborhood believed that Saigebrook Development, LLC and the project were linked to with those parties as recently as 2017, because there is evidence in the RDHA applications submitted by the developer itself earlier in 2017 listing those very parties.

Again, the purpose of the neighborhood’s letter to the Austin City Council prior to the public hearing was to present information we had obtained so that someone else could follow-up and look into matters further.

Land Price:

The developer and the developer’s attorney claim that \$1,400,000 is an old 2014 price from an outdated flyer. When looking up the listing for the property in CoStar on October 24, 2017, the asking price was listed as \$1,400,000 and the listing said last updated September 15, 2017. Additionally, the sales contract with the \$2,400,000 sales price was signed in 2015.

The developer’s attorney says it’s impossible to determine what Northwood was alleging regarding the land price. We were not implying anything - we stated the facts we found. We are concerned about the project costs because as tax payers, we are funding this project. So, we should be concerned.

Settlement Agreement:

The letter from the developer’s attorney to Austin Housing Finance Corporation states “Northwood fails to follow up and include any articles relating to the subsequent settlement of the case as set forth in the attached Settlement Agreement, notwithstanding the fact that the Settlement Agreement (and the FHFC Board Action are all public documents contained in public records.”

We have included the webpage for the settlement agreement as we were previously unaware of the agreement when we sent our November 2017 letter.

Webpage with the Settlement Agreement: <http://www.floridahousing.org/docs/default-source/legal/challenges/other-litigation/2017/2017-open-litigation/fhfc-v.-pinnacle-housing-group-llc-et-al.-fhfc-case-no.-2017-029ga/filed-order-approving-settlement-agreement.pdf?sfvrsn=2>

In our opinion, the settlement agreement did not change any facts brought by the United States Attorney’s Office but lessened the consequences imposed by Florida Housing Corp. It seems one reason the parties agreed to settle to avoid expense of further litigation. It seems, the settlement agreement did not change or reverse any fact in the federal case which led government theft charges and to the deferred prosecution agreement. From our understanding, the settlement agreement seemed to have lessened the consequences imposed by Florida Housing Corp— Instead of any ban, there was essentially a cap placed on the developer and general contractor fees as well as heightened General Contractor Cost Certification requirements above current requirements for the 2017-2018 and 2018-2019 fiscal years. Pinnacle would also repay attorney fees Florida Housing incurred in this case. In our opinion, the settlement agreement is not something to brag about.

- e. The Parties stipulate that any applications that are awarded subject to this Agreement in the 2017-2018 and 2018-2019 fiscal years, and in which a Pinnacle affiliate is the general contractor, will undergo heightened General Contractor Cost Certification auditing requirements above current requirements, which will include audits of at least twelve (12) subcontractors, and at least 80% of construction costs.
- j. The Parties stipulate that Pinnacle will pay Florida Housing's attorney's fees and costs incurred in the collective actions referenced above, not to exceed one hundred seventy-five thousand dollars (\$175,000.00) and Florida Housing will provide documentation to Pinnacle of the specific amount.

WHEREAS, no Party admits fault or liability of any kind, and each party wishes to resolve all claims and potential claims among and between them, and further wishes to avoid the inconvenience, expense, and uncertainty of litigating their disputes, and have reached a full and final compromise and settlement of all claims and causes of action between them, whether existing, contingent or potential, it being the express intent of all Parties to buy their peace through this Agreement, all of which is still subject to approval of the Board of Directors of Florida Housing ("Board").

- c. The Parties stipulate that for the next two Request for Applications ("RFA") cycles for the 2017-2018 and 2018-2019 fiscal years, if an application is submitted by Pinnacle, or any Pinnacle Principal or Affiliate (a "Pinnacle-related applicant"), as those terms are defined in Rule 67-40.002, Florida Administrative Code, for the following RFAs:

then the Pinnacle-related applicant, if applying as the sole developer or general contractor, will not be entitled to collect more than the following fees:

- Developer Fee Maximum 5%
- General Contractor Fee Maximum 6%.

To the extent any Pinnacle-related applicant is applying as a co-developer, the Pinnacle-related developer shall receive a maximum 5% developer fee while the non-affiliated developer shall be entitled to receive up to the remaining 11%. If, in connection with any development application submitted by any Pinnacle-related applicant, the general contractor applicant is unaffiliated with Pinnacle, the unaffiliated general contractor may receive the maximum General Contractor fee permitted by FHFC rules.

Here is an excerpt of the meeting minutes from Florida Housing Finance Corporation discussing the settlement agreement on September 22, 2017:

"Hugh Brown reminded the Board that in March 2017, it approved an administrative complaint against Pinnacle Housing Group and certain related affiliates and principals of the group which arose from a federal investigation involving four tax credit developments wherein Pinnacle inflated construction costs. He stated that the federal case ended with a deferred prosecution granted wherein Pinnacle agreed to pay a fine and admit to certain facts, after which Florida Housing issued an administrative complaint and order of temporary suspension of all Pinnacle transactions. He stated that the case was scheduled for trial in November 2017, but the parties ultimately agreed to undergo mediation in order to resolve the matter. He asked the Board to approve staff's recommendation to approve the settlement agreement which covers all pending litigation between the parties."

(Source: <http://www.floridahousing.org/docs/default-source/data-docs-and-reports/boardpackages/2017/october-27/september-22-2017-minutes.pdf?sfvrsn=2>)

In an opinion filed on August 10, 2017, before the settlement agreement, Third District Court of Appeals denied a petition to review. Third DCA Judge Thomas Logue wrote in the decision that a “process that allowed a suspension only after a full trial and hearing would create substantial risk that the party might embezzle more money in the interim.” (sources: <https://therealdeal.com/miami/2017/08/17/pinnacle-still-banned-from-receiving-public-funds-court-rules/> and <http://www.3dca.flcourts.org/Opinions/3D17-1244.pdf>)

We are concerned citizens - not attorneys, developers or government decision makers:

The developer’s attorney states the neighborhood alleged items in our November 2017 letter to Austin City Council. We did not imply anything. Nor did we intend or purposely mislead by intentionally leaving out facts. We stated information from news articles and other public records that we were aware of at the time. We were not aware of additional information.

The developer’s attorney seems to almost ridicule the neighborhood for not having all the facts. We are concerned citizens. This is not our full-time job. We are not attorneys, nor can we really afford attorneys. We are unpaid volunteers. We were doing our best with the resources available to us to understand this project.

All we were asking in our November 2017 letter to Austin City Council is that the city do its due diligence because we had seen recent news regarding Pinnacle Housing Group and because we had seen the Pinnacle story on Frontline. The Pinnacle story was shown on Frontline: Poverty, Politics and Profit (FRONTLINE and NPR investigate the billions spent on affordable housing, and why so few get the help they need.) May 9, 2017.

Below is a quote from Mary Tingerthal, Natl. Council of State Housing Agencies when discussing the issue on the Frontline program:

MARY TINGERTHAL, Natl. Council of State Housing Agencies: (*~43:09 into the program*)

We really encourage our publics, people who are out in the community, people who are working with developers, to really come to us if they see issues that they think are not right with a project. We just encourage people that if they see something, say something. The other things that we do— we have architects who get the final say when the cost certifications are filed, to check the reasonableness of those costs.

(source: From transcript of the Frontline: Poverty, Politics, and Profit May 9, 2017:
<https://www.pbs.org/wgbh/frontline/film/poverty-politics-and-profit/transcript/>)

It is not the neighborhood’s job to perform due diligence – that’s the job of the city and state who are ultimately the ones who decide where our tax money goes and how to spend it.

Rebuttal example – Cypress Cove:

In the developer's counsel's response to the letter the neighborhood sent to the City Council in advance of a public hearing in November 2017, it repeatedly mentions, "Northwood alleges," where we feel we stated pertinent facts for and then if City Council wanted to have someone else to look into further, they could.

Below is an example (related to a project, Cypress Cove) of what was stated in the Northwood email to the Austin City Council and what was stated in the developer's counsel's response:

Neighborhood:

Cypress Cove is listed on Saigebrook's Facebook page as one of Saigebrook's Development Communities products.

"DAXC is charged by Criminal Information with theft of government money, in violation of Title 18, United States Code, Section 641. According to allegations contained in the Information, and statements made in Court, the DAXC theft scheme involved low-income housing developments built by PHG in Florida, specifically Vista Mar, an apartment complex in Miami; Pinnacle at Avery Glenn, an apartment complex in Sunrise; Orchid Grove, an apartment complex in Homestead; and Cypress Cove, an apartment complex in Winter Haven."

(Source: <https://www.justice.gov/usao-sdfl/pr/pinnacle-housing-group-s-affiliate-charged-4-million-government-theft-involving-low>)

Developer's counsel response:

Northwood alleges that one of Pinnacle's projects (Cypress Cove) was referenced in the United States Department of Justice release from March 2017, and that Cypress Cove was a "Saigebrook development". Saigebrook Development has never been affiliated with Cypress Cove and in fact Saigebrook has only done work in Texas. While it is true that Ms. Stephens worked on the Cypress Cove transaction in 2008-2010 while she was an employee of Pinnacle, there has never been any allegation whatsoever of any wrongdoing by Ms. Stephens in connection with the Cypress Cove transaction. Her name was never mentioned in connection with the Department of Justice investigation, nor in connection with the FHFC administrative complaint or settlement agreement. Simply put, neither Saigebrook nor Ms. Stephens was in any way involved in any wrongdoing (alleged or otherwise) involving Pinnacle, Pinroc or any other company affiliated with those entities.

Northwood’s statement of “Cypress Cove is listed on Saigebrook’s Facebook page as one of Saigebrook’s Development Communities products,” was sourced directly from Saigebrook’s OWN Facebook page.

Even as of Sep 30, 2018, Saigebrook Development’s Facebook page lists Cypress Cove Apartments under Saigebrook Development Communities. So what is the developer’s counsel referring to by “Northwood alleges...”

source: https://www.facebook.com/pg/SaigebrookDevelopment/about/?ref=page_internal



Like Follow Share ... Send Message

About [Suggest Edits](#)

FIND US

5501-A Balcones Dr #302
Austin, Texas [Get Directions](#)

m.me/SaigebrookDevelopment

BUSINESS INFO

Created in 2000

ADDITIONAL CONTACT INFO

lisa@saigebrook.com

http://www.saigebrook.com

MORE INFO

About
Saigebrook Development provides real estate development consulting services to clients in the affordable housing industry in Texas.

Products
Saigebrook Development Communities:

- Stillhouse Flats
- LaMadrid Apartments
- The Villages at Tarpon
- Tupelo Vue
- Liberty Pass
- Barron's Branch phases 1 & 2
- Art at Bratton's Edge
- Saige Meadows
- Summit Parque
- Amberwood Place
- La Ventana
- Tylor Grand
- The Roxton
- Pinnacle at North Chase
- Live Oak Apartments
- Pine Terrace Apartments
- Oak Ridge Estates
- Cypress Cove Apartments
- Pinnacle at Mariner's Village
- Pinnacle at Magnolia Pointe

The next portion was a QUOTE and listed the source:

“DAXC is charged by Criminal Information with theft of government money, in violation of Title 18, United States Code, Section 641. According to allegations contained in the Information, and statements made in Court, the DAXC theft scheme involved low-income housing developments built by PHG in Florida, specifically Vista Mar, an apartment complex in Miami; Pinnacle at Avery Glenn, an apartment complex in Sunrise; Orchid Grove, an apartment complex in Homestead; and Cypress Cove, an apartment complex in Winter Haven.”

