

ENFORCEMENT ACTION AGAINST	§	BEFORE THE
2525 PLAYERS COURT LLC,	§	TEXAS DEPARTMENT OF
4753 DUNCANVILLE ROAD LLC,	§	HOUSING AND COMMUNITY
2359 HIGHLAND ROAD LLC, AND	§	AFFAIRS
600 EAST ARKANSAS LANE LLC WITH RESPECT TO	§	
TWENTYFIVE25 (BOND # MF009, CMTS 2529),	§	
SOLAIRE (BOND # MF011, CMTS 2562), THE	§	
FINLEY (BOND # MF012, CMTS 2535), AND 600	§	
EAST (BOND FILE # MF014 / CMTS # 2519)	§	

AGREED FINAL ORDER

General Remarks and official action taken:

On this 5th day of November, 2020, the Governing Board (Board) of the Texas Department of Housing and Community Affairs (TDHCA or Department) considered the matter of whether enforcement action should be taken against 2525 PLAYERS COURT LLC, 4753 DUNCANVILLE ROAD LLC, 2359 HIGHLAND ROAD LLC, AND 600 EAST ARKANSAS LANE LLC, all Texas limited liability companies (collectively, Respondent).

This Agreed Order is executed pursuant to the authority of the Administrative Procedure Act (APA), Tex. Gov't Code §2001.056, which authorizes the informal disposition of contested cases. In a desire to conclude this matter without further delay and expense, the Board and Respondent agree to resolve this matter by this Agreed Final Order. The Respondent agrees to this Order for the purpose of resolving this proceeding only and without admitting or denying the findings of fact and conclusions of law set out in this Order.

Upon recommendation of the Enforcement Committee, the Board makes the following findings of fact and conclusions of law and enters this Order:

WAIVER

Respondent acknowledges the existence of their right to request a hearing as provided by Tex. Gov't Code §2306.044, and to seek judicial review, in the District Court of Travis County, Texas, of any order as provided by Tex. Gov't Code §2306.047. Pursuant to this compromise and settlement, the Respondent waives those rights and acknowledges the jurisdiction of the Board over Respondent.

FINDINGS OF FACT (FOF)

Jurisdiction:

1. Asmara Affordable Housing, Inc. (Prior Owner) acquired multiple properties in 1996 using proceeds from NHP Foundation – Asmara Project Series 1996A Bonds. The bonds were refinanced in 2003 using NHP Foundation – Asmara Project Series 2003 Bonds totaling \$31,500,000 to refund Series 1996, and to finance capital improvements and necessary repairs to nine projects in Texas, including TwentyFive25 (Bond # MF009, CMTS 2529), Solaire (Bond # MF011, CMTS 2562), The Finley (Bond # MF012, CMTS 2535), and 600 East (Bond # MF014, CMTS # 2519) (collectively, Properties).
2. Prior Owner signed four land use restriction agreements (collectively LURAs) regarding the Properties. The first was an Amended and Restated Regulatory and Land Use Restriction Agreement (TwentyFive25 Bond LURA), dated as of December 1, 2003, and filed of record at Document Number 2003203160 of the Official Public Records of Real Property of Denton County, Texas. The second was an Amended and Restated Regulatory and Land Use Restriction Agreement (Solaire Bond LURA), dated as of December 1, 2003, and filed of record at Document Number 200302687761 of the Official Public Records of Real Property of Dallas County, Texas, as amended by that first amendment dated April 1, 2013, and filed of record at Document Number 201300132550. The third was an Amended and Restated Regulatory and Land Use Restriction Agreement (Finley Bond LURA), dated as of December 1, 2003, and filed of record at Document Number 200302687762 of the Official Public Records of Real Property of Dallas County, Texas, as amended by that first amendment signed April 1, 2013, and filed of record at Document Number 201300132551. The fourth was a an Amended and Restated Regulatory and Land Use Restriction Agreement (600 East Bond LURA), dated as of December 1, 2003, and filed of record at Document Number D203462754 of the Official Public Records of Real Property of Tarrant County, Texas. In accordance with Section 11 of each LURA, the LURAs are a restrictive covenant/deed restriction encumbering the Properties and binding on all successors and assigns for the full term of the LURAs.
3. Respondent purchased the Properties in 2017, and is bound to the terms of the LURAs in accordance with Section 11 thereof.
4. Respondent is subject to the regulatory authority of TDHCA.

