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TEXAS

State Affordable Housing Corporation

**July Board Meeting**

To be held at the offices of
Texas State Affordable Housing Corporation
6701 Shirley Avenue
Austin, TX 78752

via Webinar Located:
https://webinar.ringcentral.com/webinar/register/WN_xOpEFRwQS5etcUMJhTkqAw

Dial-in number: +1 (346) 980-4201
Webinar ID: 149 583 9200
Participant ID: Receive Upon Registration

Wednesday, July 21, 2021
10:30 a.m.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**
**BOARD MEETING**
**AGENDA**
**To be held at the offices of**
**Texas State Affordable Housing Corporation**
**6701 Shirley Avenue**
**Austin, Texas 78752**

**The Governing Board of the Texas State Affordable Housing Corporation (TSAHC) will meet both online and in-person.**

**July 21, 2021**
**10:30 A.M.**

**ONLINE MEETING LOCATION:**

Considering the March 13, 2020, disaster declaration by the Office of the Governor, and the subsequent waivers of portions of Tex. Gov't Code, Ch. 551*, this meeting of the TSAHC governing Board will be accessible to the public via the telephone and web link information, below. In order to engage in two-way communication during the meeting, persons must first register (at no cost) to attend the webinar via the link provided. Anyone who calls into the meeting without registering online will not be able to ask questions or provide comments, but the meeting will still be audible. A recording of the meeting will be made available to the public as soon as possible following the meeting.

**GOVERNING BOARD WEBINAR REGISTRATION:**

**Location:** **https://webinar.ringcentral.com/webinar/register/WN_xOpEFRwQS5etcUMJhTkqAw**
**Dial-in number:** +1(346) 980-4201**, Webinar ID:** 149 583 9200; **Participant ID:** Received upon registration. (Persons who use the dial-in number and access code without registering online will only be able to hear the Board Meeting and will not be able to ask questions or provide comments). Note, this meeting will be proceeding as a teleconference under Tex. Gov't Code §551.125, as modified by waiver, and video will not be available.

**CALL TO ORDER**
**ROLL CALL** **Bill Dietz, 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.**

The Board of Directors of Texas State Affordable Housing Corporation will meet to consider and possibly act on the following:

**PUBLIC COMMENT**

**PRESIDENT'S REPORT** **David Long**

Tab A: Homeownership Finance Report
Tab B: Development Finance Report
Tab C: Monthly Financial Reports

**ACTION ITEMS IN OPEN MEETING:**

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on June 9, 2021.

Tab 2 Presentation, Discussion and Possible Approval of a Resolution authorizing the restructurings of two series of Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds, designated as 2011 Series B / 2009 Series B Bonds, through the Redemption of the related series of Bonds, and all matters related thereto.

Tab 3 Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Tax-Exempt Mortgage-backed Bonds (M-TEBS) (Gardens of Balch Springs Apartments) Series 2021, an Indenture of Trust, a Financing Agreement, a Bond Purchase Agreement, an Asset Oversight, Compliance and Security Agreement, a Regulatory Agreement, a Preliminary Official Statement and a Final Official Statement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the bonds; and other provisions in connection therewith.

Tab 4 Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Riverstation) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

Tab 5 Presentation, Discussion and Possible Approval of a motion to resubmit Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board for the Sandpiper Cove Apartments Project.

Tab 6 Review, Discussion and Possible Approval of the Annual Performance Review of the President of the Corporation and related actions.

**CLOSED MEETING:**
Consultation with legal counsel on legal matters – Texas Government Code § 551.071
Deliberation regarding purchase, exchange, lease, or value of real property – Texas Government Code § 551.072
Deliberation regarding prospective gift or donation to the state or Texas State Affordable Housing Corporation – Texas Government Code § 551.073
Personnel Matters – Texas Government Code § 551.074
Implementation of security personnel or devices – Texas Government Code § 551.076
Other matters authorized under the Texas Government Code

**ACTION ITEMS IN OPEN MEETING:**

Action in Open Meeting on Items Discussed in Closed Executive Session

**ANNOUNCEMENTS AND CLOSING COMMENTS**

**ADJOURN**

*A Board member of the Corporation may participate in a Board meeting by video conference pursuant to Section 551.127 of the Texas Government Code. A quorum of the Board will meet at the Texas State Affordable Housing Corporation's headquarters located at 6701 Shirley Avenue., Austin Texas, 78752.*

*Individuals who require auxiliary aids or services for this meeting should contact Rebecca DeLeon, ADA Responsible Employee, at 512-220-1174 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that the appropriate arrangements can be made.*

*Section 46.035 of the Texas Penal Code prohibits handgun licensees from carrying their handguns at government meetings such as this one. This prohibition applies to both concealed carry and open carry by handgun licensees. Handgun licensees are required by law to refrain from carrying their handguns at this meeting.*

*Texas State Affordable Housing Corporation reserves the right to recess this meeting (without adjourning) and convene at a later stated time, if and to the extent allowed by law. If Texas State Affordable Housing Corporation adjourns this meeting and reconvenes at a later time, the later meeting will be held in the same location as this meeting. Texas State Affordable Housing Corporation also reserves the right to proceed into a closed meeting during the meeting in accordance with the Open Meetings Act, Chapter 551 of the Texas Government Code. If permitted by the Open Meetings Act, Chapter 551 of the Texas Government Code, any item on this Agenda to be discussed in open meeting may also be discussed by the Board (and any other authorized persons) in closed meeting.*

# President's Report

# Tab A

# Homeownership Finance Report

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## Homeownership Programs with Down Payment Assistance
## January 1 to April 30, 2021

| Month | Closed | # of Loans | % Total |
|---|---|---|---|
| January-21 | $ 263,196,644 | 1286 | 21.8% |
| February-21 | $ 236,943,488 | 1155 | 19.6% |
| March-21 | $ 351,429,925 | 1684 | 29.0% |
| April-21 | $ 358,277,925 | 1723 | 29.6% |
| **Totals** | **$1,209,847,982** | **5848** | **100%** |

| Lender | Closed | # of Loans | % Total |
|---|---|---|---|
| Fairway Independent Mortgage Corporation | $92,831,643 | 476 | 7.7% |
| Everett Financial, dba Supreme Lending | $72,064,911 | 338 | 6.0% |
| Gateway Mortgage Group, a division of | $61,896,834 | 314 | 5.1% |
| DHI Mortgage Company, Ltd. | $53,596,273 | 228 | 4.4% |
| PrimeLending | $51,791,664 | 256 | 4.3% |
| Stearns Lending, LLC | $45,756,667 | 189 | 3.8% |
| Movement Mortgage, LLC | $43,236,644 | 210 | 3.6% |
| Guild Mortgage Corporation | $41,886,641 | 211 | 3.5% |
| Academy Mortgage Corporation | $38,104,403 | 190 | 3.1% |
| Ark-La-Tex Financial (Benchmark Mtg.) | $33,452,021 | 156 | 2.8% |
| SFMC, LP dba Service First Mortgage Comp | $33,425,690 | 159 | 2.8% |
| loanDepot.com LLC | $30,860,647 | 152 | 2.6% |
| Amcap Mortgage, LTD | $26,566,959 | 137 | 2.2% |
| Guaranteed Rate | $22,066,692 | 110 | 1.8% |
| CMG Mortgage, Inc. dba CMG Financial | $22,043,281 | 97 | 1.8% |
| Lennar Mortgage, LLC | $21,678,931 | 97 | 1.8% |
| Security National Mortgage Company | $21,578,883 | 112 | 1.8% |
| Cornerstone Home Lending, Inc. | $20,950,118 | 96 | 1.7% |
| Pulte Mortgage LLC | $20,397,171 | 88 | 1.7% |
| Cardinal Financial Company | $20,396,295 | 100 | 1.7% |
| American Pacific Mortgage Corporation | $16,409,137 | 81 | 1.4% |
| Highlands Residential Mortgage | $16,219,946 | 77 | 1.3% |
| Town Square Mortgage & Investments, Inc. | $15,416,990 | 79 | 1.3% |
| Wallick and Volk, Inc. | $15,364,759 | 74 | 1.3% |
| Thrive Mortgage, LLC | $14,730,853 | 69 | 1.2% |
| Network Funding, LP | $13,591,840 | 63 | 1.1% |
| SWBC Mortgage Corporation | $13,384,742 | 71 | 1.1% |
| Caliber Home Loans, Inc. | $13,254,804 | 62 | 1.1% |
| Hometrust Mortgage Company | $12,548,084 | 70 | 1.0% |
| Southwest Funding, LP | $11,073,309 | 53 | 0.9% |
| First Continental Mortgage, Ltd. | $10,589,940 | 39 | 0.9% |
| Gardner Financial Services, Ltd. | $10,265,474 | 50 | 0.8% |
| Nations Reliable Lending, LLC | $9,853,895 | 50 | 0.8% |
| NTFN, Inc. | $9,687,669 | 44 | 0.8% |
| Waterstone Mortgage Corporation | $9,065,826 | 42 | 0.7% |
| Synergy One Lending, Inc. | $8,787,627 | 44 | 0.7% |
| Interlinc Mortgage Services, LLC | $8,420,413 | 37 | 0.7% |
| Trinity Oaks Mortgage | $7,491,452 | 31 | 0.6% |
| First United Bank & Trust | $7,367,195 | 35 | 0.6% |
| Cherry Creek Mortgage Co., Inc. | $6,508,084 | 28 | 0.5% |
| Mortgage Financial Services, LLC | $6,373,159 | 32 | 0.5% |
| Independent Bank | $6,157,534 | 29 | 0.5% |
| Primary Residential Mortgage, Inc. | $6,077,052 | 32 | 0.5% |
| First Bank | $5,729,482 | 24 | 0.5% |
| Crosscountry Mortgage, LLC | $5,547,396 | 26 | 0.5% |
| Infinity Mortgage Holdings, LLC | $5,223,674 | 28 | 0.4% |
| Republic State Mortgage Co. | $5,061,224 | 21 | 0.4% |
| Inspire Home Loans, Inc. | $5,020,328 | 23 | 0.4% |
| Certainty Home Loans, LLC | $5,016,684 | 28 | 0.4% |
| CLM Mortgage, Inc. | $4,901,774 | 21 | 0.4% |
| LeaderOne Financial | $4,767,852 | 24 | 0.4% |
| First Community Mortgage | $4,645,584 | 29 | 0.4% |
| Patriot Mortgage Company | $4,532,046 | 26 | 0.4% |
| Panorama Mortgage Group, LLC | $4,232,255 | 21 | 0.3% |
| Willow Bend Mortgage Company, LLC | $4,155,231 | 20 | 0.3% |
| Bank of England | $4,046,174 | 19 | 0.3% |
| BancorpSouth Bank | $3,961,945 | 19 | 0.3% |
| Summit Funding, Inc. | $3,953,811 | 17 | 0.3% |

| At a Glance | |
|---|---|
| Average Annual Income | $62,039 |
| Average Purchase Price | $211,624 |
| Average Loan Amount | $206,882 |
| Average Household Size | 2 |
| Average Interest Rate | 3.326% |
| **Program** | **%** |
| **Home Sweet Texas** | **85.84%** |
| **Homes for Texas Heroes** | **14.16%** |
| *Active Military* | *0.84%* |
| *Allied Health Faculty* | *0.12%* |
| *Corrections Officer* | *0.72%* |
| *County Jailer* | *0.17%* |
| *EMS Personnel* | *0.24%* |
| *Fire Fighter* | *0.77%* |
| *Peace Officer* | *1.16%* |
| *Professional Nurse Faculty* | *0.91%* |
| *Public Security Officer* | *0.24%* |
| *School Counselor* | *0.03%* |
| *School Librarian* | *0.00%* |
| *School Nurse* | *0.02%* |
| *Teacher* | *7.25%* |
| *Teacher Aide* | *0.09%* |
| *Veteran* | *1.61%* |
| **New/Existing Home** | |
| Existing | 68.33% |
| New | 31.67% |
| **Type of Loan** | |
| Conventional - Purchase | 18.11% |
| FHA - Purchase | 76.13% |
| USDA-RHS Purchase | 1.93% |
| VA - Purchase | 3.83% |
| **Ethnicity** | |
| American Indian/Alaskan Native | 0.22% |
| Asian/Pacific Islander | 1.44% |
| Black | 12.21% |
| Hispanic | 39.30% |
| Not Defined | 6.19% |
| Other | 5.64% |
| White | 35.00% |

| Top 20 Originating Counties* | # Households |
|---|---|
| Harris | 854 |
| Tarrant | 587 |
| Bexar | 535 |
| Dallas | 480 |
| Denton | 178 |
| El Paso | 164 |
| Montgomery | 154 |
| Kaufman | 148 |
| Collin | 144 |
| Williamson | 143 |
| Fort Bend | 135 |
| Bell | 120 |
| Travis | 120 |
| Cameron | 99 |
| Johnson | 94 |
| Ellis | 91 |
| Lubbock | 89 |
| Galveston | 87 |
| Ector | 78 |
| Hays | 77 |

*Top 20 of all counties statewide. All remaining counties served 1471 households.