(Source: <https://www.justice.gov/usao-sdfl/pr/pinnacle-housing-group-s-affiliate-charged-4-million-government-theft-involving-low>)

Again, what is the developer’s counsel referring to by “Northwood alleges...”

We have shown the source of the statement. It stated directly from that source. And we have not accused anyone.

The neighborhood feels intimidated by the developer and its attorneys:

The developer recently asked a Northwood board member to make a comment in the comments sections of a news story stating that the comments made by Northwood’s letter in a letter to Austin City Council were incorrect and not true. Additionally, the developer described our letter as “slander” in an August 15, 2018 Longview News-Journal article.

(Source: https://www.news-journal.com/news/local/city-to-decide-petroleum-building-fate-tonight/article_fc132164-9ff9-11e8-95c5-5b01b31a28b3.html). Screenshot below:

An online comment posted to a News-Journal story about Saigebrook on Friday included a link to an article from a neighborhood association in Austin that accused a developer with Pinnacle Group of fraudulent activity concerning its Elysium Grand development. Lasch said the article was “not factual” and called it slander.

Not long ago, February 18, 2016, the developer’s attorneys sent the neighborhood a letter. SEE THDCA 9% Application 16161, Page 147 for a copy of that letter. The letter was arguing the development was not in our neighborhood boundaries. It’s ironic that just a few months before, December 2015, the developer themselves said the site was in our neighborhood association boundaries in an email to our neighborhood. Was the February 18, 2016 letter meant to scare the neighborhood into not filing a 2016 Quantifiable Community Participation (QCP) for the Texas Department of Housing and Community Affairs (TDHCA) 9% housing tax credit application?

Public comment and community participation are a part of this process. Northwood is a modest neighborhood without the ability to raise enough funding for legal assistance and without the clout to influence city officials and politicians. Having the developer try to intimidate a rightful neighborhood with harsh rhetoric and letters from attorneys is a disgraceful tactic.

NIMBYISM Accusations & Accusations of Allegations:

Finally, the developer’s attorney makes accusations against the neighborhood that we are “alleging mistruths and inaccuracies in furtherance of their “not-in-my-back-yard” goal.” Our letter stated information found on news articles and public information that we were aware of at the time.

Again, public comment and community participation are a part of this process, and just because a neighborhood doesn’t agree with one aspect of a project (in this case, the scale or size of the project), doesn’t mean it is NIMBY or against affordable housing in general. The behavior by the developer and its counsel to dismiss the neighbors’ input by claiming we are NIMBY is deplorable.

From the beginning, we have been against the zoning on this site, whether for affordable housing or otherwise, because the scale of the project (density and height of buildings) at this site. We've always clearly stated we're against the project because of the impacts on traffic in our neighborhood, the fact it's near the flood plan hence could exacerbate flooding issues we already had in the past, and that it's not in line with Austin's vision to have more pedestrian friendly housing that is convenient to public transportation. WE HAVE NEVER BEEN AGAINST THOSE WHO NEED AFFORDABLE HOUSING!!

City Councilmembers, the Developer and its counsel, the press – they are all using NIMBY-ism as a way to deflect from the real issues of this site and project -- when really, the neighborhood had one initial concern and that was with the scale of this project at this site; and had there been a smaller proposal, we could have supported that project.

ADDENDUM EXHIBIT "2-A"

Letter from developer's counsel to Austin Housing Finance Corporation (AHFC) in response to letter sent by neighborhood to City Council in advance of November 9, 2017 AHFC meeting for a public hearing.

Letter

EMAIL gcohen@shutts.com

November 8, 2017

Mr. David Potter
Austin Housing Finance Corporation
1000 East 11th Street
2nd Floor
Austin, Texas 78702

Re: Elysium Grand Development Team

Dear Mr. Potter:

I write as counsel for Saigebrook Development, LLC in connection with the Elysium Grand development, which is currently seeking an approval resolution for tax exempt bond financing in order to proceed with the development of an affordable housing complex located at 3300 Oak Creek Drive, Austin, Texas.

I am writing in response to correspondence forwarded to you by the Northwood Neighborhood Association (a copy of which is attached). The Northwood correspondence contains a series of allegations which are either incorrect, inaccurate, or unfounded. Had the Northwood Neighborhood Association bothered to research its allegations more fully, they would have discovered that neither Saigebrook Development, LLC ("Saigebrook") nor its principals have any current affiliation with Pinnacle Housing Group LLC ("Pinnacle"), DAXC LLC ("DAXC"), or their respective principals except as co-developer or consultant as described herein.

We thank you for the opportunity to correct the mistruths and false allegations contained in the Northwood letter. Specifically, my client's responses to the allegations contained therein (addressed in the order presented in the Northwood letter) are as follows:

1. Land Price. Northwood alleges the developer is paying an inflated price for the land based on an outdated flyer for the land and an adjustment factor in the contract. Northwood is correct in stating that the purchase price is equal to a base purchase price of \$2,000,000, subject to increase by \$24,000 for each multifamily residential unit above 80. Saigebrook is in no way affiliated with the land seller; hence, it makes no sense for Saigebrook to pay more for the land than the lowest price it could negotiate. Saigebrook certainly wishes it could pay less for the land; however, the purchase price referenced above was the best price it could obtain as a result of negotiating with the unrelated third party seller. There is no benefit to Saigebrook or the development resulting from paying "too much" for the land; Saigebrook has gone back to the seller and attempted to decrease the purchase price but the seller has stood firm at the price

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ADDENDUM EXHIBIT "2-A"

Letter (cont'd)

referenced above. It is impossible for us to determine what Northwood is alleging with respect to the purchase price, which was arrived at by virtue of negotiation with an unrelated third party seller. Saigebrook will receive no proceeds from the purchase of the land.

2. Pinnacle Housing Group "Ban" in Florida. There is no current affiliation between Saigebrook or its principal (Lisa Stephens) or its project manager (Megan Lasch) with Pinnacle. Ms. Stephens and Ms. Lasch were formerly employees of Pinnacle; however, such employment relationship ended in 2014. Since 2011, Saigebrook has co-developed properties in Texas with principals of Pinnacle, and has submitted applications for financing to TDHCA as co-developer or consultant with such principals through 2015. Saigebrook continues the development of those 2011 – 2015 projects, the last of which are currently nearing completion. Neither Saigebrook, Ms. Lasch, nor Ms. Stephens has submitted any applications for financing (with TDHCA or otherwise in Texas) with any principal or affiliate of Pinnacle since 2015. Entities in which Ms. Stephens and/or Ms. Lasch are principals have been awarded allocations of low income housing tax credits from TDHCA in both the 2016 and 2017 funding cycles; and none of those applications were affiliated with Pinnacle or its principals in any way.

Northwood incorrectly states that in March 2017, Florida Housing Finance Corporation ("FHFC") voted to ban Pinnacle from applying for housing funds for two years. That statement is absolutely and unequivocally false. The Board voted to recommend a two year ban; however, Pinnacle and its affiliates vigorously contested the matter and subsequently entered into a settlement agreement with FHFC pursuant to which neither Pinnacle nor its principals nor its affiliates were banned or prevented from applying for housing funds from FHFC. As part of the settlement agreement, the administrative complaint originally filed by FHFC was withdrawn as though never filed. Northwood cites various media articles which were published immediately after the March 2017 FHFC Board Meeting reporting the initially recommended two year suspension; however, Northwood failed to follow up on its allegation and attempts to mislead you into believing that Pinnacle and its affiliates were in fact banned, when no such ban or suspension exists.

Northwood alleges that Pinroc Construction LLC ("Pinroc") is the general contractor for the Elysium Grand transaction. While Pinroc was originally listed as the general contractor in the RHDA application submitted to the City of Austin, Saigebrook has subsequently determined not to utilize Pinroc and instead has determined a separate contractor will be used, which company has no affiliation or relationship whatsoever with Pinnacle or Pinroc. Simply put, there is no relationship between the Elysium Grand transaction and Pinroc or Pinnacle, or any affiliates or principals of either of such entities.

Northwood alleges that one of Pinnacle's projects (Cypress Cove) was referenced in the United States Department of Justice release from March 2017, and that Cypress Cove was a "Saigebrook development". Saigebrook Development has never been affiliated with Cypress Cove and in fact Saigebrook has only done work in Texas. While it is true that Ms. Stephens worked on the Cypress Cove transaction in 2008-2010 while she was an employee of Pinnacle, there has never been any allegation whatsoever of any wrongdoing by Ms. Stephens in

ADDENDUM EXHIBIT "2-A"

Letter (cont'd)

connection with the Cypress Cove transaction. Her name was never mentioned in connection with the Department of Justice investigation, nor in connection with the FHFC administrative complaint or settlement agreement. Simply put, neither Saigebrook nor Ms. Stephens was in any way involved in any wrongdoing (alleged or otherwise) involving Pinnacle, Pinroc or any other company affiliated with those entities.

Northwood references several links to articles published in the media immediately after the March 2017 FHFC Board Meeting. Notably, Northwood fails to follow up and include any articles relating to the subsequent settlement of the case as set forth in the attached Settlement Agreement, notwithstanding the fact that the Settlement Agreement (and the FHFC Board Action) are all public documents contained in the public record and easily researchable and obtainable by Northwood.

Northwood alleges "through multiple searches of public records" that "the development team members seem to have a common thread...". As mentioned above, Ms. Lasch and Ms. Stephens were both employees of Pinnacle through 2014. They did continue co-developing affordable housing in Texas with principals of Pinnacle with respect to applications submitted to TDHCA through 2015, the last of which projects are currently nearing completion, some of which utilized Pinroc as the general contractor. Ms Stephens' and Ms. Lasch's relationship with Pinroc will cease upon completion of these last developments. Since 2015, neither Saigebrook nor Ms. Stephens or Ms. Lasch have undertaken any new development with any principal or affiliate of Pinnacle or Pinroc.

References to business cards and e-mail addresses contained in Northwood's letter merely reflect the fact that old business cards and old e-mail addresses may have been erroneously used by Ms. Stephens and Ms. Lasch during the transition period

Various allegations as to certain public records indicating Ms. Stephens is still affiliate with Pinnacle (references to Bloomberg and BisNow articles) merely reflect outdated or incorrect information that our client cannot control. References to commonly shared addresses merely reflect the fact that, with respect to the co-development of Texas projects allocated financing from TDCHA through 2015, Saigebrook was a consultant or co-developer of such transaction and as such their Texas address was utilized to receive correspondence addressed to either Saigebrook or Saigebrook's co-developer.

Northwood indicates that "we would be negligent in not bringing this to your attention". In fact, Northwood is (at a minimum) negligent in misstating the facts as they pertain to the alleged affiliation between Saigebrook/Stephens/Lasch and Pinnacle/Pinroc. As you may be aware, Northwood has continually and consistently opposed efforts to develop affordable housing in their alleged "area" for several years. Northwood's intentions in this regard are clear, and have nothing to do with the best interests of Austin and the State of Texas, but rather are strictly parochial.