Compliance Violations¹:

TwentyFive25:

1. An on-site monitoring review was conducted on January 17, 2020, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and an April 30, 2020, corrective action deadline was set, however, no corrective documentation was received by the deadline and the following violations were referred for an administrative penalty:
 - a. Respondent failed to provide Tenant Income Certification and Documentation for units 802 and 1012, a violation of 10 TAC §10.612 (Tenant File Requirements) and Section 2(b) of the TwentyFive25 Bond LURA, which require Bond developments with less than 100% of units set aside for low income households to annually recertify each household. The violation for unit 802 was corrected on May 27, 2020, and the violation for Unit 1012 was corrected on June 9, 2020, after intervention by the Enforcement Committee.

Solaire:

2. An on-site monitoring review was conducted on January 28, 2020, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and a May 11, 2020, corrective action deadline was set, however, no corrective documentation was received by the deadline and the following violations were referred for an administrative penalty:
 - b. Respondent failed to provide documentation that household incomes were within prescribed limits upon initial occupancy for units 112 and 203, a violation of 10 TAC §10.611 (Determination, Documentation and Certification of Annual Income) and Section 2(b) of the Solaire Bond LURA, which require screening of tenants to ensure qualification for the program. The violation for unit 112 was corrected on June 1, 2020, and the violation for unit 203 was dropped on June 11, 2020, after intervention by the Enforcement Committee.
 - c. Respondent failed to provide Tenant Income Certification and Documentation for units 202, 305, 306, 601, and 709, a violation of 10 TAC §10.612 (Tenant File Requirements) and Section 2(b) of the Solaire Bond LURA, which require Bond developments with less than 100% of units set aside for low income households

¹ Within this Agreed Final Order, all references to violations of TDHCA Compliance Monitoring rules at 10 TAC Chapter 10 refers to the versions of the code in effect at the time of the compliance monitoring reviews and/or inspections that resulted in recording each violation. All past violations remain violations under the current code and all interim amendments.

to annually recertify each household. Violations were corrected between June 1, 2020 and June 16, 2020, after intervention by the Enforcement Committee.

- d. Respondent failed to maintain written tenant selection criteria under which each household was screened in the tenant files for units 207, 305, 306, 402, 404, 413, and 601, a violation of 10 TAC §10.610 (Written Policies and Procedures), which requires all developments to establish written tenant selection criteria that meet minimum TDHCA requirements and maintain a copy in the tenant file. Violations for units 207, 404, and 413 were dropped when corrections were submitted on June 1, 2020, and other unit violations were corrected between June 1, 2020, and June 24, 2020, after intervention by the Enforcement Committee.

The Finley:

- 3. An on-site monitoring review was conducted on February 7, 2020, to determine whether Respondent was in compliance with LURA requirements to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and a May 14, 2020, corrective action deadline was set, however, no corrective documentation was received by the deadline and the following violations were referred for an administrative penalty:
 - e. Respondent failed to submit pre-onsite documentation, including Written Policies and Procedures, an Affirmative Marketing Plan, and documentation of Social Services, a violation of 10 TAC §10.607 and §10.618, which require all developments to submit necessary documentation as requested in preparation for an upcoming monitoring review. The violation was corrected on June 17, 2020, after intervention by the Enforcement Committee.
 - f. Respondent failed to provide documentation that household income was within prescribed limits upon initial occupancy for unit 239, a violation of 10 TAC §10.611 (Determination, Documentation and Certification of Annual Income) and Section 2(b) of the Finley Bond LURA, which require screening of tenants to ensure qualification for the program. The violation was corrected on June 17, 2020, after intervention by the Enforcement Committee.
 - g. Respondent failed to execute required lease provisions or exclude prohibited lease language for unit 239, a violation of 10 TAC §10.613 (Lease Requirements), which requires leases to include specific language protecting tenants from eviction without good cause and prohibiting owners from taking certain actions such as locking out or seizing property, or threatening to do so, except by judicial process. The violation was corrected on June 17, 2020, after intervention by the Enforcement Committee.
 - h. Respondent failed to provide a Tenant Rights and Resources Guide and get a signed Acknowledgment for unit 239, a violation of 10 TAC §10.613 (Lease Requirements), which requires owners to post a laminated copy of the Guide in a

common area of the leasing office and provide a copy to each household during the application process and upon any subsequent change to common amenities, unit amenities, or services. The violation was corrected on June 17, 2020, after intervention by the Enforcement Committee.