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**Homeownership Programs with Down Payment Assistance**
**January 1 to April 30, 2021**

| | | | |
|---|---|---|---|
| Directions Equity, LLC | $3,874,691 | 21 | 0.3% |
| Legacy Mortgage, LLC | $3,748,425 | 25 | 0.3% |
| FBC Mortgage LLC | $3,691,247 | 18 | 0.3% |
| Southwest Bank | $3,679,062 | 19 | 0.3% |
| DAS Acquisition Company, LLC | $3,608,340 | 15 | 0.3% |
| HomeBridge Financial Services | $3,556,093 | 18 | 0.3% |
| Sente Mortgage Inc. | $3,459,758 | 18 | 0.3% |
| American Neighborhood Mortgage | $3,428,495 | 16 | 0.3% |
| First National Bank Mortgage | $3,424,871 | 22 | 0.3% |
| Texas Bank Mortgage Company | $3,258,371 | 17 | 0.3% |
| First Financial Bank, N.A. | $3,112,868 | 19 | 0.3% |
| Prosperity Home Mortgage, LLC | $2,973,718 | 13 | 0.2% |
| City First Mortgage Services, LLC | $2,904,612 | 16 | 0.2% |
| Hometown Lenders, Inc. | $2,659,231 | 12 | 0.2% |
| Mid America Mortgage, Inc. | $2,508,947 | 13 | 0.2% |
| M/I Financial, LLC | $2,455,064 | 10 | 0.2% |
| American Financial Network, Inc. | $2,453,062 | 11 | 0.2% |
| Texas Tech Federal Credit Union | $2,263,826 | 15 | 0.2% |
| Nations Lending Corporation | $2,195,509 | 12 | 0.2% |
| Origin Bank | $2,158,208 | 10 | 0.2% |
| Envoy Mortgage | $1,822,012 | 9 | 0.2% |
| First Bank & Trust | $1,788,877 | 10 | 0.1% |
| America's Choice Home Loans, LP | $1,770,185 | 8 | 0.1% |
| Moria Development/Peoples Mortgage Co | $1,754,942 | 8 | 0.1% |
| Geneva Financial, LLC | $1,714,005 | 8 | 0.1% |
| Lend Smart Mortgage, LLC | $1,706,400 | 7 | 0.1% |
| Midwest Mortgage Associates Corp. | $1,669,992 | 7 | 0.1% |
| Happy State Bank | $1,664,930 | 12 | 0.1% |
| Intercap Lending, Inc. | $1,612,945 | 8 | 0.1% |
| Churchill Mortgage Corporation | $1,571,840 | 8 | 0.1% |
| Planet Home Lending, LLC | $1,506,183 | 7 | 0.1% |
| Rocky Mountain Mortgage Company | $1,476,265 | 8 | 0.1% |
| K Hovnanian American Mortgage, LLC | $1,443,783 | 6 | 0.1% |
| Michigan Mutual, Inc. | $1,360,681 | 5 | 0.1% |
| New American Funding (Broker Solutions) | $1,358,577 | 9 | 0.1% |
| Loan Simple, Inc. | $1,347,340 | 6 | 0.1% |
| University Federal Credit Union | $1,339,084 | 5 | 0.1% |
| Sun West Mortgage Company, Inc. | $1,268,209 | 6 | 0.1% |
| Mortgage Solutions of Colorado, LLC | $1,255,293 | 5 | 0.1% |
| Commerce Home Mortgage, Inc. | $1,241,682 | 6 | 0.1% |
| Goldwater Bank, N.A. | $1,124,640 | 6 | 0.1% |
| Cadence Lending Group, Inc. | $1,066,157 | 6 | 0.1% |
| Finance of America Mortgage, LLC | $1,014,875 | 5 | 0.1% |
| International Bank of Commerce | $1,001,165 | 5 | 0.1% |
| Home Financing Unlimited, Inc.(Mission) | $944,188 | 3 | 0.1% |
| 1st Preference Mortgage Corporation | $892,879 | 4 | 0.1% |
| LHM Financial Corp., dba CNN Mortgage | $877,043 | 4 | 0.1% |
| Finance Home America | $875,623 | 6 | 0.1% |
| Pilgrim Mortgage, LLC | $838,800 | 5 | 0.1% |
| Hancock Mortgage Partners, LLC | $829,547 | 4 | 0.1% |
| City Bank Mortgage | $814,054 | 5 | 0.1% |
| Guaranteed Rate Affinity, LLC | $775,572 | 4 | 0.1% |
| First Home Bank | $738,082 | 4 | 0.1% |
| Bay Equity LLC | $713,827 | 3 | 0.1% |
| Open Mortgage LLC | $691,365 | 3 | 0.1% |
| Jefferson Bank | $684,053 | 4 | 0.1% |
| Efinity Financial Inc. | $662,110 | 3 | 0.1% |
| Victorian Finance LLC | $649,909 | 4 | 0.1% |
| Union Home Mortgage | $639,109 | 3 | 0.1% |
| Residential Bancorp, Inc. | $629,852 | 5 | 0.1% |
| Homeside Financial | $627,269 | 3 | 0.1% |
| First Community Mortgage, Inc | $619,097 | 3 | 0.1% |
| Homevantage Mortgage | $606,216 | 3 | 0.1% |
| LOANPEOPLE, LLC | $570,460 | 2 | 0.0% |

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**Homeownership Programs with Down Payment Assistance**
**January 1 to April 30, 2021**

| | | | |
|---|---|---|---|
| Associated Mortgage Corporation | $520,398 | 4 | 0.0% |
| First Centennial Mortgage Corporation | $501,146 | 3 | 0.0% |
| V.I.P. Independent Mortgage, Inc. | $463,440 | 2 | 0.0% |
| Peoples Bank | $438,411 | 3 | 0.0% |
| Central Bank | $432,850 | 2 | 0.0% |
| Assurance Financial Group, LLC | $410,428 | 2 | 0.0% |
| University Lending Group, LLC | $356,325 | 2 | 0.0% |
| Amerifirst Financial, Inc. | $304,874 | 2 | 0.0% |
| Paramount Residential Mortgage Group | $227,797 | 1 | 0.0% |
| LendUS, LLC | $206,196 | 1 | 0.0% |
| Capstar Lending, LLC | $203,700 | 1 | 0.0% |
| US Mortgage of Florida | $201,286 | 1 | 0.0% |
| CalCon Mutual Mortgage LLC | $160,050 | 1 | 0.0% |
| Guardian Mortgage | $156,120 | 1 | 0.0% |
| FFC Mortgage Corp. dba Home 123 Mortgage | $117,826 | 1 | 0.0% |
| Wells Fargo Bank, N.A. | $89,240 | 1 | 0.0% |
| Amarillo National Bank | $66,768 | 1 | 0.0% |
| **Grand Total** | **$1,209,847,982** | **5848** | **100%** |

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**Mortgage Credit Certificate Program**
**January 1 to April 30, 2021**

| Month | Closed | # of Loans | % Total |
|---|---|---|---|
| Jan | $ 30,220,102 | 148 | 20% |
| Feb | $ 31,795,670 | 153 | 21% |
| Mar | $ 42,351,944 | 195 | 28% |
| Apr | $ 44,891,367 | 209 | 30% |
| ***Totals*** | ***$149,259,083*** | ***705*** | ***100%*** |

| Lender | Closed | # of Loans | % Total |
|---|---|---|---|
| Stearns Lending, LLC | $12,860,118 | 54 | 7.7% |
| Everett Financial, dba Supreme Lending | $12,180,798 | 56 | 7.9% |
| Gateway Mortgage Group, a division of | $10,199,785 | 48 | 6.8% |
| PrimeLending | $8,438,070 | 40 | 5.7% |
| Fairway Independent Mortgage Corporation | $6,774,487 | 36 | 5.1% |
| Guild Mortgage Corporation | $5,672,795 | 29 | 4.1% |
| Pulte Mortgage LLC | $5,297,544 | 23 | 3.3% |
| Amcap Mortgage, LTD | $4,956,751 | 25 | 3.5% |
| DHI Mortgage Company, Ltd. | $4,737,672 | 20 | 2.8% |
| Movement Mortgage, LLC | $4,487,214 | 22 | 3.1% |
| Guaranteed Rate | $4,216,001 | 23 | 3.3% |
| Cardinal Financial Company | $4,103,163 | 19 | 2.7% |
| SFMC, LP dba Service First Mortgage Comp | $3,773,949 | 18 | 2.6% |
| Academy Mortgage Corporation | $3,403,872 | 16 | 2.3% |
| loanDepot.com LLC | $3,338,430 | 15 | 2.1% |
| Ark-La-Tex Financial (Benchmark Mtg.) | $3,285,725 | 15 | 2.1% |
| Highlands Residential Mortgage | $3,155,699 | 16 | 2.3% |
| Crosscountry Mortgage, LLC | $3,038,031 | 15 | 2.1% |
| Hometrust Mortgage Company | $2,886,521 | 17 | 2.4% |
| First Continental Mortgage, Ltd. | $2,780,464 | 10 | 1.4% |
| Town Square Mortgage & Investments, Inc. | $2,102,257 | 11 | 1.6% |
| Thrive Mortgage, LLC | $2,006,666 | 9 | 1.3% |
| Inspire Home Loans, Inc. | $1,993,041 | 9 | 1.3% |
| Security National Mortgage Company | $1,985,720 | 10 | 1.4% |
| CMG Mortgage, Inc. dba CMG Financial | $1,902,683 | 8 | 1.1% |
| Nations Reliable Lending, LLC | $1,754,294 | 9 | 1.3% |
| Interlinc Mortgage Services, LLC | $1,747,874 | 7 | 1.0% |
| Summit Funding, Inc. | $1,703,349 | 7 | 1.0% |
| Caliber Home Loans, Inc. | $1,621,732 | 8 | 1.1% |
| Texas Bank Mortgage Company | $1,503,894 | 8 | 1.1% |
| American Pacific Mortgage Corporation | $1,445,286 | 7 | 1.0% |
| Lennar Mortgage, LLC | $1,308,489 | 6 | 0.9% |
| CLM Mortgage, Inc. | $1,042,432 | 4 | 0.6% |
| Mid America Mortgage, Inc. | $948,092 | 4 | 0.6% |
| Synergy One Lending, Inc. | $918,722 | 5 | 0.7% |
| Network Funding, LP | $917,463 | 4 | 0.6% |
| 1st Preference Mortgage Corporation | $807,600 | 4 | 0.6% |
| Southwest Funding, LP | $789,149 | 4 | 0.6% |
| Sente Mortgage Inc. | $670,529 | 4 | 0.6% |
| Trinity Oaks Mortgage | $651,972 | 3 | 0.4% |
| NTFN, Inc. | $640,232 | 3 | 0.4% |
| Waterstone Mortgage Corporation | $562,601 | 2 | 0.3% |
| Republic State Mortgage Co. | $535,247 | 2 | 0.3% |
| American Financial Network, Inc. | $473,711 | 3 | 0.4% |
| Cornerstone Home Lending, Inc. | $468,693 | 2 | 0.3% |
| Bank of England | $463,494 | 2 | 0.3% |
| Primary Residential Mortgage, Inc. | $460,587 | 2 | 0.3% |
| Nations Lending Corporation | $457,548 | 2 | 0.3% |
| American Neighborhood Mortgage | $453,416 | 2 | 0.3% |
| Sun West Mortgage Company, Inc. | $447,263 | 2 | 0.3% |
| Guaranteed Rate Affinity, LLC | $432,894 | 2 | 0.3% |
| Gardner Financial Services, Ltd. | $419,402 | 2 | 0.3% |
| SWBC Mortgage Corporation | $414,984 | 2 | 0.3% |
| Wallick and Volk, Inc. | $376,169 | 2 | 0.3% |
| University Federal Credit Union | $365,750 | 1 | 0.1% |
| First Centennial Mortgage Corporation | $333,091 | 2 | 0.3% |
| Hometown Lenders, Inc. | $314,204 | 1 | 0.1% |
| Brazos National Bank | $313,390 | 1 | 0.1% |