Mr. David Potter
November 8, 2017
Page 4

Northwood suggests (in closing) that "your due diligence in looking into this matter of concern is greatly appreciated". This suggestion is extremely ironic. Had Northwood done their own homework and looked further into the matter rather than alleging mistruths and inaccuracies in furtherance of their "not-in-my-back-yard" goal, they would have saved your organization and my client much time and effort.

Please do not hesitate to contact me should you have any questions regarding the subject matter of this letter. Once again, thank you for the opportunity to address and clarify the numerous misstatements and untruths contained in the Northwood letter.

Sincerely,

Shutts & Bowen LLP


Gary M. Cohen

GJC/mar

ADDENDUM EXHIBIT "2-B"

Rental Housing Development Assistance (RHDA) applications submitted by Saigebrook Development, LLC in February 2017 and all listing General Contract as Pinroc Construction, LLC for three separate projects:

Elysium Grand

**Rental Housing Development Assistance
(RHDA) Application for Rental
Development Financing**

Elysium Grand
3300 Oak Creek Drive, Austin TX 78727



SUBMITTED BY:
Saigebrook Development, LLC
Contact: Megan Lasch
421 West 3rd Street, Suite 1504
Austin, Texas 78701
830.330.0762

Submitted: February 14, 2017

Aria Grand

**Rental Housing Development Assistance
(RHDA) Application for Rental
Development Financing**

Aria Grand
1800 S. IH-35 Frontage Rd, Austin TX 78704



SUBMITTED BY:
Saigebrook Development, LLC
Contact: Megan Lasch
421 West 3rd Street, Suite 1504
Austin, Texas 78701
830.330.0762

Submitted: February 1, 2017

Greyshire Village

**Rental Housing Development Assistance
(RHDA) Application for Rental
Development Financing**

Greyshire Village
3700 Payload Pass, Austin TX 78704



SUBMITTED BY:
Saigebrook Development, LLC
Contact: Megan Lasch
421 West 3rd Street, Suite 1504
Austin, Texas 78701
[REDACTED]

Submitted: February 3, 2017

	Name and Contact Information
Owner	Elysium Grand, LLC 421 W. 3 rd Street #1504 Austin, TX 78701 512.383.5470
Developer	Saigebrook Development, LLC 421 W. 3 rd Street #1504 Austin, TX 78701 830.330.0762
Architect	Miller Slayton Architects 2114 NW 40 th Terrace, Suite B-3 Gainesville, FL 32605 352.377.0505
Engineer	Consort, Inc 3600 Bee Cave Road, Suite 100 West Lake Hills, Texas 78746 512-469-0500
Construction Lender	Wells Fargo Community Lending and Investment 301 South College Street, 17th Floor Charlotte, NC 28288 704.383.9705
Other Lenders	N/A
Attorney	Robert Cheng Shutts & Bowen, LLP 200 South Biscayne Boulevard, Suite 4100 Miami, FL 33131 305-415-9083
Accountant	CohnReznick 816 Congress Ave, Ste. 200 Austin, TX 78701
General Contractor	Pinroc Construction, LLC 6636 N Riverside Drive Suite 500-A Fort Worth, TX 76137
Consultant (if Applicable)	O-SDA Industries, LLC 1505 Pasadena Drive Austin, TX 78757 830.330.0762

	Name and Contact Information
Owner	Aria Grand, LLC 421 W. 3 rd Street #1504 Austin, TX 78701 512.383.5470
Developer	Saigebrook Development, LLC 421 W. 3 rd Street #1504 Austin, TX 78701 830.330.0762
Architect	Miller Slayton Architects 2114 NW 40 th Terrace, Suite B-3 Gainesville, FL 32605 352.377.0505
Engineer	Consort, Inc 3600 Bee Cave Road, Suite 100 West Lake Hills, Texas 78746 512-469-0500
Construction Lender	Wells Fargo Community Lending and Investment 301 South College Street, 17th Floor Charlotte, NC 28288 704.383.9705
Other Lenders	N/A
Attorney	Robert Cheng Shutts & Bowen, LLP 200 South Biscayne Boulevard, Suite 4100 Miami, FL 33131 305-415-9083
Accountant	CohnReznick 816 Congress Ave, Ste. 200 Austin, TX 78701
General Contractor	Pinroc Construction, LLC 6636 N Riverside Drive Suite 500-A Fort Worth, TX 76137
Consultant (if Applicable)	O-SDA Industries, LLC 1505 Pasadena Drive Austin, TX 78757 830.330.0762

	Name and Contact Information
Owner	Greyshire Village, LLC 421 W. 3 rd Street #1504 Austin, TX 78701 512.383.5470
Developer	Saigebrook Development, LLC 421 W. 3 rd Street #1504 Austin, TX 78701 830.330.0762
Architect	Miller Slayton Architects 2114 NW 40 th Terrace, Suite B-3 Gainesville, FL 32605 352.377.0505
Engineer	Consort, Inc 3600 Bee Cave Road, Suite 100 West Lake Hills, Texas 78746 512-469-0500
Construction Lender	Wells Fargo Community Lending and Investment 301 South College Street, 17th Floor Charlotte, NC 28288 704.383.9705
Other Lenders	N/A
Attorney	Robert Cheng Shutts & Bowen, LLP 200 South Biscayne Boulevard, Suite 4100 Miami, FL 33131 305-415-9083
Accountant	CohnReznick 816 Congress Ave, Ste. 200 Austin, TX 78701
General Contractor	Pinroc Construction, LLC 6636 N Riverside Drive Suite 500-A Fort Worth, TX 76137
Consultant (if Applicable)	O-SDA Industries, LLC 1505 Pasadena Drive Austin, TX 78757 [REDACTED]

(sources:

- [-https://austintexas.gov/sites/default/files/files/Elysium_Grand_RHDA_FINAL_2_14_17Redacted.pdf](https://austintexas.gov/sites/default/files/files/Elysium_Grand_RHDA_FINAL_2_14_17Redacted.pdf)
- -Screenshot from Aria Grand RHDA February 2, 2017
- [-https://austintexas.gov/sites/default/files/files/Application_-_4M_-_Greyshire_Village_-_Saigebrook_Rec_d_2-3-17_Redacted_Compressed.pdf](https://austintexas.gov/sites/default/files/files/Application_-_4M_-_Greyshire_Village_-_Saigebrook_Rec_d_2-3-17_Redacted_Compressed.pdf))

ADDENDUM EXHIBIT "2-B"

Within the RDHA application for Greystone Village, LLC
submitted on February 3, 2017
was the S.M.A.R.T. Housing application, also submitted February 3, 2017.

Here it is indicated: **Has builder been selected? Yes. Company name: Pinroc Construction, LLC**

80 / 225

9. Has builder been selected? Yes No Company name Pinroc Construction, LLC
Has architect been selected? *(if needed)* Yes No Company name Miller Slayton Architects
Has engineer been selected? *(if needed)* Yes No Company name Consort, Inc.
For Single Family, will homes be: site-built manufactured or modular ?

Note: Green Building standards require that **units meet standards for all codes in effect in the City of Austin at the time of building permit submittal.** For more information, call 512/974-6370.

(source: https://austintexas.gov/sites/default/files/files/Application_-_4M_-_Greystone_Village_-_Saigebrook_Rec_d_2-3-17_Redacted_Compressed.pdf)

ADDENDUM EXHIBIT "2-B"

Within the RHDA application for Elysium Grand, LLC
submitted on February 14, 2017

information for **Pinroc Construction, LLC includes mention of Felix Braverman**

99 / 147



PINROC Construction, LLC
6636 N. Riverside Drive, Suite 500-A
Suite 500-A
Fort Worth, TX 76137
(682) 703-2940
(682) 703-2939 (fax)

PINROC Construction

PINROC Construction, LLC is a company committed to solving the critical need for affordable housing in the Mid-Western United States' urban centers, suburban areas and rural communities. PINROC develops, builds, leases and owns affordably-priced, luxury-styled apartment homes. With an expanding development portfolio of units concentrated in Texas, PINROC is quickly becoming one of the most successful and productive developers of affordable housing in the United States. PINROC's home offices are based in Fort Worth, Texas with a satellite office in Austin, Texas.

Felix Braverman

With an extensive and diverse background in structural engineering, design, contract administration, land development and project management, Mr. Braverman brings to PHG Builders the hands-on, on-site construction experience necessary to direct the many ongoing and new projects throughout the State of Florida. Mr. Braverman is a registered Professional Engineer in the State of Florida, a Licensed General Contractor in Florida and is a registered Special Inspector of Threshold Type Buildings.

Mr. Braverman began his career in the New York/New Jersey area, where he participated in and directed several structural and forensic Engineering projects. After he moved to South Florida, where he founded his own consulting engineering and general contracting firm, Mr. Braverman eventually became Director of Construction for Landstar Development Corporation, one of the south's largest site development companies. For nine years he successfully planned, directed and constructed over 1,200 homes throughout South Florida. Mr. Braverman has a Masters of Science in Engineering from the University of Texas at Austin, and a B.S. in Civil Engineering from Universidad Metropolitana Mexico City.

(source: https://austintexas.gov/sites/default/files/files/Elysium_Grand_RHDA_FINAL_2_14_17Redacted.pdf)

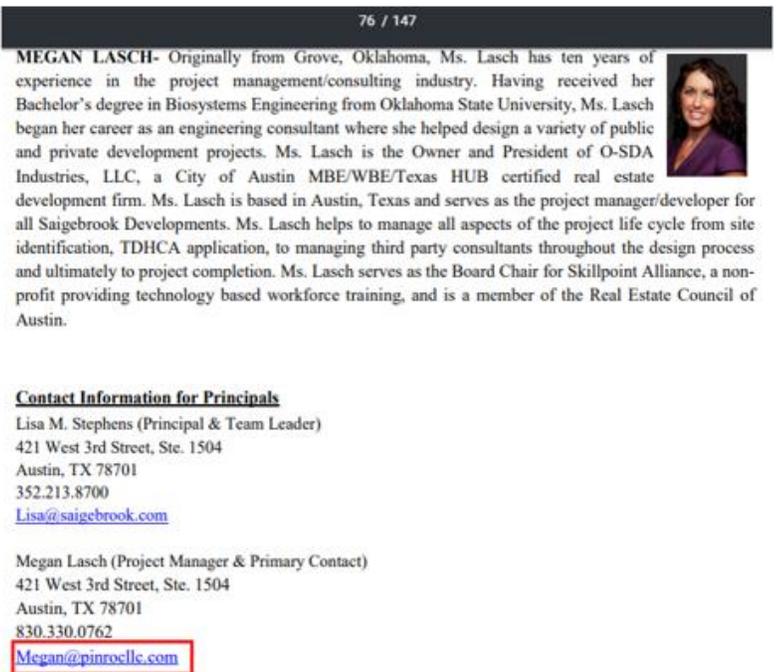
ADDENDUM EXHIBIT "2-B"