- i. Respondent failed to provide Tenant Income Certification and Documentation for units 115, 253, 255, a violation of 10 TAC §10.612 (Tenant File Requirements) and Section 2(b) of the Finley Bond LURA, which require Bond developments with less than 100% of units set aside for low income households to annually recertify each household. The violations were corrected on June 17, 2020, after intervention by the Enforcement Committee.
- j. Respondent failed to maintain written tenant selection criteria under which each household was screened in the tenant files for units 210, 224, and 268, a violation of 10 TAC §10.610 (Written Policies and Procedures), which requires all developments to establish written tenant selection criteria that meet minimum TDHCA requirements and maintain a copy in the tenant file. The violations were corrected on July 29, 2020, after intervention by the Enforcement Committee.

600 East f/k/a Stone Ridge

4. A Uniform Physical Condition Standards (UPCS) inspection was conducted on March 11, 2020. Inspection reports showed numerous serious property condition violations, a violation of 10 TAC § 10.621 (Property Condition Standards). Notifications of noncompliance were sent and a June 29, 2020, corrective action deadline was set. No corrective documentation was received by the deadline and violations listed at Exhibit 1 were referred for an administrative penalty. Final proof of correction was received on October 6, 2020, after intervention by the Enforcement Committee.
5. All violations listed above are considered resolved at the time of this Order.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503, and 10 TAC Chapter 2.
2. Respondent is a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14).
3. Respondent violated 10 TAC §10.612 and Section 2(b) of the LURAs in 2020, by failing to provide annual recertifications for units 802 and 1012 at TwentyFive25, units 202, 305, 306, 601, and 709 at Solaire, and units 115, 253, 255 at The Finley.
4. Respondent violated 10 TAC §10.611 and Section 2(b) of the LURAs in 2020, by failing to provide documentation that household incomes were within prescribed limits upon initial occupancy for units 112 and 203 at Solaire and unit 239 at The Finley.

5. Respondent violated 10 TAC §10.610 in 2020, by not maintaining written tenant selection criteria in the tenant files for units 207, 305, 306, 402, 404, 413, and 601 at Solaire, and units 210, 224, and 268 at The Finley.
6. Respondent violated 10 TAC §10.607 and §10.618 in 2020, by not submitting pre-onsite documentation including Written Policies and Procedures, an Affirmative Marketing Plan, and documentation of Social Services in preparation for the monitoring review at The Finley.
7. Respondent violated leasing requirements in 10 TAC §10.613 in 2020, by failing to execute required lease provisions and prohibitions for unit 239 at The Finley.
8. Respondent violated leasing requirements in 10 TAC §10.613 in 2020, by failing to provide a Tenant Rights and Resources Guide for unit 239 at The Finley and having the household sign an acknowledgment form.
9. Respondent violated 10 TAC §10.621, by failing to comply with HUD's Uniform Physical Condition Standards when major violations were discovered and not timely corrected at 600 East.²
10. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules, the Board has personal and subject matter jurisdiction over Respondent pursuant to Tex. Gov't Code §2306.041 and §2306.267.
11. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
12. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code §2306.053 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to Tex. Gov't Code §2306.041.
13. An administrative penalty of \$2,500 is an appropriate penalty in accordance with 10 TAC Chapter 2.

² HUD's Uniform Physical Condition Standards are the standards adopted by TDHCA pursuant to 10 TAC §10.621(a)

Based upon the foregoing findings of fact and conclusions of law, and an assessment of the factors set forth in Tex. Gov't Code §2306.042 to be considered in assessing such penalties as applied specifically to the facts and circumstances present in this case, the Governing Board of the Texas Department of Housing and Community Affairs orders the following:

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$2,500.

IT IS FURTHER ORDERED that Respondent shall follow the requirements of 10 TAC §10.406, a copy of which is included at Exhibit 2, and obtain approval from the Department prior to consummating a sale of the property, if contemplated.

IT IS FURTHER ORDERED that the terms of this Agreed Final Order shall be published on the TDHCA website.

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Approved by the Governing Board of TDHCA on November 5, 2020.