| At a Glance | |
|---|---|
| Total Amount Originated | $149,259,083 |
| Average Annual Income | $58,951 |
| Average Purchase Price | $218,436 |
| Average Loan Amount | $211,715 |
| Average Household Size | 2 |
| Average Interest Rate | 3.264% |
| ***Program*** | ***%*** |
| **Home Sweet Texas** | ***83.83%*** |
| **Homes for Texas Heroes** | ***16.17%*** |
| *Active Military* | *0.28%* |
| *Allied Health Faculty* | *0.00%* |
| *Corrections Officer* | *0.57%* |
| *County Jailer* | *0.14%* |
| *EMS Personnel* | *0.28%* |
| *Fire Fighter* | *0.71%* |
| *Peace Officer* | *0.57%* |
| *Professional Nurse Faculty* | *0.85%* |
| *Public Security Officer* | *0.43%* |
| *School Counselor* | *0.00%* |
| *School Librarian* | *0.00%* |
| *School Nurse* | *0.00%* |
| *Teacher* | *10.35%* |
| *Teacher Aide* | *0.14%* |
| *Veteran* | *1.84%* |
| ***New/Existing Home*** | |
| Existing | 63.12% |
| New | 36.88% |
| ***Type of Loan*** | |
| Conventional - Purchase | 25.25% |
| FHA - Purchase | 68.09% |
| USDA-RHS Purchase | 4.40% |
| VA - Purchase | 2.27% |
| ***Ethnicity*** | |
| American Indian/Alaskan Native | 0.47% |
| Asian/Pac Isle | 4.12% |
| Black | 12.81% |
| Hispanic | 34.33% |
| Not Defined | 6.08% |
| Other | 11.85% |
| White | 30.34% |

| Top 20 Originating Counties* | # of Loans |
|---|---|
| Harris | 132 |
| Tarrant | 89 |
| Bexar | 63 |
| Dallas | 47 |
| Travis | 36 |
| Williamson | 33 |
| Denton | 28 |
| Hays | 22 |
| Collin | 20 |
| Kaufman | 19 |
| Montgomery | 18 |
| Fort Bend | 15 |
| Bastrop | 13 |
| Johnson | 12 |
| Ellis | 10 |
| El Paso | 9 |
| Bell | 9 |
| Rockwall | 8 |
| Galveston | 8 |
| Hidalgo | 7 |

*Top 20 of all counties statewide. All remaining counties served 107 households.

tsahc
TEXAS
State Affordable Housing Corporation

**Mortgage Credit Certificate Program**
**January 1 to April 30, 2021**

| | | | |
|---|---|---|---|
| Jefferson Bank | $299,248 | 2 | 0.3% |
| M/I Financial, LLC | $268,707 | 1 | 0.1% |
| Geneva Financial, LLC | $249,775 | 1 | 0.1% |
| LHM Financial Corp., dba CNN Mortgage | $245,471 | 1 | 0.1% |
| Panorama Mortgage Group, LLC | $243,508 | 1 | 0.1% |
| Midwest Mortgage Associates Corp. | $237,553 | 1 | 0.1% |
| Associated Mortgage Corporation | $235,651 | 2 | 0.3% |
| Bank of America, N.A. | $230,600 | 2 | 0.3% |
| America's Choice Home Loans, LP | $216,015 | 1 | 0.1% |
| Moria Development/Peoples Mortgage Co | $215,825 | 1 | 0.1% |
| DAS Acquisition Company, LLC | $208,587 | 1 | 0.1% |
| Goldwater Bank, N.A. | $208,160 | 1 | 0.1% |
| City First Mortgage Services, LLC | $201,276 | 1 | 0.1% |
| Finance of America Mortgage, LLC | $162,600 | 1 | 0.1% |
| Certainty Home Loans, LLC | $159,844 | 1 | 0.1% |
| Commerce Home Mortgage, Inc. | $148,015 | 1 | 0.1% |
| Mortgage Financial Services, LLC | $130,099 | 1 | 0.1% |
| Envoy Mortgage | $129,495 | 1 | 0.1% |
| New American Funding (Broker Solutions) | $127,645 | 1 | 0.1% |
| ***Total Committed*** | ***$149,259,083*** | ***705*** | ***100%*** |

# Tab B

# Development Finance Report

**Affordable Communities of Texas Program (ACT)**

Staff completed three NSP home sales in the Falls Creek subdivision (Bryan) in late June in partnership with Brazos Valley Affordable Housing Corporation. These are among the last homes sales to be completed before the remaining NSP portfolio is transferred to TDHCA. Conveyance documents for the Crockett Estates (Alamo) and Tiger Crossing (Mercedes) subdivisions have been issued and are awaiting recording. Conveyance documents for the remaining NSP subdivisions will soon follow.

As TSAHC and TDHCA make progress with the NSP portfolio transfer, staff is actively seeking new property, statewide, to add to the ACT Land Bank with a goal of expanding TSAHC's local partner/developer network and increasing the production of affordable housing across the state.

Here is a summary of this past month's portfolio activity:

| Program | Portfolio as of June 1, 2021 | Acquired | Sold | Portfolio as of July 1, 2021 | Current Portfolio Value |
|---|---|---|---|---|---|
| ACT Land Bank | 22 | | 5 | 17 | $173,717.60 |
| ACT Land Trust | 1 | | | 1 | $650,000.00 |
| Texas NSP | 140 | | 3 | 137 | $1,841,837.43 |
| Totals | 163 | | 8 | 155 | $2,665,555.03 |

Our current pipeline report:

- 4 homes under contract with eligible buyers
- 10 homes listed for sale
- 5 homes under construction
- 2 leased to Local Partner
- 133 NSP lots prepped for return to TDHCA

**Texas Housing Impact Fund**

In July, loan committee will review a $375,000 10-year deferred forgivable AHP loan to the Embree Eastside, Ltd. to construct Embree Eastside Apartments. The project is a proposed 107-unit multifamily rental project in Garland. The loan will secure five-units of housing for persons with disabilities under the AHP guidelines.

Loan committee will also review a $375,000 10-year deferred forgivable AHP loan to Dallas Stemmons, Ltd. for the Dallas Stemmons Apartments that is under construction as of April 2021. The project will include 87 multifamily rental units located in Dallas. The loan will secure five-units of housing for persons with disabilities under the AHP guidelines.

In June, staff closed on its first AHP loan to the Midpark Towers Apts. LP for the Midpark Towers development. At draw down, funds will be applied towards the project's construction costs in exchange for a five-unit AHP set-aside for the 10-year deferred forgivable loan term.

Finally, staff is preparing for an August loan closing with Casa Cobe Holdings, LLC for the Saison North Apartments located in Austin. The loan is for $1,000,000 in bridge financing needed for acquisition and site work. This loan request was approved at TSAHC's June board meeting.

**Multifamily Bond Program**

This month the Board will be discussing three transactions. Staff will be presenting final bond resolutions for the Gardens of Balch Springs and Riverstation projects. Both projects are ready to advance towards closing and bond counsel has drafted all necessary documents for the Board's approval. Write-ups about both transactions are included in the board meeting packet.

The third transaction is the continued dialog on Sandpiper Cove Apartments in Galveston. At the request of the Board, staff is returning with additional comment on the transaction with the intention of finalizing the Board's desire to move forward or terminate the transaction. A full write-up and supporting materials are included in the board book.

# Tab C
# Monthly Financial Reports

# Texas State Affordable Housing Corporation

## Statement of Net Position (unaudited)
## As of May 31, 2021

| | | |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$** | 1,529,835 |
| Pooled investments, cash & cash equivalents | | 12,605,130 |
| Restricted assets: | | |
| Cash and cash equivalents | | 7,295,170 |
| Accrued interest | | 76,400 |
| Custodial cash and cash equivalents | | 204,748 |
| Investments, at fair value | | 8,962,664 |
| Accounts receivable and accrued revenue | | 27,515 |
| Accrued interest receivable | | 72,637 |
| Loans receivable, current portion | | 73,704 |
| Notes receivable, current portion | | 1,363,917 |
| Downpayment assistance, current portion | | 167,547 |
| Prepaid expenses | | 57,318 |
| Total current assets | | 32,436,585 |
| Noncurrent assets: | | |
| Loans receivable, net of uncollectible amounts of $5,703 | | 294,455 |
| Notes receivable, net of allowance for loss $406,837 | | 92,069,350 |
| Investments, at fair market value | | 16,207,829 |
| Mortgage servicing rights, net of accumulated amortization of $2,586,500 | | 141,561 |
| Capital assets, net of accumulated depreciation of $599,015 | | 6,049,623 |
| Owned real estate, federal & other programs, net of amortization of $1,501,216 | | 11,055,620 |
| Downpayment assistance | | 846,418 |
| Restricted investments held by bond trustee, at fair market value | | 45,028,702 |
| Total noncurrent assets | | 171,693,558 |
| Total assets | **$** | 204,130,143 |

*(continued)*

# Texas State Affordable Housing Corporation

## Statement of Net Position (unaudited)
## As of May 31, 2021

| | |
|---|---|
| **Liabilities** | |
| Current liabilities: | |
| Accounts payable and accrued expenses | **$** 331,479 |
| Notes payable, current portion | 58,415 |
| Custodial reserve funds | 204,748 |
| Due to federal programs | 1,452,916 |
| Other current liabilities | 383,116 |
| Payable from restricted assets held by bond trustee: | |
| Revenue bonds payable, current portion | 1,105,000 |
| Accrued interest on revenue bonds | 458,991 |
| Total current liabilities | 3,994,665 |
| Noncurrent liabilities: | |
| Notes payable | 2,681,549 |
| Revenue bonds payable | 43,864,063 |
| Unearned revenue | 2,899,184 |
| Total noncurrent liabilities | 49,444,796 |
| Total liabilities | 53,439,461 |
| **Deferred Inflows of Resources** | |
| Deferred revenue | 156,846 |
| Total deferred inflows of resources | 156,846 |
| **Net Position** | |
| Invested in capital assets | 6,049,623 |
| Restricted for: | |
| Debt service | 5,340,912 |
| Other purposes | 2,645,269 |
| Unrestricted | 136,498,032 |
| Total net position | 150,533,836 |
| Total liabilities and net position | $ 204,130,143 |