Within the RHDA application for Elysium Grand, LLC
submitted February 14, 2017

There is a cover letter signed by Megan Lasch,
Saigebrook Development, LLC

The email address provided is
megan@pinrocllc.com

When listing the team, it also mentioned email:
Megan@pinrocllc.com



(source: https://austintexas.gov/sites/default/files/files/Elysium_Grand_RHDA_FINAL_2_14_17Redacted.pdf)

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
OCTOBER 11, 2018

Presentation, discussion, and possible action on Determination Notice for Housing Tax Credits with another Issuer (#18428, Sherman Plaza South Apartments, El Paso)

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Sherman Plaza South Apartments, sponsored by the Housing Authority of the City of El Paso (“HACEP”), was submitted to the Department on May 15, 2018;

WHEREAS, the subject development includes the proposed acquisition and rehabilitation of Sherman Plaza South Apartments located at 4528 Blanco Avenue and 14 duplex units (Pooley Cottages) located at 110 Barcelona Avenue in El Paso, El Paso County, for a total of 194 units;

WHEREAS, one Certificate of Reservation (Sherman Plaza South) from the Texas Bond Review Board was issued on June 8, 2018, and will expire on November 5, 2018, and another Certificate of Reservation (Pooley Cottages Apartments) was issued on July 20, 2018, and will expire on December 17, 2018;

WHEREAS, the proposed issuer of the bonds is the Alamito Public Facilities Corporation; and

WHEREAS, in accordance with 10 TAC §1.301(d)(1), the compliance history is designated as an Extra Large Category 4 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 \$1,188,679 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 Sherman Plaza South Apartments, and conditioned upon the following, is hereby approved as presented to this meeting:

1. Correction of uncorrected "Noncompliance with utility allowance requirements in §10.614" Event of Noncompliance at Twelve Oaks (ID 4383-060092) by November 1, 2018.
2. HACEP or the management company contracted by HACEP is required to prepare or update its internal procedures to improve compliance outcomes and to provide copies of such new or updated procedures to the Department by December 31, 2018.

3. HACEP is required to designate the CEO and the Asset Manager to receive Compliance correspondence and ensure that this person or persons will provide timely responses to the Department for and on behalf of the proposed Development and all other Developments subject to TDHCA LURAs over which HACEP has the power to exercise control.

4. HACEP is required to ensure that the Asset Manager and the Regional Managers (4) attend the training listed in (A) and review the webinar trainings listed in (B) below and provide TDHCA with a certification of attendance for (A) and a certification of completion for (B) no later than December 31, 2018.

(A) Housing Tax Credit Training sponsored by the Texas Apartment Association; and

(B) Review the TDHCA Compliance Training webinars:

- (i) 2015 Tenant Selection Criteria Webinar Video;
- (ii) 2015 Tenant Selection Criteria Presentation;
- (iii) 2015 Tenant Selection Criteria- Q and A's;
- (iv) §10.610 – Tenant Selection Criteria;
- (v) 2015 Affirmative Marketing Requirements Webinar Video;
- (vi) 2015 Affirmative Marketing Requirements Presentation;
- (vii) 2015 Affirmative Marketing Requirements- Q and A's.

5. HACEP is required to submit the written policies and procedures for all developments subject to a TDHCA LURA for Department review no later than December 31, 2018.

6. HACEP agrees that for future applications submitted through December 31, 2018 a qualified third party accessibility specialist will review the entire development site to confirm compliance with TDHCA accessibility standards and that such documentation be submitted 14 days prior to Board approval.

7. The Executive Director, for good cause, may grant one extension of these conditions 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

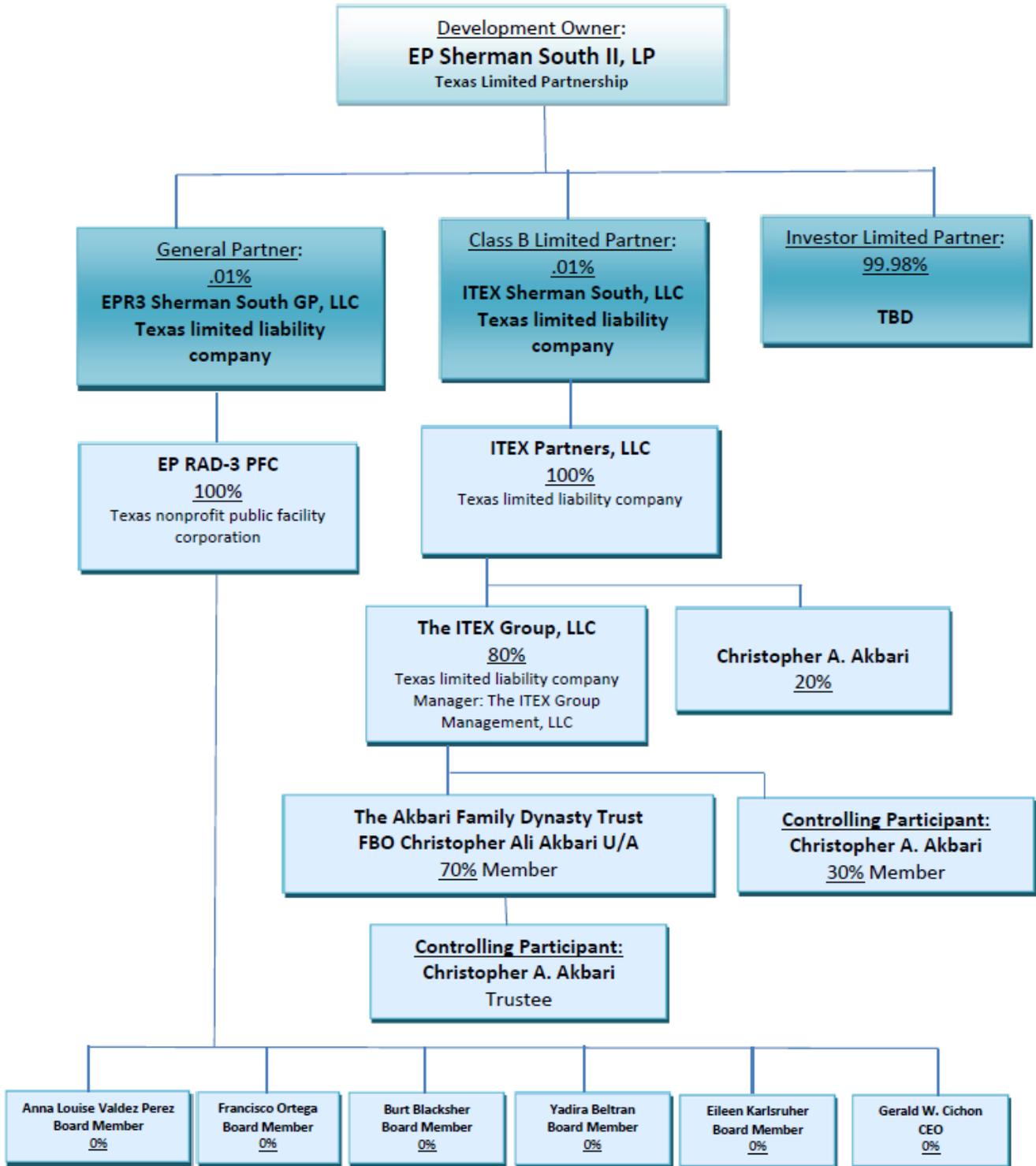
General Information: The subject development is the proposed acquisition and rehabilitation of Sherman Plaza South Apartments located at 4528 Blanco Avenue and 14 duplex units (Pooley Cottages) located half a mile away at 110 Barcelona Avenue in El Paso, El Paso County. The development will consist of 194 total units and will serve the general population. The Sherman South Apartments were originally constructed in 1953 while the duplexes, which were once affiliated with the Pooley Apartments, were constructed in 1975. Both properties have operated as public housing and are being rehabilitated as part of HACEP's portfolio conversion under the RAD program. The applicant is also pursuing Historic Tax Credits for the portion of the site that includes the Sherman Plaza South Apartments. All of the units will be rent and income

restricted at 60% of the Area Medium Family Income. The subject sites conform to current zoning. The developments are located in two different census tracts (0030.00 and 0031.00), which have a median household income of \$21,623 and \$26,029, are in the fourth quartile, and have poverty rates of 36.6% and 28.8%, respectively. Given the scattered site nature of the development, staff confirmed with the applicant the presence of common amenities sufficient to meet the requirements under the Uniform Multifamily Rules that the point thresholds based on the number of units at each site be met.

Organizational Structure: The Borrower is EP Sherman South II, LP and includes the entities and principals as indicated in the organization chart in Exhibit A. The applicant's portfolio is considered an Extra Large Category 4 and the previous participation was deemed acceptable by EARAC, with the aforementioned conditions, after review and discussion.

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

EXHIBIT A



18428 Sherman Plaza South - Application Summary

REAL ESTATE ANALYSIS DIVISION

October 4, 2018

PROPERTY IDENTIFICATION	
Application #	18428
Development	Sherman Plaza South
City / County	El Paso / El Paso
Region/Area	13 / Urban
Population	General
Set-Aside	General
Activity	Acquisition/Rehab 1953 and 1975

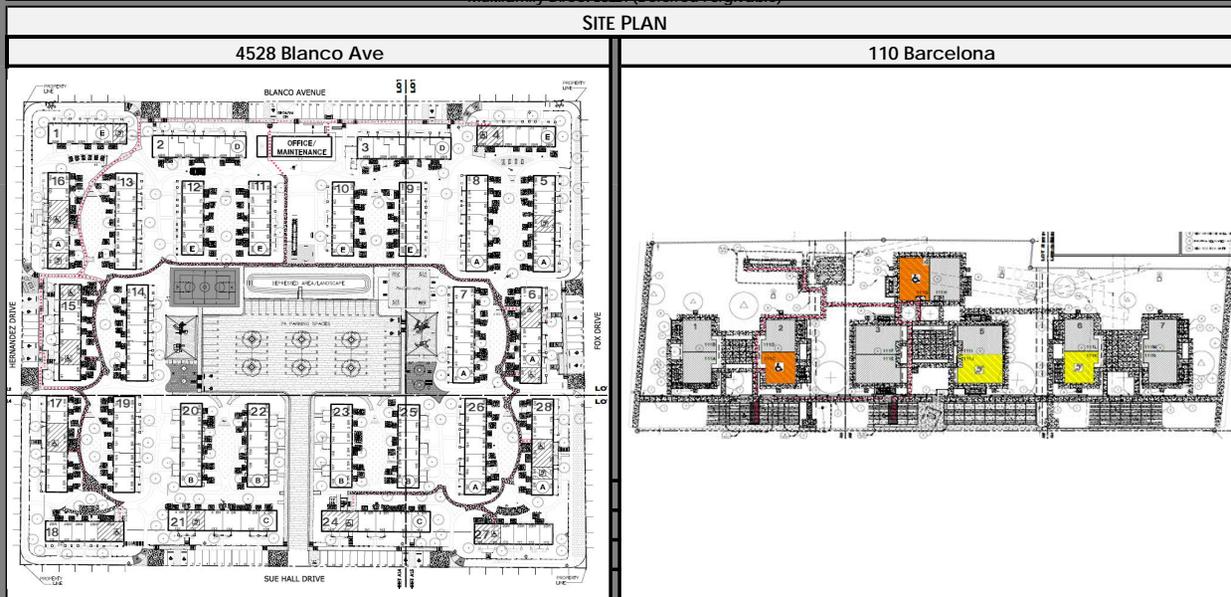
RECOMMENDATION				
TDHCA Program	Request	Recommended		
LIHTC (4% Credit)	\$1,195,999	\$1,188,679	\$6,127/Unit	\$0.95