By: /s/ Leslie Bingham
Name: Leslie Bingham
Title: Vice Chair of the Board of TDHCA

By: /s/ James "Beau" Eccles
Name: James "Beau" Eccles
Title: Secretary of the Board of TDHCA

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this 17th day of November, 2020, personally appeared Leslie Bingham, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

/s/ Isidro Ceballos Jr
Notary Public, State of Texas

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this ____ day of November, 2020, personally appeared James "Beau" Eccles, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

/s/ Nancy N Dennis
Notary Public, State of Texas

SIGNATURE PAGE FOR TWENTYFIVE25

STATE OF TEXAS §
 §
COUNTY OF Travis §

BEFORE ME, Michael Oberrender (notary name), a notary public in and for the State of Texas, on this day personally appeared Alan Stalcup (person signing document), known to me or proven to me through circle one: personally known / driver's license / passport to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he/she) executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

1. "My name is Alan Stalcup, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I hold the office of Manager for Respondent. I am the authorized representative of Respondent, owner of the Property, which is subject to a Land Use Restriction Agreement monitored by the TDHCA in the State of Texas, and I am duly authorized by Respondent to execute this document.
3. Respondent knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Governing Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:

2525 PLAYERS COURT LLC, a Texas limited liability company

By: /s/ Alan Stalcup

Name: Alan Stalcup

Title: Manager

Given under my hand and seal of office this 24th day of November, 2020.

/s/ Michael Oberrender
Signature of Notary Public

Michael Oberrender
Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF Texas
My Commission Expires: 10/01/2022

SIGNATURE PAGE FOR SOLAIRE

STATE OF TEXAS §
§
COUNTY OF Travis §

BEFORE ME, Michael Oberrender (*notary name*), a notary public in and for the State of Texas, on this day personally appeared Alan Stalcup (*person signing document*), known to me or proven to me through circle one: personally known / driver's license / passport to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he/she) executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

1. "My name is Alan Stalcup, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I hold the office of Manager for Respondent. I am the authorized representative of Respondent, owner of the Property, which is subject to a Land Use Restriction Agreement monitored by the TDHCA in the State of Texas, and I am duly authorized by Respondent to execute this document.
3. Respondent knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Governing Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:

4753 DUNCANVILLE ROAD LLC, a Texas limited liability company

By: /s/ Alan Stalcup
Name: Alan Stalcup
Title: Manager

Given under my hand and seal of office this 24th day of November, 2020.

/s/ Michael Oberrender
Signature of Notary Public

Michael Oberrender
Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF Texas
My Commission Expires: 10/01/2022

SIGNATURE PAGE FOR THE FINLEY

STATE OF TEXAS §
 §
COUNTY OF Travis §

BEFORE ME, Michael Oberrender (*notary name*), a notary public in and for the State of Texas, on this day personally appeared Alan Stalcup (*person signing document*), known to me or proven to me through circle one: personally known / driver's license / passport to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that (he/she) executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

1. "My name is Alan Stalcup, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I hold the office of Manager for Respondent. I am the authorized representative of Respondent, owner of the Property, which is subject to a Land Use Restriction Agreement monitored by the TDHCA in the State of Texas, and I am duly authorized by Respondent to execute this document.
3. Respondent knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Governing Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:

2359 HIGHLAND ROAD LLC, a Texas limited liability company

By: /s/ Alan Stalcup

Name: Alan Stalcup

Title: Manager

Given under my hand and seal of office this 24th day of November, 2020.

/s/ Michael Oberrender

Signature of Notary Public

Michael Oberrender

Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF Texas

My Commission Expires: 10/01/2022

Exhibit 1

UPCS Violation List

NOT AVAILABLE IN ACCESSIBLE FORMAT.

OMITTED FROM WEB VERSION.

NOT AVAILABLE IN ACCESSIBLE FORMAT, OMITTED FROM WEB VERSION.

NOT AVAILABLE IN ACCESSIBLE FORMAT. OMITTED FROM WEB VERSION.

NOT AVAILABLE IN ACCESSIBLE FORMAT. OMITTED FROM WEB VERSION.

NOT AVAILABLE IN ACCESSIBLE FORMAT. OMITTED FROM WEB VERSION.

NOT AVAILABLE IN ACCESSIBLE FORMAT. OMITTED FROM WEB VERSION.

Exhibit 2:

Texas Administrative Code

TITLE 10 COMMUNITY DEVELOPMENT
PART 1 TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 10 UNIFORM MULTIFAMILY RULES
SUBCHAPTER E POST AWARD AND ASSET MANAGEMENT REQUIREMENTS
RULE §10.406 Ownership Transfers (§2306.6713)

(a) Ownership Transfer Notification. All multifamily Development Owners must provide written notice and a completed Ownership Transfer packet, if applicable, to the Department at least 45 calendar days prior to any sale, transfer, or exchange of the Development or any portion of or Controlling interest in the Development. Except as otherwise provided herein, the Executive Director's prior written approval of any such transfer is required. The Executive Director may not unreasonably withhold approval of the transfer requested in compliance with this section.