-

# Texas State Affordable Housing Corporation

## Statement of Revenues, Expenses and Changes in Net Position (unaudited)
## For the 9 Months Ending May 31, 2021

| | | |
|---|---|---|
| Operating Revenues: | | |
| Interest and investment income | $ | 2,095,154 |
| Net increase (decrease) in fair value of investments | | (1,412,008) |
| Single family income | | 71,421,771 |
| Asset oversight and compliance fees | | 251,305 |
| Rental program income | | 456,422 |
| Multifamily income | | 361,121 |
| Land bank income | | 48,610 |
| Public support: | | |
| Federal & state grants | | 758,462 |
| Contributions | | 167,786 |
| Other operating revenue | | 33,908 |
| Total operating revenues | $ | 74,182,531 |
| Operating Expenses: | | |
| Interest expense on bonds and notes payable | $ | 1,104,424 |
| Program and loan administration | | 580,058 |
| Texas Foundation Fund Grants | | 916,000 |
| Salaries, wages and payroll related costs | | 2,582,990 |
| Professional fees and services | | 370,366 |
| Depreciation and amortization | | 440,505 |
| Office and equipment rental and maintenance | | 69,050 |
| Travel and meals | | 7,255 |
| Other operating expenses | | 451,326 |
| Total operating expenses | | 6,521,974 |
| Net income | | 67,660,557 |
| Total net position, beginning | | 82,873,279 |
| Total net position, ending | $ | 150,533,836 |

**Texas State Affordable Housing Corporation**
**Budget Report**
**May 31, 2021**

| | Annual Budget | Actual | Percent of Annual Budget | Reference |
|---|---|---|---|---|
| **Revenue** | | | | |
| Servicing Revenue | 116,000 | 75,892 | 65% | |
| Single Family Program Revenue | 7,759,000 | 22,269,019 | 287% | ① |
| Multifamily Program Revenue | 695,000 | 628,285 | 90% | |
| Texas Housing Impact Fund | 1,951,000 | 3,758,118 | 193% | ② |
| Affordable Communities of Texas Program | 185,000 | 104,073 | 56% | |
| Grants, Donations & Other Awards | 550,000 | 167,786 | 31% | |
| Federal & State Grants | 2,549,000 | 1,878,750 | 74% | |
| Tenant Rental Income | 618,000 | 457,617 | 74% | |
| Investment Revenue | 750,000 | 849,471 | 113% | ③ |
| **Total Revenue** | **15,173,000** | **30,189,011** | 199% | |
| **Expenditures** | | | | |
| Salaries & Payroll Related Expenditures | 3,500,000 | 2,596,092 | 74% | |
| Program & Corporate Expenditures | 10,085,000 | 6,191,633 | 61% | |
| Professional Services | 530,000 | 370,366 | 70% | |
| Principal & Interest on Notes Payable | 155,000 | 110,003 | 71% | |
| Marketing | 149,000 | 67,123 | 45% | |
| Insurance | 186,000 | 133,382 | 72% | |
| Travel & Meals | 113,000 | 7,255 | 6% | ④ |
| Furniture, Equipment & Software | 77,000 | 51,485 | 67% | |
| Building Maintenance | 101,000 | 28,735 | 28% | ⑤ |
| Professional Dues, Conferences & Training | 46,000 | 17,152 | 37% | ④ |
| Bank Fees & Charges | 15,000 | 13,095 | 87% | |
| Sponsorships | 20,000 | 14,365 | 72% | |
| Communication | 22,000 | 21,603 | 98% | |
| Printing & Office Supplies | 9,000 | 6,106 | 68% | |
| Publications, Subscriptions & Other | 30,000 | 27,130 | 90% | |
| Freight, Delivery & Postage | 12,000 | 5,963 | 50% | |
| **Total Expenditures** | **15,050,000** | **9,661,488** | 64% | |
| **Net Budgeted Income** | **123,000** | **20,527,523** | | |

**Average Expected Percent Received/Expended = 75%**

**Texas State Affordable Housing Corporation**
**Budget Report**
**May 31, 2021**

**Explanations**

① Single Family Revenue exceeds budget estimates due to the unusually high volume of home loans closed under the Corporation's TBA and MCC Programs.

② The Corporation has been successful in attaining several new funding sources for the Texas Housing Impact Fund which has resulted in a significant increase in income to the program.

③ Investment revenue is higher than expected due to an increase in principal received from the Corporation's mortgage backed securities resulting from refinanced homes.

④ "Travel & Meals" as well as "Professional Dues, Conferences & Trainings" are are significantly lower than anticipated due to the COVID pandemic. We expect that these line items will be lower than originally budgeted through the end of the fiscal year.

⑤ The required work-from-home policy has resulted in significantly lower janitorial and other building services expenses. We anticipate that building repairs and maintenance will be lower than originally budgeted through the end of the fiscal year.

# Quarterly Investment Report

PREPARED FOR **TEXAS STATE AFFORDABLE HOUSING CORP**

**MAY 31, 2021**

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Recovery…But With Hurdles

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

The US economy has continued to gain momentum in 2Q boosting confidence and expectations of a recovery. It still has hurdles however I manufacturing, housing, jobs and even cyberattacks.

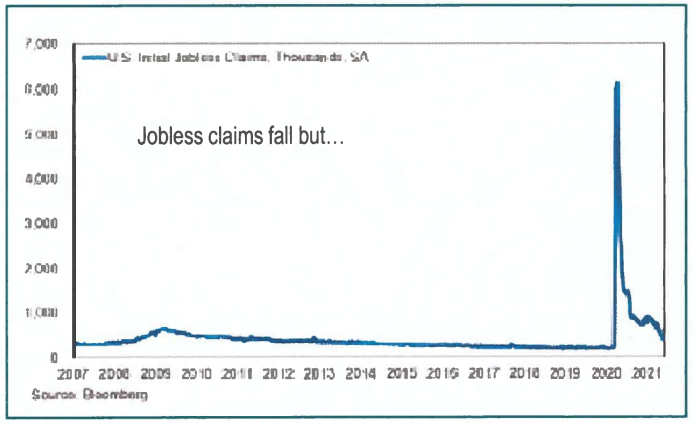
Manufacturing rose only slightly on new orders, but production actually fell and prices soared. Manufacturing faces two major hurdles: supply chain kinks and labor concerns. The delays in supply chains overall stand at a 16 year high as the global economy slowly re-opens. Since every product has gained from globalization and multiple suppliers re-starting and re-connecting those chains is a major effort. That will point to a longer-term rise in CPI. The Fed's latest Beige Book report contained a laundry list of complaints on labor shortages. One key area, metals and aluminum may be improving as the US-EU have agreed to "chart a path" to end their dispute and indeed bourbon and cycles will flow again!

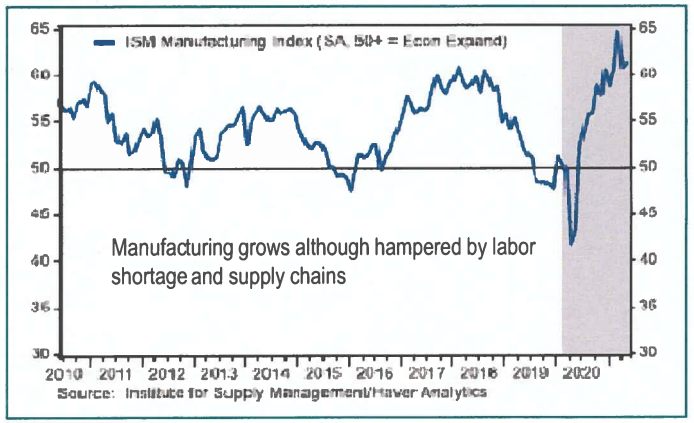
Even with fading unemployment claims there still remains 5.8M unemployed. Why they stay unemployed is a key question. Is it competing stimulus checks, childcare, or health concerns? These types of concerns are not fixed by monetary policy – it has to be fiscal policy's role to a large degree. And it ripples. Teenagers are taking many more jobs which is a concern because schools note that they are dropping out to do so. Teenagers represented 78% of the latest job increase!

Housing represents 17.5% of GDP. It is a key component to recovery. Historically low interest rates have increased demand for homes and suburban homes as folks move out of the cities with remote work. However, supply chain woes have made commodity prices for lumber through copper and chips (in appliances) soar. Lumber is up 274% over the last 12 months with wildfires, tariffs and transport.

Cyberattacks have caused slowdowns and the US has labeled ransom-ware attacks as terrorist acts. The world's largest beef producer (JBS) and the US's largest gas pipeline (Colonial) both were victims this month causing delays and price increases.

All of these feed into a major concern on inflationary pressures.



# The 800 lb. Inflation Gorilla

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

Inflation is painfully apparent to anyone shopping or building right now. Prices are rising generally on increased demand, labor and commodity shortages and high transportation costs and is has been compounded by cyberattacks.

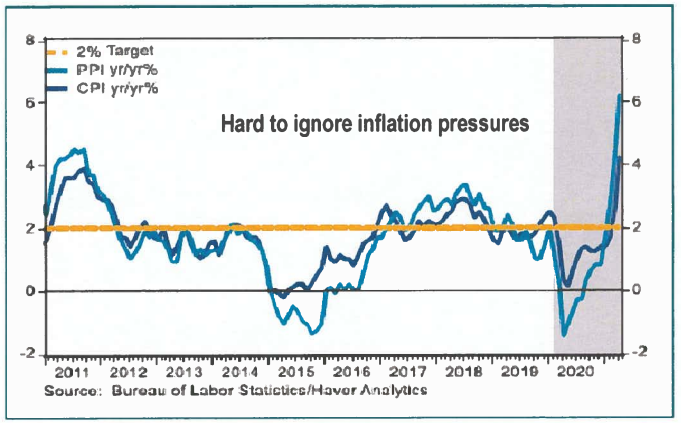
The Fed has termed this inflationary spike as "transitory" and largely fueled by supply chain problems. The Fed continues to be cautiously optimistic about the recovery and at the April meeting there was some discussion concerning scaling back the massive central bank's bond purchases "at some point" because of progress toward the Committee's employment goals.

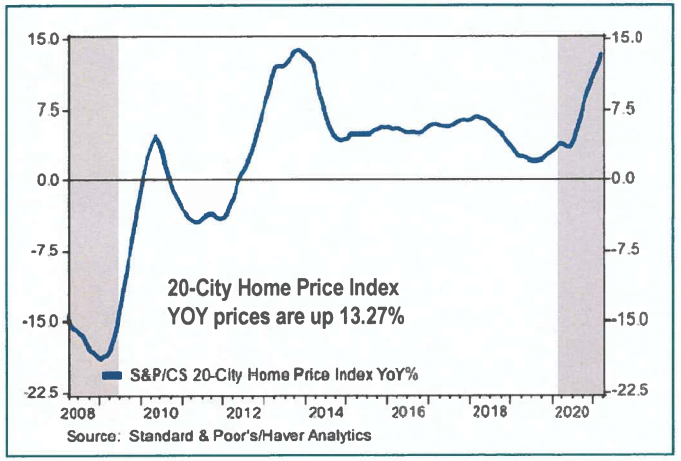
The June meeting will give us more clues. The Fed has already released plans to begin a pullback of its accommodation actions but not by stopping bond purchases or raising interest rates. They have announced an end to corporate bond purchases specifically and announced they will sell off its exchange-traded fund investments and direct bond holdings totaling roughly $14 billion over the next months. As Pres. Daly said ...."We're talking about talking about tapering, and that is what you want out of us. You want to be long-viewed here" Indeed we do.

Other monetary aides that the Fed used last year have already expired including the credit facility for CP Funding, MMMF Liquidity facility, Primary Market Corp Credit Facility, Municipal Liquidity Facility and Term ABS Loan Facility. All of these actions are major conciliation to a recovering economy.