KEY PRINCIPAL / SPONSOR		
Housing Authority of the City of El Paso (HACEP)		
ITEX Development - Chris Akbari (Developer)		
Alamito PFC (Related-Party Issuer)		
Affordable Housing Enterprises (Contractor)		
Gerald ("Jerry") W. Cichon		
Related Parties	Contractor - Yes	Seller - Yes



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	# Units	% Total	Income	# Units	% Total
Eff	-	0%	30%	-	0%
1	24	12%	40%	-	0%
2	98	51%	50%	-	0%
3	54	28%	60%	194	100%
4	18	9%	MR	-	0%
TOTAL	194	100%	TOTAL	194	100%

PRO FORMA FEASIBILITY INDICATORS			
Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	✓ 1.21	Expense Ratio	⚠ 64.9%
Breakeven Occ.	⚠ 89.3%	Breakeven Rent	\$520
Average Rent	\$554	B/E Rent Margin	⚠ \$34
Property Taxes	Exempt	Exemption/PILOT	100%
Total Expense	\$4,132/unit	Controllable	\$3,087/unit



MARKET FEASIBILITY INDICATORS			
Gross Capture Rate (10% Maximum)	✓	1.3%	
Highest Unit Capture Rate	✓	3%	3 BR/50% 54
Dominant Unit Cap. Rate	✓	3%	2 BR/50% 98
Premiums (↑60% Rents)	#DIV/0!		#DIV/0!
Rent Assisted Units	194	100%	Total Units

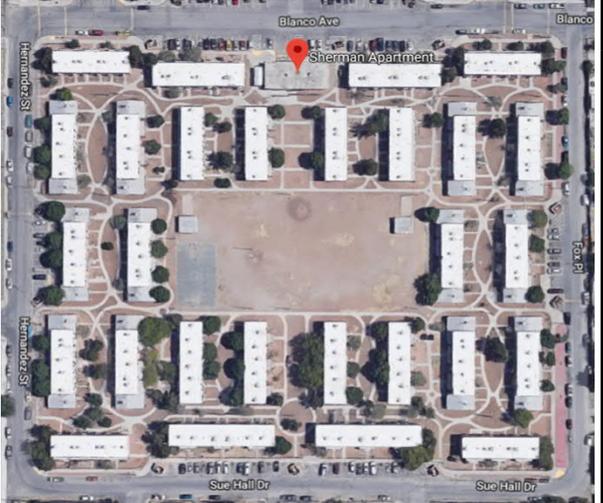
DEVELOPMENT COST SUMMARY			
Costs Underwritten		TDHCA's Costs - Based on PCA	
Avg. Unit Size	829 SF	Density	17.7/acre
Acquisition		\$42K/unit	\$8,115K
Building Cost	\$76.28/SF	\$63K/unit	\$12,264K
Hard Cost		\$82K/unit	\$15,901K
Total Cost		\$191K/unit	\$37,134K
Developer Fee	\$4,446K	(18% Deferred)	Paid Year: 11
Contractor Fee	\$2,226K	30% Boost	Yes

REHABILITATION COSTS / UNIT			
Site Work	\$10K	12%	Finishes/Fixture \$14K 17%
Building Shell	\$40K	49%	Amenities \$2K 3%
HVAC	\$7K	8%	Total Exterior \$52K 70%
Appliances	\$3K	3%	Total Interior \$23K 31%

DEBT (Must Pay)					CASH FLOW DEBT / GRANT FUNDS					EQUITY / DEFERRED FEES		
Source	Term	Rate	Amount	DCR	Source	Term	Rate	Amount	DCR	Source	Amount	
Citi	15/35	4.85%	\$5,900,000	1.21	HACEP - Seller Note	50/0	3.00%	\$7,896,031	1.21	RBC	\$11,291,319	
					Income during construction	0/0	0.00%	\$750,000	1.21	RBC - Federal Historic TC Equity	\$4,687,044	
										Foss - State Historic TC Equity	\$5,794,423	
										Paisano Housing Redevelopment Corp	\$815,673	
										TOTAL EQUITY SOURCES	\$22,588,460	
										TOTAL DEBT SOURCES	\$14,546,031	
TOTAL DEBT (Must Pay)			\$5,900,000		CASH FLOW DEBT / GRANTS			\$8,646,031		TOTAL CAPITALIZATION		\$37,134,491

CONDITIONS	
1	Receipt and acceptance before Determination Notice: - HUD approval of RAD conversion including a commitment to enter into the Housing Assistance Payment contract (or executed CHAP or similar agreement), HUD approved rents and operating budget.
2	Receipt and acceptance by Cost Certification: a: Architect certification that all noise assessment recommendations were implemented and the Development is compliant with HUD noise guidelines. b: Certification of comprehensive testing for asbestos and lead-based paint (Sherman only); that any appropriate abatement procedures were implemented by a qualified abatement company; and that any remaining asbestos-containing materials or lead-based paint are being managed in accordance with an acceptable Operations and Maintenance (O&M) program.

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		AERIAL PHOTOGRAPH(S)	
Issuer	Alamito PFC	Sherman South	Pooley
Expiration Date	11/5/2018		
Bond Amount	\$20,000		
BRB Priority	Priority 3		
Close Date	TBD		
Bond Structure	Tax-Exempt "Back-to-Back"		
% Financed with Tax-Exempt Bonds	62.4%		
RISK PROFILE			
STRENGTHS/MITIGATING FACTORS			
<ul style="list-style-type: none"> 10% construction contingency & available Minimal lease up risk Pro forma based on historical expenses 100% rental assistance 			
WEAKNESSES/RISKS			
<ul style="list-style-type: none"> Potential cost overruns associated with rehab expense to income ratio 			
AREA MAP			
			

11

**4 Right
Rail Cuts**

**TO BE POSTED NOT
LATER THAN THE
THIRD DAY BEFORE
THE DATE OF THE
MEETING**

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 \$1,484,560 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.

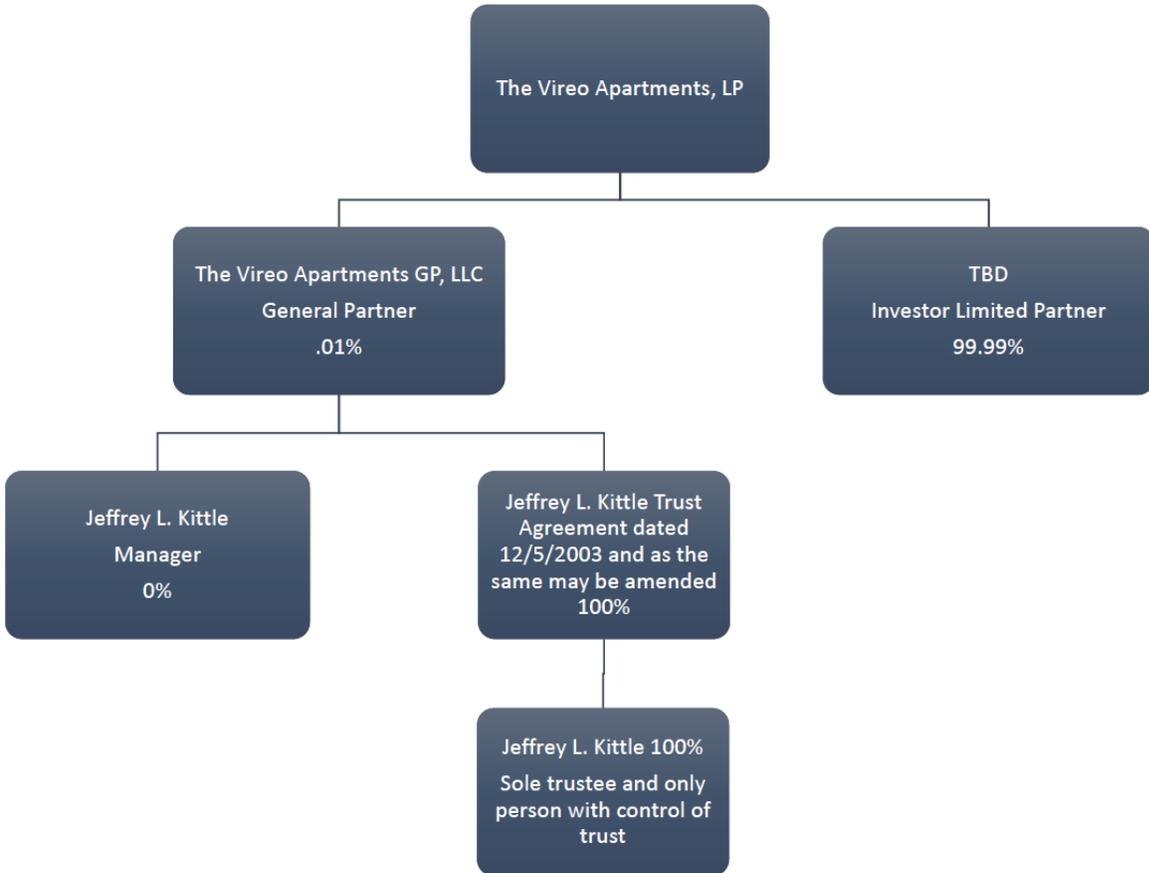
BACKGROUND

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





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.

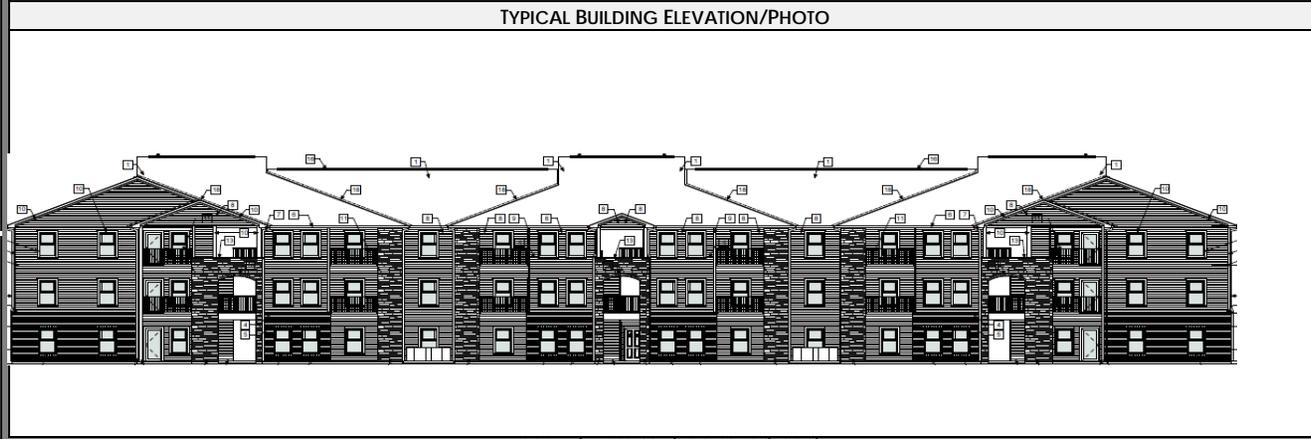
HAROLD V. DUTTON, JR.