(b) Exceptions. The following exceptions to the ownership transfer process outlined herein apply:

(1) A Development Owner shall be required to notify the Department but shall not be required to obtain Executive Director approval when the transferee is an Affiliate of the Development Owner with no new Principals or the transferee is a Related Party who does not Control the Development and the transfer is being made for estate planning purposes.

(2) Transfers that are the result of an involuntary removal of the general partner by the investment limited partner do not require advance approval but must be reported to the Department as soon as possible due to the sensitive timing and nature of this decision. In the event the investment limited partner has proposed a new general partner or will permanently replace the general partner, a full Ownership Transfer packet must be submitted.

(3) Changes to the investment limited partner, non-Controlling limited partner, or other non-Controlling partners affiliated with the investment limited partner do not require Executive Director approval. A General Partner's acquisition of the interest of the investment limited partner does not require Executive Director approval, unless some other change in ownership is occurring as part of the same overall transaction.

(4) Changes resulting from foreclosure do not require advance approval but acquiring parties must notify the Department as soon as possible of the revised ownership structure and ownership contact information.

(c) General Requirements.

(1) Any new Principal in the ownership of a Development must be eligible under §11.202 of Subchapter C (relating to Ineligible Applicants and Applications). In addition, Principals will be reviewed in accordance with Chapter 1, Subchapter C of this title (relating to Previous Participation and Executive Award Review and Advisory Committee).

(2) Changes in Developers or Guarantors must be addressed as non-material amendments to the application under §10.405 of this subchapter.

(3) To the extent an investment limited partner or its Affiliate assumes a Controlling interest in a Development Owner, such acquisition shall be subject to the Ownership Transfer requirements set forth herein. Principals of the investment limited partner or Affiliate will be considered new Principals and will be reviewed as stated under paragraph (1) of this subsection.

(4) Simultaneous transfer or concurrent offering for sale of the General Partner's and Limited Partner's control and interest will be subject to the Ownership Transfer requirements set forth herein and will trigger a Right of First Refusal, if applicable.

(d) Transfer Actions Warranting Debarment. If the Department determines that the transfer, involuntary removal, or replacement was due to a default by the General Partner under the Limited Partnership Agreement, or other detrimental action that put the Development at risk of failure or the Department at risk for financial exposure as a result of non-compliance, staff may make a recommendation to the Board for the

debarment of the entity and/or its Principals and Affiliates pursuant to the Department's debarment rule. In addition, a record of transfer involving Principals in new proposed awards will be reported and may be taken into consideration by the Executive Award and Review Committee, in accordance with Chapter 1, Subchapter C of this title (relating to Previous Participation and Executive Award Review and Advisory Committee), prior to recommending any new financing or allocation of credits.

(e) Transfers Prior to 8609 Issuance or Construction Completion. Prior to the issuance of IRS Form(s) 8609 (for Housing Tax Credits) or the completion of construction (for all Developments funded through other Department programs) an Applicant may request an amendment to its ownership structure to add Principals. The party(ies) reflected in the Application as having Control must remain in the ownership structure and retain Control, unless approved otherwise by the Executive Director. A development sponsor, General Partner or Development Owner may not sell the Development in whole or voluntarily end their Control prior to the issuance of 8609s.

(f) Nonprofit Organizations. If the ownership transfer request is to replace a nonprofit organization within the Development ownership entity, the replacement nonprofit entity must adhere to the requirements in paragraph (1) or (2) of this subsection.

(1) If the LURA requires ownership or material participation in ownership by a Qualified Nonprofit Organization, and the Development received Tax Credits pursuant to §42(h)(5) of the Code, the transferee must be a Qualified Nonprofit Organization that meets the requirements of §42(h)(5) of the Code and Tex. Gov't Code §2306.6706, if applicable, and can demonstrate planned participation in the operation of the Development on a regular, continuous, and substantial basis.

(2) If the LURA requires ownership or material participation in ownership by a nonprofit organization or CHDO, the Development Owner must show that the transferee is a nonprofit organization or CHDO, as applicable, that complies with the LURA.

(3) Exceptions to the above may be made on a case by case basis if the Development is past its Compliance Period/Federal Affordability Period, was not reported to the IRS as part of the Department's Nonprofit Set Aside in any HTC Award year, and follows the procedures outlined in §10.405(b)(1) - (5) of this chapter (relating to LURA Amendments that require Board Approval). The Board must find that:

(A) The selling nonprofit is acting of its own volition or is being removed as the result of a default under the organizational documents of the Development Owner;

(B) The participation by the nonprofit was substantive and meaningful during the full term of the Compliance Period but is no longer substantive or meaningful to the operations of the Development; and

(C) The proposed purchaser is an affiliate of the current Owner or otherwise meets the Department's standards for ownership transfers.