This does appear tied to the Administration's that would allow the recovery to pace itself. The Administration and Congress remains undeterred to move towards more stimulus. Despite the $5.7T under Trump and Biden – and amid rising inflation fears – we continue to move more onto the US balance sheet. The new budget seeks $6T for 2022 with trillions going to infrastructure and education. Not that it isn't needed but the debt accumulation has to be a concern.

Going forward, as federal stimulus slows, the economy and consumer spending will be reliant on more organic means such as job and income growth. While more sustainable, without artificial support, spending activity is likely to stabilize at a somewhat lower-level controlling inflation on its own. That slowing may encourage those pushing for more stimulus and disappointing those looking for a never-ending boom. Only time will tell.

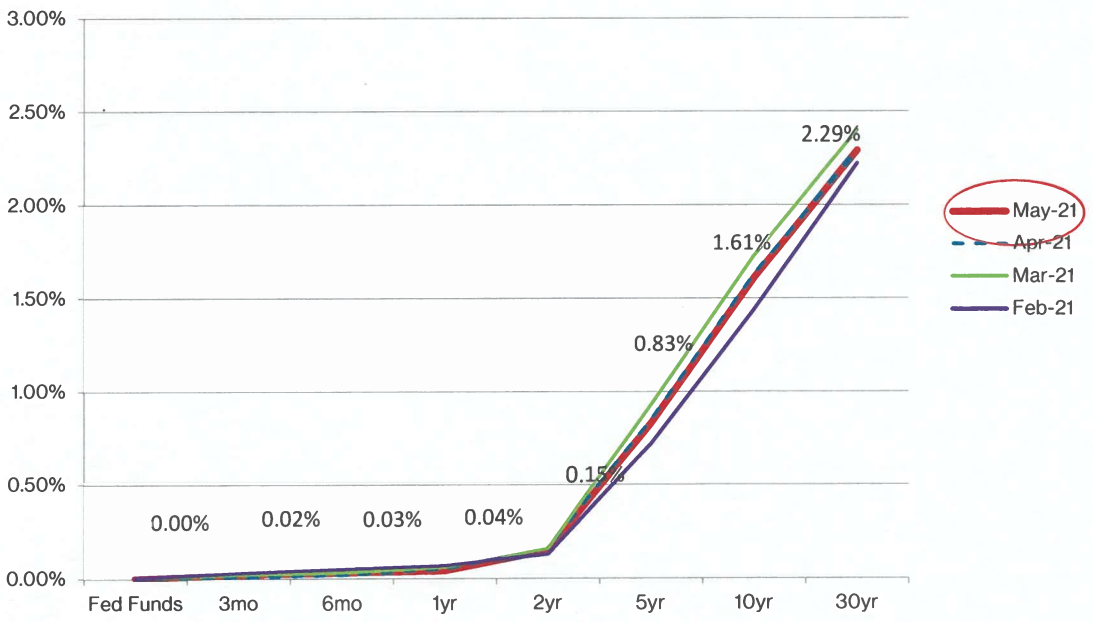


# A Stationary Curve

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

- The curve remains cemented while reacting to the its major concerns: Covid, inflation, stimulus programs progress, and the speed of the improving US economy
- Inflation concerns as stimulus trillions work into the economy is a major concern as inflation would raise rates.
- Short end investors remain liquid or short until some definitive signs appear.
- The various Covid vaccines have been a major boost to confidence, but a more robust economic recovery may require several more months.
- A shortage of workers is holding back the re-opening of the economy.




*End of Month Rates - Full Yield Curve – Fed Funds to 30yr*

SOURCE: BLOOMBERG AS OF 5/31/21

*Texas State Affordable Housing Corporation*

Quarterly Investment Report
February 28, 2021 – May 31, 2021
**Portfolio Summary Management Report**

This quarterly report is in compliance with the investment policy and strategy as established by the Corporation and the Public Funds Investment Act (Chapter 2256, Texas Government Code).

| ***Portfolio as of February 28, 2021*** | | ***Portfolio as of May 31, 2021*** | |
|---|---|---|---|
| Beginning Book Value | $ 37,365,225 | Ending Book Value | $ 39,171,493 |
| Beginning Market Value | $ 37,444,510 | Ending Market Value | $ 39,249,125 |
| | | Investment Income for the period | $ 33,535 |
| Unrealized Gain/Loss | $ 79,285 | Unrealized Gain/Loss | $ 77,632 |
| | | **Change in Unrealized Gain/Loss** | **$ (1,653)** |
| WAM at Beginning Period Date[1] | 216 days | WAM at Ending Period Date[1] | 329 days |
| | | Change in Market Value | $ 1,804,615 |

| | |
|---|---|
| **Average Yield to Maturity for period** | **0.353%** |
| **Average Yield 3 month Treasury bill for period** | **0.020%** |
| **Average Yield 6 month Treasury bill for period** | **0.040%** |

Ms. Melinda Smith, CFO
Texas State Affordable Housing Corporation

Mr. Nick Lawrence, Controller
Texas State Affordable Housing Corporation

Mr. David Long, President
Texas State Affordable Housing Corporation

Ms. Linda Patterson, President
Patterson & Associates



[1] **WAM**, represents weighted average maturity.

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas State Affordable Housing
# Portfolio Management
# Portfolio Summary
# May 31, 2021

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746

| Investments | Par Value | Market Value | Book Value | % of Portfolio | Term | Days to Maturity | YTM 365 Equiv. |
|---|---|---|---|---|---|---|---|
| Commercial Paper Disc. -Amortizing | 5,000,000.00 | 4,996,129.86 | 4,996,129.86 | 12.75 | 222 | 116 | 0.271 |
| Federal Agency Coupon Securities | 8,000,000.00 | 8,002,073.79 | 7,996,319.49 | 20.41 | 1,095 | 981 | 0.366 |
| Municipal Obligations | 9,185,000.00 | 9,459,703.30 | 9,388,219.62 | 23.97 | 824 | 472 | 0.882 |
| Pass Through Securities (GNMA) | 2,705.74 | 3,099.10 | 2,705.74 | 0.01 | 8,646 | 4,889 | 5.971 |
| LOGIC | 12,605,129.79 | 12,605,129.79 | 12,605,129.79 | 32.18 | 1 | 1 | 0.076 |
| FHLB Dallas-Money Fund | 153,425.58 | 153,425.58 | 153,425.58 | 0.39 | 1 | 1 | 0.011 |
| Bank Accounts | 4,029,563.41 | 4,029,563.41 | 4,029,563.41 | 10.29 | 1 | 1 | 0.001 |
| **Investments** | **38,975,824.52** | **39,249,124.83** | **39,171,493.49** | **100.00%** | **450** | **329** | **0.345** |

| Total Earnings | May 31 Month Ending | Fiscal Year To Date |
|---|---|---|
| Current Year | 11,676.78 | 97,305.45 |

The following reports are submitted in accordance with the Public Funds Investment Act (Texas Gov't Code 2256). The reports also offer supplemental information not required by the Act in order to fully inform the governing body of the Texas State Affordable Housing Corporation of the position and activity within the Corporation's portfolio of investments. The reports include a management summary overview, a detailed inventory report for the end of the period, a transaction report, as well as graphic representations of the portfolio to provide full disclosure to the governing body.

Melinda Smith 6/30/2021

Melinda Smith, Chief Financial Officer



**Reporting period 05/01/2021-05/31/2021**
Data Updated: SET_TSAH: 06/21/2021 13:00
Run Date: 06/21/2021 - 13:00

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746
-

# Texas State Affordable Housing
## Summary by Type
## May 31, 2021
## Grouped by Fund

| Security Type | Number of Investments | Par Value | Book Value | % of Portfolio | Average YTM 365 | Average Days to Maturity |
|---|---|---|---|---|---|---|
| **Fund: Capital Magnet** | | | | | | |
| Bank Accounts | 1 | 221,258.21 | 221,258.21 | 0.56 | 0.010 | 1 |
| **Subtotal** | **1** | **221,258.21** | **221,258.21** | **0.56** | **0.010** | **1** |
| **Fund: Program Contingency** | | | | | | |
| LOGIC | 1 | 7,004,106.43 | 7,004,106.43 | 17.88 | 0.076 | 1 |
| **Subtotal** | **1** | **7,004,106.43** | **7,004,106.43** | **17.88** | **0.076** | **1** |
| **Fund: General Investments** | | | | | | |
| Commercial Paper Disc. -Amortizing | 2 | 5,000,000.00 | 4,996,129.86 | 12.75 | 0.271 | 116 |
| MM Funds/NOW Accounts | 1 | 0.00 | 0.00 | 0.00 | 0.000 | 0 |
| Bank Accounts | 1 | 3,808,305.20 | 3,808,305.20 | 9.72 | 0.000 | 1 |
| Federal Agency Coupon Securities | 3 | 8,000,000.00 | 7,996,319.49 | 20.41 | 0.366 | 981 |
| FHLB Dallas-Money Fund | 1 | 153,425.58 | 153,425.58 | 0.39 | 0.011 | 1 |
| Pass Through Securities (GNMA) | 1 | 2,705.74 | 2,705.74 | 0.01 | 5.971 | 4,889 |
| Municipal Obligations | 5 | 9,185,000.00 | 9,388,219.62 | 23.97 | 0.882 | 472 |
| LOGIC | 1 | 5,601,023.36 | 5,601,023.36 | 14.30 | 0.076 | 1 |
| **Subtotal** | **15** | **31,750,459.88** | **31,946,128.85** | **81.55** | **0.407** | **403** |
| **Total and Average** | **17** | **38,975,824.52** | **39,171,493.49** | **100.00** | **0.345** | **329** |

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas State Affordable Housing
## Fund CAPMAG - Capital Magnet
## Investments by Fund
## May 31, 2021

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746
-

| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Days To Date Maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Bank Accounts** | | | | | | | | | | |
| 592089718 | 233 | Frost Bank Checking | 04/05/2019 | 221,258.21 | 221,258.21 | 221,258.21 | 0.010 | 0.009 | 0.010 | 1 |
| | | **Subtotal and Average** | | **221,258.21** | **221,258.21** | **221,258.21** | | **0.010** | **0.010** | **1** |
| | | **Total Investments and Average** | | **221,258.21** | **221,258.21** | **221,258.21** | | **0.010** | **0.010** | **1** |

# Fund CONT - Program Contingency
## Investments by Fund
## May 31, 2021



| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Days To Date Maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| LOGIC | | | | | | | | | | |
| 85030 | 254 | Logic | 10/28/2020 | 7,004,106.43 | 7,004,106.43 | 7,004,106.43 | 0.076 | 0.074 | 0.075 | 1 |
| | | | **Subtotal and Average** | **7,004,106.43** | **7,004,106.43** | **7,004,106.43** | | **0.075** | **0.076** | **1** |
| | | | **Total Investments and Average** | **7,004,106.43** | **7,004,106.43** | **7,004,106.43** | | **0.075** | **0.076** | **1** |