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

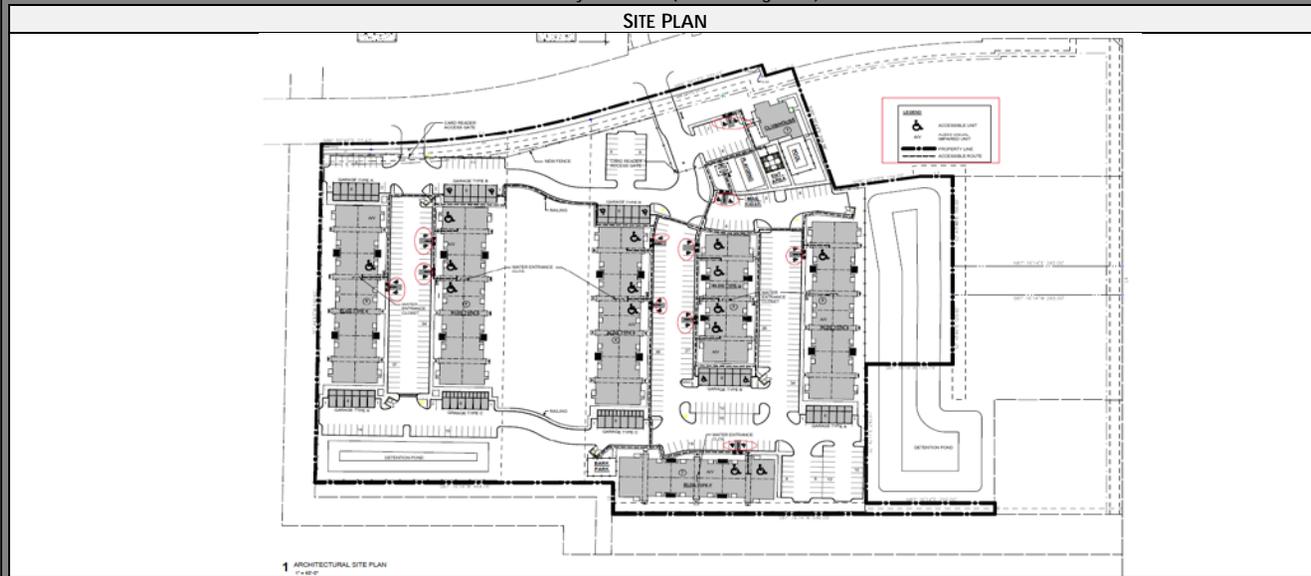
RECOMMENDATION						
TDHCA Program	Request	Recommended				
LIHTC (4% Credit)	\$1,848,560	\$1,848,560	\$7,002/Unit	\$0.98		
	Amount	Rate	Amort	Term	Lien	
MF Direct Loan Const. to Perm. (Re						

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	
					GP Equity	0/0	0.00%	\$100	1.09	Herman & Kittle Properties	\$4,954,890	
					Interim Income	0/0	0.00%	\$1,000,000	1.09			
TOTAL DEBT (Must Pay)			\$23,112,000		CASH FLOW DEBT / GRANTS			\$1,734,479		TOTAL EQUITY SOURCES	\$23,068,967	
											TOTAL DEBT SOURCES	\$24,846,479
											TOTAL CAPITALIZATION	\$47,915,445

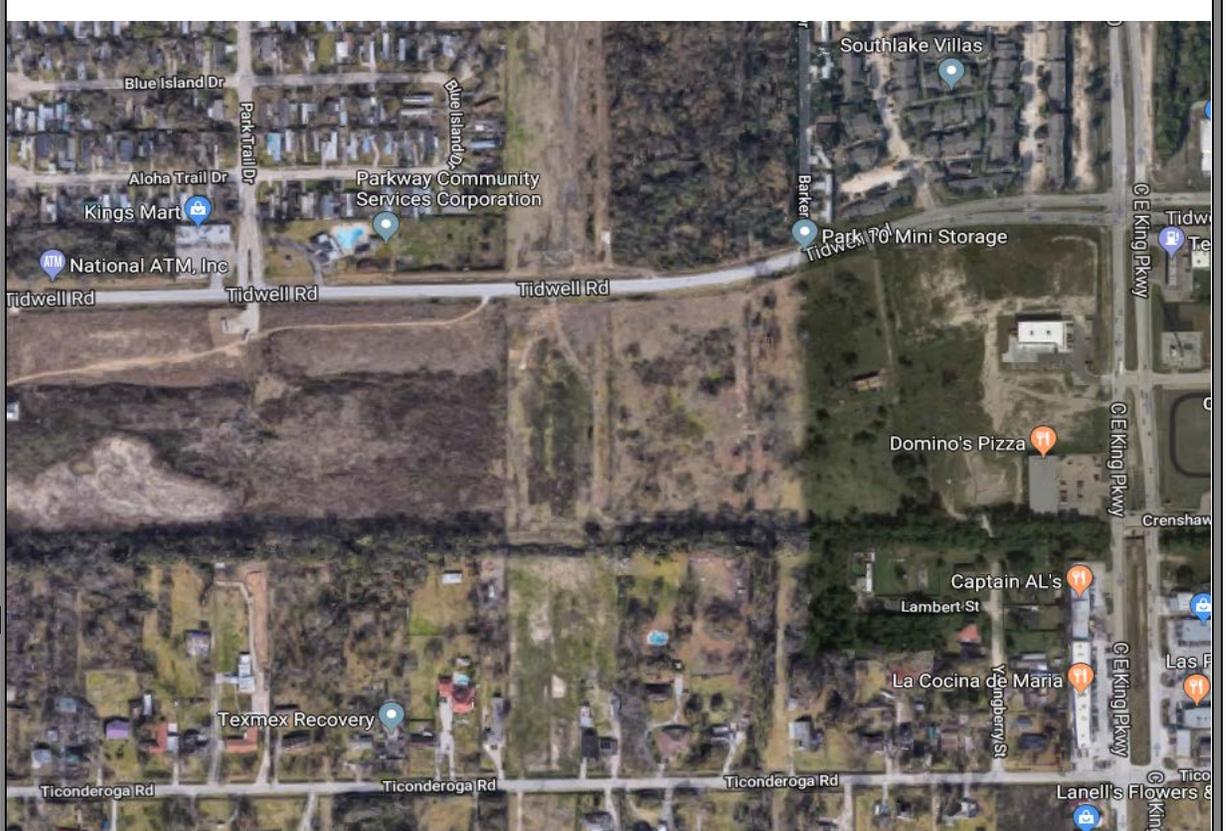
CONDITIONS

- 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 Storages Spaces.

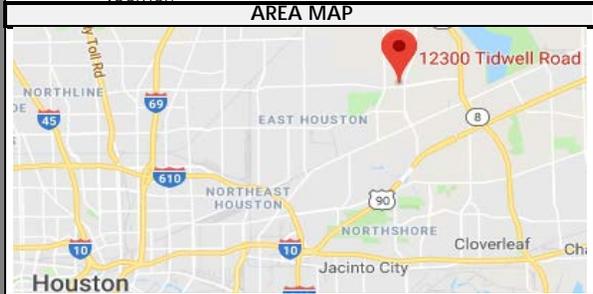
Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

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.



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previous version

BOARD REPORT ITEM
TEXAS HOMEOWNERSHIP DIVISION
OCTOBER 11, 2018

Quarterly Report on Texas Homeownership Division Activity

Background

The Texas Homeownership Division is primarily responsible for the creation, oversight, and administration of the Department's homeownership programs, which are designed to assist low-to-moderate income first time homebuyers. The program finances these activities with bond proceeds and through its Taxable Mortgage Purchase Program ("TMP-79").

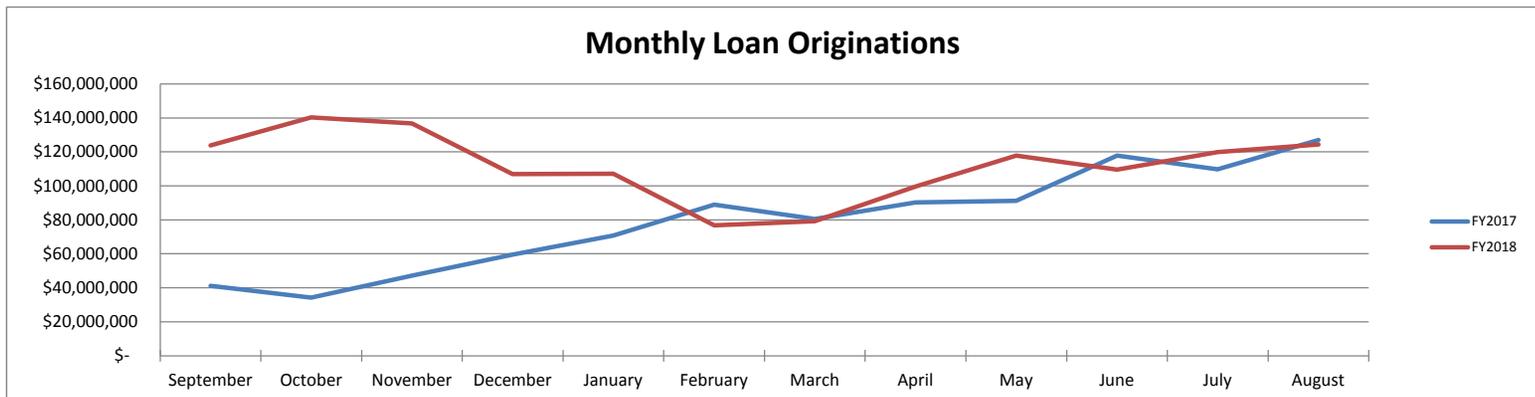
The Department currently offers the following homeownership options:

- My First Texas Home ("TMP 79") Program offers expanded mortgage loan opportunities to qualifying first-time homebuyers, including government and conventional 30-year fixed rate mortgage loan options that include down payment and/or closing cost assistance.
- Texas Mortgage Credit Certificate ("MCC") Program assists in making homeownership more affordable by providing first-time homebuyers a federal income tax credit, reducing the homebuyer's potential federal income tax liability. By having an MCC, the homebuyer has the ability to convert a portion (currently 40%) of their annual mortgage interest into a direct income tax credit of up to \$2,000 on their U.S. individual income tax return. The credit may be applied for the life of the loan, as long as it continues to be the borrower's primary residence. MCCs can be used with a conventional or government first mortgage loan as long as it is not financed with the proceeds of tax exempt bonds.
- "Combo" option – to further expand the opportunity for affordable homeownership, first-time homebuyers can maximize their home-purchase benefits by combining a Texas Mortgage Credit Certificate with a My First Texas Home-TMP 79 mortgage loan. This "Combo" option is available at a minimal additional cost to the homebuyer.