(g) Historically Underutilized Business (HUB) Organizations. If a HUB is the general partner or special limited partner of a Development Owner and it determines to sell its ownership interest, after the issuance of 8609's, the purchaser of that partnership interest or the general or special limited partner is not required to be a HUB as long as the procedure described in §10.405(b)(1) of this chapter (relating to Non-Material LURA Amendments) has been followed and approved.

(h) Documentation Required. A Development Owner must submit documentation requested by the Department to enable the Department to understand fully the facts and circumstances pertaining to the transfer and the effects of approval or denial. Documentation must be submitted as directed in the Post Award Activities Manual, which includes but is not limited to:

(1) A written explanation outlining the reason for the request;

(2) Ownership transfer information, including but not limited to the type of sale, amount of Development reserves to transfer in the event of a property sale, and the prospective closing date;

(3) Pre and post transfer organizational charts with TINs of each organization down to the level of natural persons in the ownership structure as described in §11.204(13)(A) of Subchapter C;

(4) A list of the names and contact information for transferees and Related Parties;

(5) Previous Participation information for any new Principal as described in §11.204(13)(B) of Subchapter C;

(6) Agreements among parties associated with the transfer;

(7) Owners Certifications with regard to materials submitted further described in the Post Award Activities Manual;

(8) Detailed information describing the organizational structure, experience, and financial capacity of any party holding a controlling interest in any Principal or Controlling entity of the prospective Development Owner;

(9) Evidence and certification that the tenants in the Development have been notified in writing of the proposed transfer at least 30 calendar days prior to the date the transfer is approved by the Department. The ownership transfer approval letter will not be issued until this 30 day period has expired;

(10) Any required exhibits and the list of exhibits related to specific circumstances of transfer or Ownership as detailed in the Post Award Activities Manual.

(i) Once the Department receives all necessary information under this section and as required under the Post Award Activities Manual, staff shall initiate a qualifications review of a transferee, in accordance with Chapter 1, Subchapter C of this title (relating to Previous Participation and Executive Award Review and Advisory Committee), to determine the transferee's past compliance with all aspects of the Department's programs, LURAs and eligibility under this chapter and §11.202 of Subchapter C (relating to Ineligible Applicants and Applications).

(j) Credit Limitation. As it relates to the Housing Tax Credit amount further described in §11.4(a) of this title (relating to Tax Credit Request and Award Limits), the credit amount will not be applied in circumstances described in paragraphs (1) and (2) of this subsection:

(1) In cases of transfers in which the syndicator, investor or limited partner is taking over ownership of the Development and not merely replacing the general partner; or

(2) In cases where the general partner is being replaced if the award of credits was made at least five years prior to the transfer request date.

(k) Penalties, Past Due Fees and Underfunded Reserves. The Development Owner must comply with any additional documentation requirements as stated in Subchapter F of this chapter (relating to Compliance Monitoring). The Development Owner, as on record with the Department, will be liable for any penalties or fees imposed by the Department even if such penalty can be attributable to the new Development Owner unless such ownership transfer is approved by the Department. In the event a transferring Development has a history of uncorrected UPCS violations, ongoing issues related to keeping housing sanitary, safe, and decent, an account balance below the annual reserve deposit amount as specified in §10.404(a) (relating to Replacement Reserve Accounts), or that appears insufficient to meet capital expenditure needs as indicated by the number or cost of repairs included in a PCA, the prospective Development Owner may be required to establish and maintain a replacement reserve account or increase the amount of regular deposits to the replacement reserve account by entering into a Reserve Agreement with the Department. The Department may also request a plan and timeline relating to needed repairs or renovations that will be completed by the departing and/or incoming Owner as a condition to approving the Transfer.

(l) Ownership Transfer Processing Fee. The ownership transfer request must be accompanied by the corresponding ownership transfer fee as outlined in §11.901 of this chapter (relating to Fee Schedule, Appeals, and other Provisions).

Source Note: The provisions of this §10.406 adopted to be effective January 5, 2017, 41 TexReg 10569; amended to be effective January 4, 2018, 42 TexReg 7610; amended to be effective December 30, 2018, 43 TexReg 8297