# Fund GENERAL - General Investments
## Investments by Fund
## May 31, 2021



| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Date | Days To Maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Commercial Paper Disc. -Amortizing** | | | | | | | | | | | |
| 05970RT21 | 256 | Banco Santander CP | 12/10/2020 | 2,499,979.86 | 2,500,000.00 | 2,499,979.86 | | 0.290 | 0.294 | 06/02/2021 | 1 |
| 06742XDV6 | 260 | Barclays Bank CP | 04/23/2021 | 2,496,150.00 | 2,500,000.00 | 2,496,150.00 | | 0.243 | 0.247 | 01/18/2022 | 231 |
| | | **Subtotal and Average** | | **4,996,129.86** | **5,000,000.00** | **4,996,129.86** | | **0.267** | **0.271** | | **115** |
| **Federal Agency Coupon Securities** | | | | | | | | | | | |
| 3133EMCQ3 | 252 | FFCB Call Note | 10/15/2020 | 2,498,958.38 | 2,500,000.00 | 2,500,048.32 | 0.280 | 0.313 | 0.317 | 10/13/2023 | 864 |
| 3133EMVD1 | 259 | FFCB Call Note | 04/05/2021 | 2,497,361.11 | 2,500,000.00 | 2,500,576.80 | 0.330 | 0.366 | 0.371 | 04/05/2024 | 1,039 |
| 3130ALP24 | 258 | FHLB Call Note | 03/29/2021 | 3,000,000.00 | 3,000,000.00 | 3,001,448.67 | 0.400 | 0.394 | 0.400 | 03/28/2024 | 1,031 |
| | | **Subtotal and Average** | | **7,996,319.49** | **8,000,000.00** | **8,002,073.79** | | **0.361** | **0.366** | | **981** |
| **Municipal Obligations** | | | | | | | | | | | |
| 419792ZH2 | 253 | State of Hawaii | 10/29/2020 | 1,250,000.00 | 1,250,000.00 | 1,255,000.00 | 0.429 | 0.422 | 0.428 | 10/01/2022 | 487 |
| 463813ZJ7 | 246 | Irving ISD | 04/08/2020 | 2,054,021.65 | 2,000,000.00 | 2,069,500.00 | 5.000 | 1.104 | 1.120 | 02/15/2022 | 259 |
| 59333NN90 | 251 | Miami-Dade County FL | 10/06/2020 | 1,996,165.36 | 2,000,000.00 | 2,000,820.00 | 0.375 | 0.473 | 0.480 | 04/01/2023 | 669 |
| 572682NX6 | 247 | Marshall ISD | 04/09/2020 | 2,328,063.71 | 2,185,000.00 | 2,363,470.80 | 5.000 | 1.075 | 1.090 | 02/15/2023 | 624 |
| 88278PYY4 | 248 | Texas State University | 04/17/2020 | 1,759,968.90 | 1,750,000.00 | 1,770,912.50 | 1.839 | 1.091 | 1.107 | 03/15/2022 | 287 |
| | | **Subtotal and Average** | | **9,388,219.62** | **9,185,000.00** | **9,459,703.30** | | **0.870** | **0.882** | | **472** |
| **Pass Through Securities (GNMA)** | | | | | | | | | | | |
| 36201LFC3 | 100 | G2 586163 Mtge | 02/17/2011 | 2,705.74 | 2,705.74 | 3,099.10 | 5.990 | 5.889 | 5.971 | 10/20/2034 | 4,889 |
| | | **Subtotal and Average** | | **2,705.74** | **2,705.74** | **3,099.10** | | **5.889** | **5.971** | | **4,889** |
| **LOGIC** | | | | | | | | | | | |
| 5010 | 213 | Logic | 11/16/2016 | 5,601,023.36 | 5,601,023.36 | 5,601,023.36 | 0.076 | 0.074 | 0.075 | | 1 |
| | | **Subtotal and Average** | | **5,601,023.36** | **5,601,023.36** | **5,601,023.36** | | **0.075** | **0.076** | | **1** |
| **FHLB Dallas-Money Fund** | | | | | | | | | | | |
| 999999995 | 9002 | FHLB Money Market Fund | 09/01/2006 | 153,425.58 | 153,425.58 | 153,425.58 | 0.011 | 0.010 | 0.010 | | 1 |
| | | **Subtotal and Average** | | **153,425.58** | **153,425.58** | **153,425.58** | | **0.010** | **0.011** | | **1** |
| **MM Funds/NOW Accounts** | | | | | | | | | | | |
| 3051137 | 175 | Crockett National Bank | 09/21/2015 | 0.00 | 0.00 | 0.00 | | | | | 1 |
| | | **Subtotal and Average** | | **0.00** | **0.00** | **0.00** | | **0.000** | **0.000** | | **0** |

# Fund GENERAL - General Investments
## Investments by Fund
## May 31, 2021



| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Days To Date Maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Bank Accounts** | | | | | | | | | | |
| 591359967 | 69 | Frost Bank Checking | 03/05/2010 | 3,808,305.20 | 3,808,305.20 | 3,808,305.20 | | | | 1 |
| | | | **Subtotal and Average** | **3,808,305.20** | **3,808,305.20** | **3,808,305.20** | | **0.000** | **0.000** | **1** |
| | | | **Total Investments and Average** | **31,946,128.85** | **31,750,459.88** | **32,023,760.19** | | **0.401** | **0.407** | **403** |

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas State Affordable Housing
# Cash Reconciliation Report
## For the Period March 1, 2021 - May 31, 2021
## Grouped by Fund

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746
-

| Trans. Date | Investment # | Fund | Trans. Type | Security ID | Par Value | Security Description | Maturity Date | Purchases | Interest | Redemptions | Cash |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **General Investments** | | | | | | | | | | | |
| 03/15/2021 | 248 | GENERAL | Interest | 88278PYY4 | 1,750,000.00 | TXSTUN 1.8M 1.84% Mat. | 03/15/2022 | 0.00 | 16,091.25 | 0.00 | 16,091.25 |
| 03/20/2021 | 100 | GENERAL | Interest | 36201LFC3 | 22,957.26 | G25861 0.0M 5.99% Mat. | 10/20/2034 | 0.00 | 13.85 | 23.04 | 36.89 |
| 03/29/2021 | 258 | GENERAL | Purchase | 3130ALP24 | 3,000,000.00 | FHLBC 3.0M 0.40% Mat. 03/28/2024 | 03/28/2024 | -3,000,000.00 | 0.00 | 0.00 | -3,000,000.00 |
| 04/01/2021 | 251 | GENERAL | Interest | 59333NN90 | 2,000,000.00 | MIAMI 2.0M 0.38% Mat. 04/01/2023 | 04/01/2023 | 0.00 | 3,770.83 | 0.00 | 3,770.83 |
| 04/05/2021 | 259 | GENERAL | Purchase | 3133EMVD1 | 2,500,000.00 | FFCBC 2.5M 0.33% Mat. 04/05/2024 | 04/05/2024 | -2,496,875.00 | 0.00 | 0.00 | -2,496,875.00 |
| 04/12/2021 | 255 | GENERAL | Maturity | 06742VR60 | 2,500,000.00 | BARCBK 2.5M 0.00% Mat. | 04/12/2021 | 0.00 | 0.00 | 2,500,000.00 | 2,500,000.00 |
| 04/13/2021 | 252 | GENERAL | Interest | 3133EMCQ3 | 2,500,000.00 | FFCBC 2.5M 0.28% Mat. 10/13/2023 | 10/13/2023 | 0.00 | 3,500.00 | 0.00 | 3,500.00 |
| 04/20/2021 | 100 | GENERAL | Interest | 36201LFC3 | 22,957.26 | G25861 0.0M 5.99% Mat. | 10/20/2034 | 0.00 | 13.74 | 23.16 | 36.90 |
| 04/23/2021 | 260 | GENERAL | Purchase | 06742XDV6 | 2,500,000.00 | BARCBK 2.5M 0.00% Mat. | 01/18/2022 | -2,495,500.00 | 0.00 | 0.00 | -2,495,500.00 |
| 05/20/2021 | 100 | GENERAL | Interest | 36201LFC3 | 22,957.26 | G25861 0.0M 5.99% Mat. | 10/20/2034 | 0.00 | 13.62 | 23.29 | 36.91 |
| | | | | | | | **Subtotal** | **-7,992,375.00** | **23,403.29** | **2,500,069.49** | **-5,468,902.22** |
| | | | | | | | **Total** | **-7,992,375.00** | **23,403.29** | **2,500,069.49** | **-5,468,902.22** |

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas State Affordable Housing
## Purchases Report
## Sorted by Fund - Fund
## March 1, 2021 - May 31, 2021

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746
-

| CUSIP | Investment # | Fund | Sec. Type | Issuer | Original Par Value | Purchase Date | Payment Periods | Principal Purchased | Accrued Interest at Purchase | Rate at Purchase | Maturity Date | YTM | Ending Book Value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **General Investments** | | | | | | | | | | | | | |
| 3130ALP24 | 258 | GENERAL | FAC | FHLBC | 3,000,000.00 | 03/29/2021 | 09/28 - 03/28 | 3,000,000.00 | | 0.400 | 03/28/2024 | 0.400 | 3,000,000.00 |
| 3133EMVD1 | 259 | GENERAL | FAC | FFCBC | 2,500,000.00 | 04/05/2021 | 10/05 - 04/05 | 2,496,875.00 | | 0.330 | 04/05/2024 | 0.372 | 2,497,361.11 |
| 06742XDV6 | 260 | GENERAL | ACP | BARCBK | 2,500,000.00 | 04/23/2021 | 01/18 - At Maturity | 2,495,500.00 | | | 01/18/2022 | 0.244 | 2,496,150.00 |
| | | | | **Subtotal** | **8,000,000.00** | | | **7,992,375.00** | **0.00** | | | | **7,993,511.11** |
| | | | | **Total Purchases** | **8,000,000.00** | | | **7,992,375.00** | **0.00** | | | | **7,993,511.11** |

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas State Affordable Housing
## Maturity Report
## Sorted by Maturity Date
Receipts during March 1, 2021 - May 31, 2021

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746
-

| CUSIP | Investment # | Fund | Sec. Type | Issuer | Par Value | Maturity Date | Purchase Date | Rate at Maturity | Book Value at Maturity | Interest | Maturity Proceeds | Net Income |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 06742VR60 | 255 | GENERAL | ACP | BARCBK | 2,500,000.00 | 04/12/2021 | 12/10/2020 | | 2,500,000.00 | 0.00 | 2,500,000.00 | 0.00 |
| | | | **Total Maturities** | | **2,500,000.00** | | | | **2,500,000.00** | **0.00** | **2,500,000.00** | **0.00** |

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas State Affordable Housing
## Interest Earnings
## Sorted by Fund - Fund
## March 1, 2021 - May 31, 2021
## Yield on Average Book Value