The following reports reflect program activity over the prior two years (updated through August 31, 2018) for each of the three available options described above (Loan Only, MCC Only, Combo). The reports provide monthly loan purchase trends, average interest rates, top originating counties, average income levels, average purchase price, average household size, and average FICO scores.

Texas Department of Housing and Community Affairs
Texas Homeownership / Bond Finance
Aggregate Summary Report as of August 31, 2018

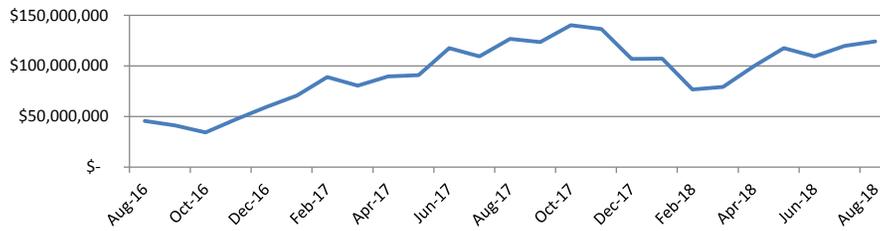
	Month	My First Texas Home (Program 79)		Combo Only (MFTH and MCC)		Stand Alone MCCs		AGGREGATE TOTAL	
		Loan Amount	# of Loans	Loan Amount	# of Loans	Loan Amount	# of Loans	Loan Amount	# of Loans
Fiscal Year 2018	9/30/2017	\$ 61,732,556.00	380	\$ 27,854,480.00	173	\$ 34,183,058.00	184	\$ 123,770,094.00	737
	10/31/2017	\$ 63,299,628.00	396	\$ 39,957,441.00	244	\$ 36,963,232.00	202	\$ 140,220,301.00	842
	11/30/2017	\$ 62,247,480.00	391	\$ 33,179,625.00	207	\$ 41,298,715.00	226	\$ 136,725,820.00	824
	12/31/2017	\$ 46,465,198.04	294	\$ 35,166,614.00	213	\$ 25,301,460.00	140	\$ 106,933,272.04	647
	1/31/2018	\$ 49,518,433.00	311	\$ 31,988,642.00	190	\$ 25,695,000.00	141	\$ 107,202,075.00	642
	2/28/2018	\$ 39,694,156.00	257	\$ 18,551,484.00	116	\$ 18,606,044.00	110	\$ 76,851,684.00	483
	3/31/2018	\$ 37,707,798.00	236	\$ 20,937,493.00	132	\$ 20,511,592.00	112	\$ 79,156,883.00	480
	4/30/2018	\$ 40,823,301.00	252	\$ 22,654,876.00	137	\$ 36,073,836.00	195	\$ 99,552,013.00	584
	5/31/2018	\$ 43,224,814.87	271	\$ 29,864,325.00	188	\$ 44,729,156.00	246	\$ 117,818,295.87	705
	6/30/2018	\$ 40,989,614.00	249	\$ 31,715,654.00	199	\$ 36,909,222.00	199	\$ 109,614,490.00	647
	7/31/2018	\$ 45,715,682.00	283	\$ 32,630,425.00	199	\$ 41,553,059.00	230	\$ 119,899,166.00	712
	8/31/2018	\$ 48,666,137.00	291	\$ 31,963,113.00	193	\$ 43,701,139.00	231	\$ 124,330,389.00	715
	FY2018 TOTAL		\$ 580,084,797.91	3611	\$ 356,464,172.00	2191	\$ 405,525,513.00	2216	\$ 1,342,074,482.91
Fiscal Year 2017	9/30/2016	\$ 13,136,791.00	83	\$ 4,571,475.00	30	\$ 23,394,414.00	131	\$ 41,102,680.00	244
	10/31/2016	\$ 10,868,479.00	74	\$ 5,695,097.00	39	\$ 17,569,266.00	107	\$ 34,132,842.00	220
	11/30/2016	\$ 15,001,023.00	91	\$ 6,884,463.00	48	\$ 25,296,916.00	144	\$ 47,182,402.00	283
	12/31/2016	\$ 19,171,756.00	120	\$ 9,259,481.00	59	\$ 31,171,608.00	184	\$ 59,602,845.00	363
	1/31/2017	\$ 32,200,708.00	202	\$ 22,244,813.00	138	\$ 16,327,540.00	98	\$ 70,773,061.00	438
	2/28/2017	\$ 35,878,062.00	222	\$ 22,725,762.00	141	\$ 30,307,153.00	173	\$ 88,910,977.00	536
	3/31/2017	\$ 32,991,885.00	214	\$ 19,988,147.00	127	\$ 27,607,384.00	160	\$ 80,587,416.00	501
	4/30/2017	\$ 35,775,933.00	233	\$ 27,062,306.00	161	\$ 27,463,210.00	157	\$ 90,301,449.00	551
	5/31/2017	\$ 34,132,731.00	219	\$ 26,544,509.00	165	\$ 30,551,467.00	176	\$ 91,228,707.00	560
	6/30/2017	\$ 50,436,451.00	317	\$ 28,927,620.00	185	\$ 38,399,240.00	223	\$ 117,763,311.00	725
	7/31/2017	\$ 46,380,266.00	294	\$ 26,136,484.00	167	\$ 37,244,746.00	219	\$ 109,761,496.00	680
	8/31/2017	\$ 56,475,652.00	354	\$ 32,826,086.00	202	\$ 37,765,486.00	213	\$ 127,067,224.00	769
	FY2017 TOTAL		\$ 382,449,737.00	2423	\$ 232,866,243.00	1462	\$ 343,098,430.00	1985	\$ 958,414,410.00



Texas Department of Housing and Community Affairs Aggregate (My First Texas Home, MCCs and Combos)

As of August 31, 2018

Aggregate (My First Texas Home, MCCs and Combos) Monthly Issuance Activity



Reflects Aggregate (My First Texas Home, MCCs and Combos) loan originations issued over a two-year period. A seasonal reduction typically occurs September through February; however, the overall surge in activity is primarily due to our new relationship with Idaho HFA as Master Servicer.

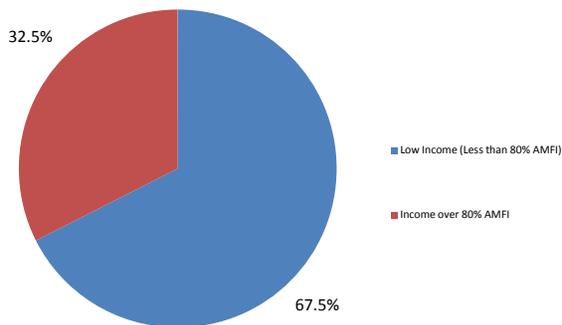
Recent 3-Month Activity (6/1/2018 - 8/31/2018)

Number of Loans	2,072
Total Loan Amount	\$ 353,461,458

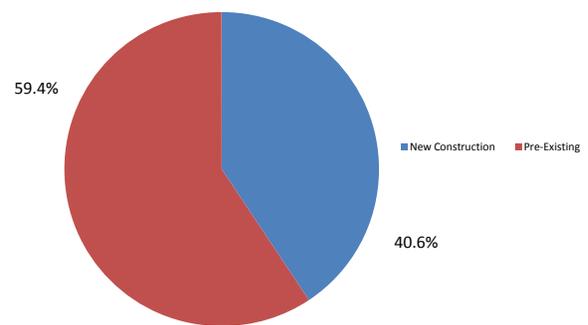
At a Glance (For the Past 2 Year Period)

Number of Loans	13,882
Average Loan Amount	\$ 165,636
Average Down Payment Assistance	\$ 6,443
Current MCC Credit Rate	40%
Average Purchase Price	\$ 170,478
Average Annual Income	\$ 52,944
Average Household Size	2.5
Average FICO Score	683

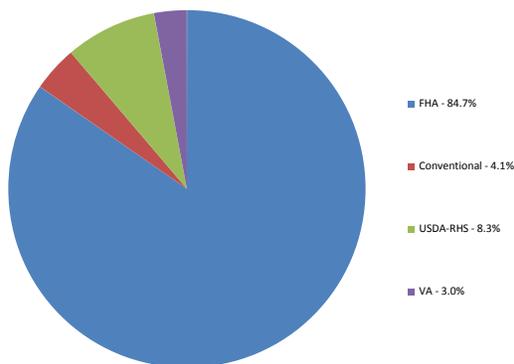
Household Income



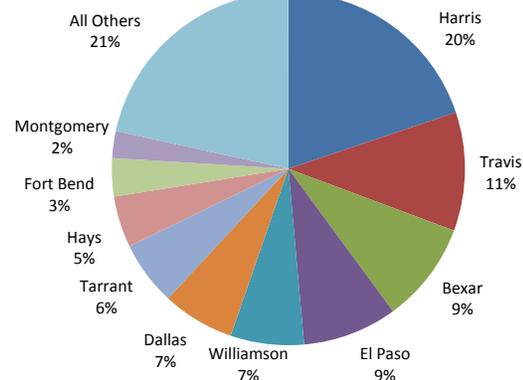
New Construction or Pre-Existing



Type of Loan



Top 10 Counties

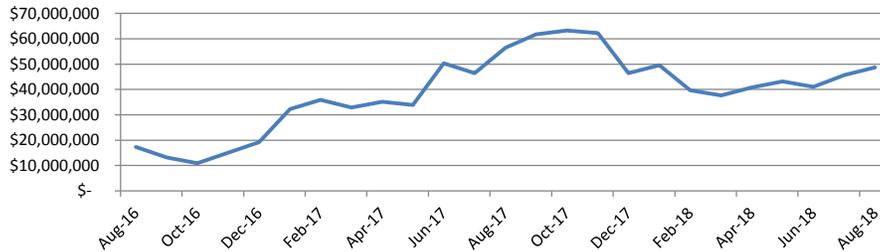


Texas Department of Housing and Community Affairs

My First Texas Home (Loan without an MCC)

As of August 31, 2018

My First Texas Home (Loan without an MCC) Monthly Loan Purchase Activity



Reflects loans purchased by the Master Servicer in the month the loan was purchased. A seasonal reduction in new loan origination typically occurs December through February and is reflected on a delayed basis to take into account the time from loan origination to closing and purchase by the Master Servicer. The overall surge in activity is primarily due to our new relationship with Idaho HFA as Master Servicer.