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746

| CUSIP | Investment # | Fund | Security Type | Ending Par Value | Beginning Book Value | Average Book Value | Maturity Date | Current Rate | Annualized Yield | Adjusted Interest Earnings: Interest Earned | Adjusted Interest Earnings: Amortization/ Accretion | Adjusted Interest Earnings: Adjusted Interest Earnings |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fund: Capital Magnet** | | | | | | | | | | | | |
| 592089718 | 233 | CAPMAG | RR5 | 221,258.21 | 473,018.81 | 297,933.46 | | 0.010 | 0.009 | 6.76 | 0.00 | 6.76 |
| | | | **Subtotal** | **221,258.21** | **473,018.81** | **297,933.46** | | | **0.009** | **6.76** | **0.00** | **6.76** |
| **Fund: Program Contingency** | | | | | | | | | | | | |
| 85030 | 254 | CONT | RRP | 7,004,106.43 | 7,002,593.53 | 7,003,169.85 | | 0.076 | 0.086 | 1,512.90 | 0.00 | 1,512.90 |
| | | | **Subtotal** | **7,004,106.43** | **7,002,593.53** | **7,003,169.85** | | | **0.086** | **1,512.90** | **0.00** | **1,512.90** |
| **Fund: General Investments** | | | | | | | | | | | | |
| 5010 | 213 | GENERAL | RRP | 5,601,023.36 | 9,599,501.33 | 6,893,640.90 | | 0.076 | 0.088 | 1,522.03 | 0.00 | 1,522.03 |
| 999999995 | 9002 | GENERAL | RR2 | 153,425.58 | 765,942.82 | 434,227.17 | | 0.011 | 0.010 | 11.33 | 0.00 | 11.33 |
| 3130ALP24 | 258 | GENERAL | FAC | 3,000,000.00 | 0.00 | 2,086,956.52 | 03/28/2024 | 0.400 | 0.393 | 2,066.67 | 0.00 | 2,066.67 |
| 591359967 | 69 | GENERAL | RR5 | 3,808,305.20 | 2,594,865.42 | 2,623,393.52 | | | | 0.00 | 0.00 | 0.00 |
| 3133EMVD1 | 259 | GENERAL | FAC | 2,500,000.00 | 0.00 | 1,547,132.77 | 04/05/2024 | 0.330 | 0.454 | 1,283.33 | 486.11 | 1,769.44 |
| 3133EMCQ3 | 252 | GENERAL | FAC | 2,500,000.00 | 2,498,248.18 | 2,498,609.72 | 10/13/2023 | 0.280 | 0.391 | 1,750.00 | 710.20 | 2,460.20 |
| 36201LFC3 | 100 | GENERAL | GN1 | 2,705.74 | 2,775.23 | 2,743.34 | 10/20/2034 | 5.990 | 0.064 | 40.87 | 0.00 | 40.87 |
| 06742VR60 | 255 | GENERAL | ACP | 0.00 | 2,499,183.33 | 1,141,122.37 | 04/12/2021 | | 0.284 | 0.00 | 816.67 | 816.67 |
| 06742XDV6 | 260 | GENERAL | ACP | 2,500,000.00 | 0.00 | 1,058,016.30 | 01/18/2022 | | 0.244 | 0.00 | 650.00 | 650.00 |
| 463813ZJ7 | 246 | GENERAL | MC1 | 2,000,000.00 | 2,073,163.18 | 2,063,419.03 | 02/15/2022 | 5.000 | 1.126 | 25,000.00 | -19,141.53 | 5,858.47 |
| 572682NX6 | 247 | GENERAL | MC1 | 2,185,000.00 | 2,349,033.96 | 2,338,358.88 | 02/15/2023 | 5.000 | 1.076 | 27,312.50 | -20,970.25 | 6,342.25 |
| 88278PYY4 | 248 | GENERAL | MC1 | 1,750,000.00 | 1,763,128.05 | 1,761,519.86 | 03/15/2022 | 1.839 | 1.101 | 8,045.62 | -3,159.15 | 4,886.47 |
| 59333NN90 | 251 | GENERAL | MC1 | 2,000,000.00 | 1,995,642.46 | 1,995,908.65 | 04/01/2023 | 0.375 | 0.477 | 1,875.00 | 522.90 | 2,397.90 |
| 419792ZH2 | 253 | GENERAL | MC1 | 1,250,000.00 | 1,250,000.00 | 1,250,000.00 | 10/01/2022 | 0.429 | 0.426 | 1,340.63 | 0.00 | 1,340.63 |
| 05970RT21 | 256 | GENERAL | ACP | 2,500,000.00 | 2,498,127.08 | 2,499,063.54 | 06/02/2021 | | 0.294 | 0.00 | 1,852.78 | 1,852.78 |
| | | | **Subtotal** | **31,750,459.88** | **29,889,611.04** | **30,194,112.58** | | | **0.421** | **70,247.98** | **-38,232.27** | **32,015.71** |
| | | | **Total** | **38,975,824.52** | **37,365,223.38** | **37,495,215.89** | | | **0.355** | **71,767.64** | **-38,232.27** | **33,535.37** |

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas State Affordable Housing
## Amortization Schedule
## March 1, 2021 - May 31, 2021
## Sorted By Fund - Fund

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746
-

| Investment # / Issuer | Fund | Maturity Date / Amort. Date | Beginning Par Value / Current Rate | Purchase Principal | Original Premium or Discount | Ending Book Value | Amounts Amortized And Unamortized As of 03/01/2021 | Amount Amortized This Period | Amt Amortized Through 05/31/2021 | Amount Unamortized Through 05/31/2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| **General Investments** | | | | | | | | | | |
| 256<br>Banco Santander CP | GENERAL | 06/02/2021 | 2,500,000.00 | 2,496,495.83 | -3,504.17 | 2,499,979.86 | 1,631.25<br>-1,872.92 | 1,852.78 | 3,484.03 | -20.14 |
| 255<br>Barclays Bank CP | GENERAL | 04/12/2021 | 2,500,000.00 | 2,497,608.33 | -2,391.67 | 0.00 | 1,575.00<br>-816.67 | 816.67 | 2,391.67 | 0.00 |
| 260<br>Barclays Bank CP | GENERAL | 01/18/2022 | 2,500,000.00 | 2,495,500.00 | -4,500.00 | 2,496,150.00 | 0.00<br>-4,500.00 | 650.00 | 650.00 | -3,850.00 |
| 252<br>FFCB Call Note | GENERAL | 10/13/2023<br>10/13/2021 | 2,500,000.00<br>0.280 | 2,497,175.00 | -2,825.00 | 2,498,958.38 | 1,073.18<br>-1,751.82 | 710.20 | 1,783.38 | -1,041.62 |
| 259<br>FFCB Call Note | GENERAL | 04/05/2024<br>04/05/2022 | 2,500,000.00<br>0.330 | 2,496,875.00 | -3,125.00 | 2,497,361.11 | 0.00<br>-3,125.00 | 486.11 | 486.11 | -2,638.89 |
| 246<br>Irving ISD | GENERAL | 02/15/2022 | 2,000,000.00<br>5.000 | 2,141,860.00 | 141,860.00 | 2,054,021.65 | -68,696.82<br>73,163.18 | -19,141.53 | -87,838.35 | 54,021.65 |
| 251<br>Miami-Dade County FL | GENERAL | 04/01/2023 | 2,000,000.00<br>0.375 | 1,994,800.00 | -5,200.00 | 1,996,165.36 | 842.46<br>-4,357.54 | 522.90 | 1,365.36 | -3,834.64 |
| 247<br>Marshall ISD | GENERAL | 02/15/2023 | 2,185,000.00<br>5.000 | 2,424,060.85 | 239,060.85 | 2,328,063.71 | -75,026.89<br>164,033.96 | -20,970.25 | -95,997.14 | 143,063.71 |
| 248<br>Texas State University | GENERAL | 03/15/2022 | 1,750,000.00<br>1.839 | 1,774,150.00 | 24,150.00 | 1,759,968.90 | -11,021.95<br>13,128.05 | -3,159.15 | -14,181.10 | 9,968.90 |
| | | | **Subtotal** | **20,818,525.01** | **383,525.01** | **18,130,668.97** | **-149,623.77<br>233,901.24** | **-38,232.27** | **-187,856.04** | **195,668.97** |
| | | | **Total** | **20,818,525.01** | **383,525.01** | **18,130,668.97** | **-149,623.77<br>233,901.24** | **-38,232.27** | **-187,856.04** | **195,668.97** |

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas State Affordable Housing
## Projected Cashflow Report
### Sorted by Monthly
### For the Period June 1, 2021 - December 31, 2021

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746

| Projected Trans. Date | Investment # | Fund | Security ID | Transaction Type | Issuer | Par Value | Original Cost | Principal | Interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **June 2021** | | | | | | | | | | |
| 06/02/2021 | 256 | GENERAL | 05970RT21 | Maturity | Banco Santander CP | 2,500,000.00 | 2,496,495.83 | 2,500,000.00 | 0.00 | 2,500,000.00 |
| | | | | | **Total for June 2021** | **2,500,000.00** | **2,496,495.83** | **2,500,000.00** | **0.00** | **2,500,000.00** |
| **August 2021** | | | | | | | | | | |
| 08/15/2021 | 246 | GENERAL | 463813ZJ7 | Interest | Irving ISD | 0.00 | 0.00 | 0.00 | 50,000.00 | 50,000.00 |
| 08/15/2021 | 247 | GENERAL | 572682NX6 | Interest | Marshall ISD | 0.00 | 0.00 | 0.00 | 54,625.00 | 54,625.00 |
| | | | | | **Total for August 2021** | **0.00** | **0.00** | **0.00** | **104,625.00** | **104,625.00** |
| **September 2021** | | | | | | | | | | |
| 09/15/2021 | 248 | GENERAL | 88278PYY4 | Interest | Texas State University | 0.00 | 0.00 | 0.00 | 16,091.25 | 16,091.25 |
| 09/28/2021 | 258 | GENERAL | 3130ALP24 | Interest | FHLB Call Note | 0.00 | 0.00 | 0.00 | 5,966.67 | 5,966.67 |
| 09/28/2021 | 258 | GENERAL | 3130ALP24 | Call | FHLB Call Note | 3,000,000.00 | 3,000,000.00 | 3,000,000.00 | 0.00 | 3,000,000.00 |
| | | | | | **Total for September 2021** | **3,000,000.00** | **3,000,000.00** | **3,000,000.00** | **22,057.92** | **3,022,057.92** |
| **October 2021** | | | | | | | | | | |
| 10/01/2021 | 251 | GENERAL | 59333NN90 | Interest | Miami-Dade County FL | 0.00 | 0.00 | 0.00 | 3,750.00 | 3,750.00 |
| 10/01/2021 | 253 | GENERAL | 419792ZH2 | Interest | State of Hawaii | 0.00 | 0.00 | 0.00 | 4,945.42 | 4,945.42 |
| 10/05/2021 | 259 | GENERAL | 3133EMVD1 | Interest | FFCB Call Note | 0.00 | 0.00 | 0.00 | 4,125.00 | 4,125.00 |
| 10/13/2021 | 252 | GENERAL | 3133EMCQ3 | Interest | FFCB Call Note | 0.00 | 0.00 | 0.00 | 3,500.00 | 3,500.00 |
| 10/13/2021 | 252 | GENERAL | 3133EMCQ3 | Call | FFCB Call Note | 2,500,000.00 | 2,497,175.00 | 2,500,000.00 | 0.00 | 2,500,000.00 |
| | | | | | **Total for October 2021** | **2,500,000.00** | **2,497,175.00** | **2,500,000.00** | **16,320.42** | **2,516,320.42** |
| | | | | | **GRAND TOTALS:** | **8,000,000.00** | **7,993,670.83** | **8,000,000.00** | **143,003.34** | **8,143,003.34** |