Recent 3-Month Activity (6/1/2018 - 8/31/2018)

Number of Loans	823
Total Loan Amount	\$ 135,371,433

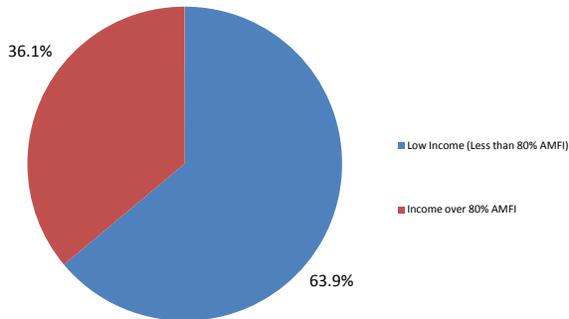
At a Glance (For the Past 2 Year Period)

Number of Loans	6,034
Average Loan Amount	\$ 159,518
Average Down Payment Assistance	\$ 6,411
Average Purchase Price	\$ 162,724
Average Annual Income	\$ 54,080
Average Household Size	2.6
Average FICO Score	674

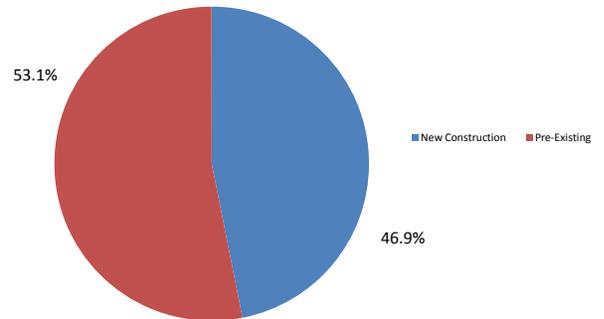
Interest Rates (For the Past 2 Year Period)

2 Year Average	4.55%
Last 12 Month Average	4.86%
Last 30 Day Average	5.48%

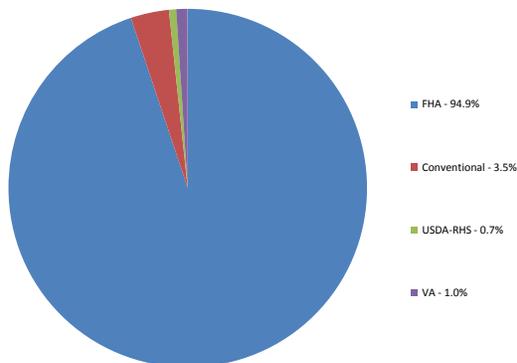
Household Income



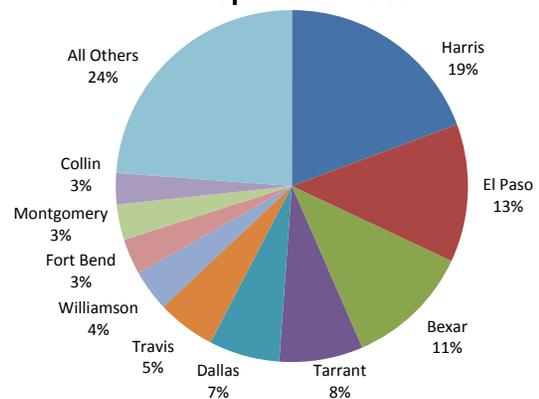
New Construction or Pre-Existing



Type of Loan



Top 10 Counties

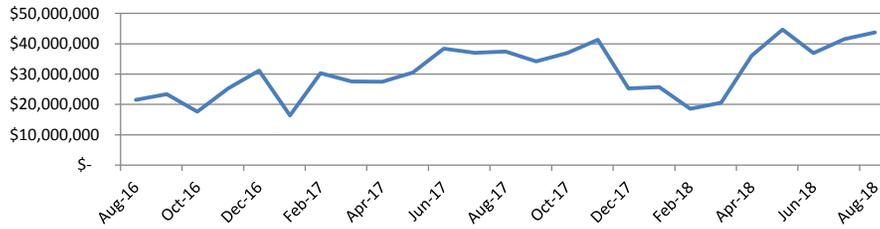


Texas Department of Housing and Community Affairs

Mortgage Credit Certificates (MCCs)

As of August 31, 2018

Mortgage Credit Certificates (MCCs) Monthly MCC Issuance Activity

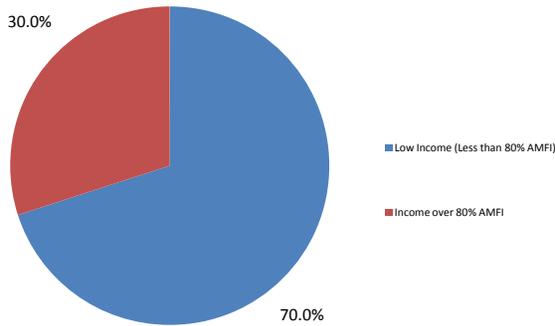


Recent 3-Month Activity (6/1/2018 - 8/31/2018)	
Number of Loans	658
Total Loan Amount	\$ 121,780,833

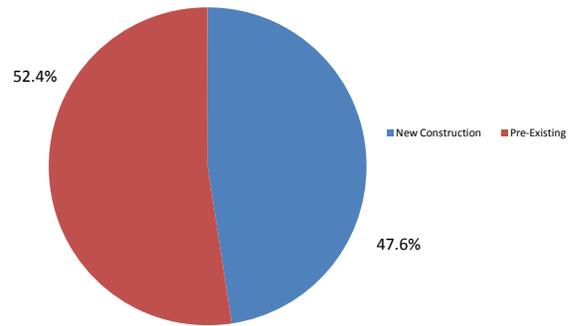
At a Glance (For the Past 2 Year Period)	
Number of MCCs	4,195
Average Loan Amount	\$ 178,186
Current MCC Credit Rate	40%
Average Purchase Price	\$ 186,569
Average Annual Income	\$ 52,465
Average Household Size	2.4
Average FICO Score	702

Reflects MCCs issued over a two-year period. A seasonal reduction in MCC issuances typically occurs September through February; however, the recent surge in activity is primarily due to our new relationship with Idaho HFA as Master Servicer.

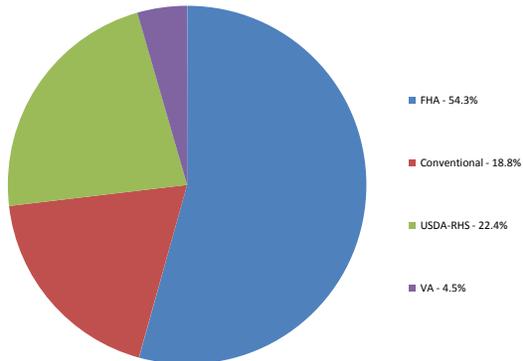
Household Income



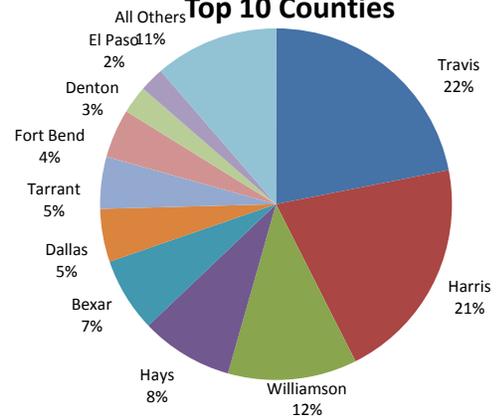
New Construction or Pre-Existing



Type of Loan



Top 10 Counties

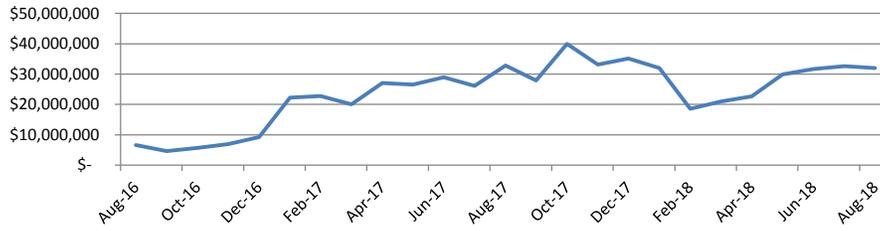


Texas Department of Housing and Community Affairs

Combos (My First Texas Home Loan with an MCC)

As of August 31, 2018

Combos (My First Texas Home Loan with an MCC)
Monthly Combo Issuance Activity



Reflects Combos issued over a two-year period. A seasonal reduction in Combos typically occurs September through February; however, the overall surge in activity is primarily due to our new relationship with Idaho HFA as Master Servicer.

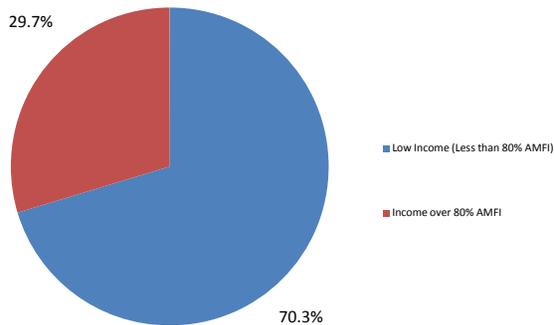
Recent 3-Month Activity (6/1/2018 - 8/31/2018)

Number of Loans	591
Total Loan Amount	\$ 96,309,192

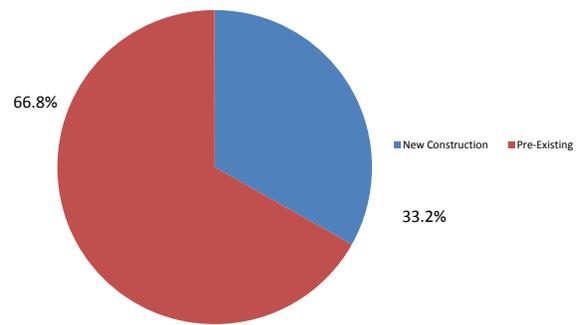
At a Glance (For the Past 2 Year Period)

Number of Combos	3,653
Average Loan Amount	\$ 161,328
Average Down Payment Assistance	\$ 6,496
Current MCC Credit Rate	40%
Average Purchase Price	\$ 164,807
Average Annual Income	\$ 51,618
Average Household Size	2.6
Average FICO Score	675

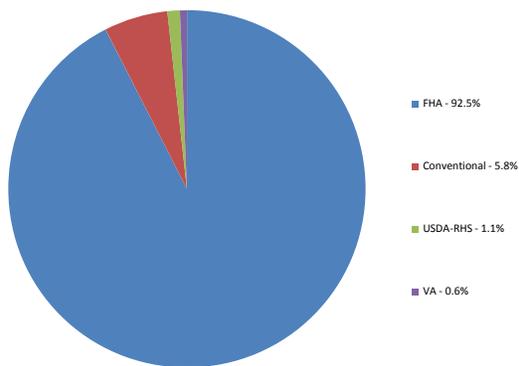
Household Income



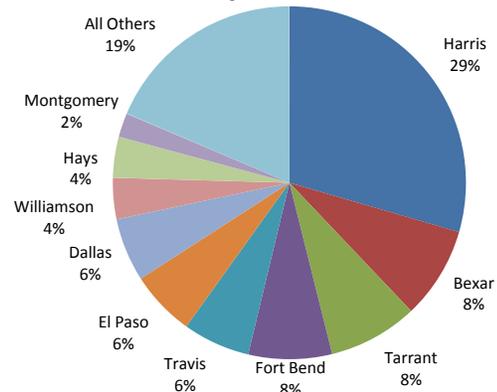
New Construction or Pre-Existing



Type of Loan



Top 10 Counties



4a

DUE TO FORMATTING ISSUES, 4a can be accessed at

<http://www.tdhca.state.tx.us/board/meetings.htm>

4b

DUE TO FORMATTING ISSUES, 4b can be
accessed at

[http://www.tdhca.state.tx.us/board/
meetings.htm](http://www.tdhca.state.tx.us/board/meetings.htm)