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746

# Texas State Affordable Housing
## Texas Compliance Change in Val Report
### Sorted by Fund
### March 1, 2021 - May 31, 2021

| Inv # / Cusip | Issuer / Par Value | Fund / YTM | Purch Date / Mat Date | Interest Accrual / Interest Received | Beginning Book Value / Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value / Ending Market Value |
|---|---|---|---|---|---|---|---|---|---|
| **Fund: Capital Magnet** | | | | | | | | | |
| 233 | FBC | CAPMAG | 04/05/2019 | 6.76 | 473,018.81 | 6.76 | 251,767.36 | -251,760.60 | 221,258.21 |
| 592089718 | 221,258.21 | 0.010 | / / | 6.76 | 473,018.81 | 6.76 | 251,767.36 | -251,760.60 | 221,258.21 |
| | **Sub Totals For: Fund: Capital Magnet** | | | 6.76 | 473,018.81 | 6.76 | 251,767.36 | -251,760.60 | 221,258.21 |
| | | | | 6.76 | 473,018.81 | 6.76 | 251,767.36 | -251,760.60 | 221,258.21 |
| **Fund: Program Contingency** | | | | | | | | | |
| 254 | LOGIC | CONT | 10/28/2020 | 1,512.90 | 7,002,593.53 | 1,512.90 | 0.00 | 1,512.90 | 7,004,106.43 |
| 85030 | 7,004,106.43 | 0.075 | / / | 1,512.90 | 7,002,593.53 | 1,512.90 | 0.00 | 1,512.90 | 7,004,106.43 |
| | **Sub Totals For: Fund: Program Contingency** | | | 1,512.90 | 7,002,593.53 | 1,512.90 | 0.00 | 1,512.90 | 7,004,106.43 |
| | | | | 1,512.90 | 7,002,593.53 | 1,512.90 | 0.00 | 1,512.90 | 7,004,106.43 |
| **Fund: General Investments** | | | | | | | | | |
| 100 | G25861 | GENERAL | 02/17/2011 | 40.87 | 2,775.23 | 0.00 | 69.49 | -69.49 | 2,705.74 |
| 36201LFC3 | 2,705.74 | 5.971 | 10/20/2034 | 41.21 | 3,183.06 | 0.00 | 69.49 | -83.96 | 3,099.10 |
| 175 | CNB | GENERAL | 09/21/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3051137 | 0.00 | 0.000 | / / | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 213 | LOGIC | GENERAL | 11/16/2016 | 1,522.03 | 9,599,501.33 | 4,001,522.03 | 8,000,000.00 | -3,998,477.97 | 5,601,023.36 |
| 5010 | 5,601,023.36 | 0.075 | / / | 1,522.03 | 9,599,501.33 | 4,001,522.03 | 8,000,000.00 | -3,998,477.97 | 5,601,023.36 |
| 246 | IRVING | GENERAL | 04/08/2020 | 25,000.00 | 2,073,163.18 | 0.00 | 0.00 | -19,141.53 | 2,054,021.65 |
| 463813ZJ7 | 2,000,000.00 | 1.120 | 02/15/2022 | 0.00 | 2,092,520.00 | 0.00 | 0.00 | -23,020.00 | 2,069,500.00 |
| 247 | MISD | GENERAL | 04/09/2020 | 27,312.50 | 2,349,033.96 | 0.00 | 0.00 | -20,970.25 | 2,328,063.71 |
| 572682NX6 | 2,185,000.00 | 1.090 | 02/15/2023 | 0.00 | 2,385,692.25 | 0.00 | 0.00 | -22,221.45 | 2,363,470.80 |
| 248 | TXSTUN | GENERAL | 04/17/2020 | 8,045.62 | 1,763,128.05 | 0.00 | 0.00 | -3,159.15 | 1,759,968.90 |
| 88278PYY4 | 1,750,000.00 | 1.107 | 03/15/2022 | 16,091.25 | 1,775,357.50 | 0.00 | 0.00 | -4,445.00 | 1,770,912.50 |

| Inv # / Cusip | Issuer / Par Value | Fund / YTM | Purch Date / Mat Date | Interest Accrual / Interest Received | Beginning Book Value / Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value / Ending Market Value |
|---|---|---|---|---|---|---|---|---|---|
| 251 | MIAMI | GENERAL | 10/06/2020 | 1,875.00 | 1,995,642.46 | 0.00 | 0.00 | 522.90 | 1,996,165.36 |
| 59333NN90 | 2,000,000.00 | 0.480 | 04/01/2023 | 3,645.83 | 2,000,680.00 | 0.00 | 0.00 | 140.00 | 2,000,820.00 |
| 252 | FFCBC | GENERAL | 10/15/2020 | 1,750.00 | 2,498,248.18 | 0.00 | 0.00 | 710.20 | 2,498,958.38 |
| 3133EMCQ3 | 2,500,000.00 | 0.317 | 10/13/2023 | 3,461.11 | 2,499,530.17 | 0.00 | 0.00 | 518.15 | 2,500,048.32 |
| 253 | HAWAII | GENERAL | 10/29/2020 | 1,340.63 | 1,250,000.00 | 0.00 | 0.00 | 0.00 | 1,250,000.00 |
| 419792ZH2 | 1,250,000.00 | 0.428 | 10/01/2022 | 0.00 | 1,254,312.50 | 0.00 | 0.00 | 687.50 | 1,255,000.00 |
| 255 | BARCBK | GENERAL | 12/10/2020 | 0.00 | 2,499,183.33 | 0.00 | 2,500,000.00 | -2,499,183.33 | 0.00 |
| 06742VR60 | 0.00 | 0.000 | 04/12/2021 | 0.00 | 2,499,183.33 | 0.00 | 2,500,000.00 | -2,499,183.33 | 0.00 |
| 256 | BANSAN | GENERAL | 12/10/2020 | 0.00 | 2,498,127.08 | 0.00 | 0.00 | 1,852.78 | 2,499,979.86 |
| 05970RT21 | 2,500,000.00 | 0.290 | 06/02/2021 | 0.00 | 2,498,127.08 | 0.00 | 0.00 | 1,852.78 | 2,499,979.86 |
| 258 | FHLBC | GENERAL | 03/29/2021 | 2,066.67 | 0.00 | 3,000,000.00 | 0.00 | 3,000,000.00 | 3,000,000.00 |
| 3130ALP24 | 3,000,000.00 | 0.400 | 03/28/2024 | 0.00 | 0.00 | 3,000,000.00 | 0.00 | 3,001,448.67 | 3,001,448.67 |
| 259 | FFCBC | GENERAL | 04/05/2021 | 1,283.33 | 0.00 | 2,496,875.00 | 0.00 | 2,497,361.11 | 2,497,361.11 |
| 3133EMVD1 | 2,500,000.00 | 0.371 | 04/05/2024 | 0.00 | 0.00 | 2,496,875.00 | 0.00 | 2,500,576.80 | 2,500,576.80 |
| 260 | BARCBK | GENERAL | 04/23/2021 | 0.00 | 0.00 | 2,495,500.00 | 0.00 | 2,496,150.00 | 2,496,150.00 |
| 06742XDV6 | 2,500,000.00 | 0.243 | 01/18/2022 | 0.00 | 0.00 | 2,495,500.00 | 0.00 | 2,496,150.00 | 2,496,150.00 |
| 69 | FBC | GENERAL | 03/05/2010 | 0.00 | 2,594,865.42 | 17,830,308.30 | 16,616,868.52 | 1,213,439.78 | 3,808,305.20 |
| 591359967 | 3,808,305.20 | 0.000 | / / | 0.00 | 2,594,865.42 | 17,830,308.30 | 16,616,868.52 | 1,213,439.78 | 3,808,305.20 |
| 9002 | FHLBMM | GENERAL | 09/01/2006 | 11.33 | 765,942.82 | 118,913.20 | 731,430.44 | -612,517.24 | 153,425.58 |
| 999999995 | 153,425.58 | 0.010 | / / | 11.33 | 765,942.82 | 118,913.20 | 731,430.44 | -612,517.24 | 153,425.58 |
| **Sub Totals For: Fund: General Investments** | | | | 70,247.98 | 29,889,611.04 | 29,943,118.53 | 27,848,368.45 | 2,056,517.81 | 31,946,128.85 |
| | | | | 24,772.76 | 29,968,895.46 | 29,943,118.53 | 27,848,368.45 | 2,054,864.73 | 32,023,760.19 |
| **Report Grand Totals:** | | | | 71,767.64 | 37,365,223.38 | 29,944,638.19 | 28,100,135.81 | 1,806,270.11 | 39,171,493.49 |
| | | | | 26,292.42 | 37,444,507.80 | 29,944,638.19 | 28,100,135.81 | 1,804,617.03 | 39,249,124.83 |

# Disclosure

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

Meeder Public Funds, Inc., dba Patterson & Associates is a registered investment adviser with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940. Registration with the SEC does not imply a certain level of skill or training. The opinions expressed in this presentation are those of Meeder Public Funds, Inc. The material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed.

Meeder provides monthly statements for its investment management clients to provide information about the investment portfolio. The information should not be used for audit or confirmation purposes. Please review your custodial statements and report any inaccuracies or discrepancies.

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Statements may include positions from unmanaged accounts provided for reporting purposes. Unmanaged accounts are managed directly by the client and are not included in the accounts managed by the investment adviser. This information is provided as a client convenience and the investment adviser assumes no responsibility for performance of these accounts or the accuracy of the data reported.

**Investing involves risk. Past performance is no guarantee of future results. Debt and fixed income securities are subject to credit and interest rate risk. The investment return and principal value of an investment will fluctuate so that an investors shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.**

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**Patterson & Associates**
Barton Oaks Plaza
Building II
901 S. MoPac, Suite 195
Austin, TX 78746
800.817.2442

# Quarterly Investment Report

PREPARED FOR **TEXAS STATE AFFORDABLE HOUSING CORP-SURPLUS FUNDS**

**MAY 31, 2021**

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

*Texas State Affordable Housing Corporation*
*Surplus Funds*

Quarterly Investment Report
February 28, 2021 –May 31, 2021
**Portfolio Summary Management Report**

This quarterly report is in compliance with the investment policy and strategy as established by the Corporation and the Public Funds Investment Act (Chapter 2256, Texas Government Code).

| ***Portfolio as of February 28, 2021*** | | ***Portfolio as of May 31, 2021*** | |
|---|---|---|---|
| Beginning Book Value | $ 2,407,391 | Ending Book Value | $ 2,322,418 |
| Beginning Market Value | $ 2,638,709 | Ending Market Value | $ 2,540,426 |
| | | Investment Income for the period | $ 33,523 |
| Unrealized Gain/Loss | $ 231,318 | Unrealized Gain/Loss | $ 218,008 |
| | | **Change in Unrealized Gain/Loss** | **$ (13,310)** |
| WAM at Beginning Period Date[1] | 5,964 days | WAM at Ending Period Date[1] | 5,864 days |
| | | Change in Market Value | $ (98,283) |

**Average Yield to Maturity for period** **5.689%**
**Average Yield 10 Year Treasury bill for period** **1.620%**

Ms. Melinda Smith, CFO
Texas State Affordable Housing Corporation

Mr. Nick Lawrence, Controller
Texas State Affordable Housing Corporation

Mr. David Long, President
Texas State Affordable Housing Corporation

Ms. Linda Patterson, President
Patterson & Associates



[1] **WAM**, represents weighted average maturity.

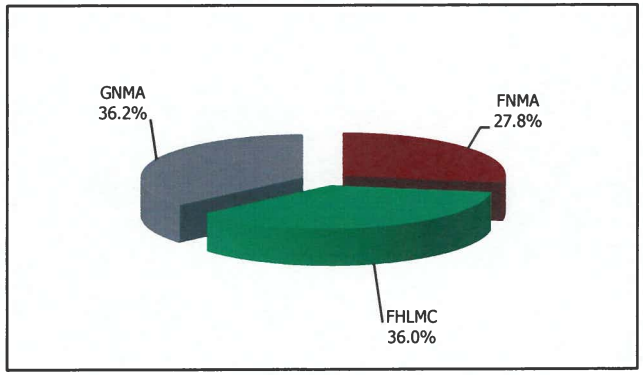
# Your Portfolio

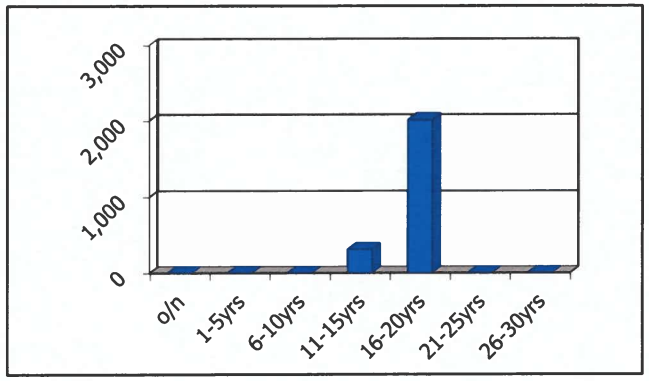
## As of May 31, 2021

PATTERSON & ASSOCIATES
A MESIROW INVESTMENT MANAGEMENT COMPANY

- P&A constantly reviews your portfolio for optimal asset allocation and a controlled average maturity because a diversified portfolio can better adjust to volatile market conditions. These are unusual times and where extensions can be made it is important to make them to find any available safe value in the markets.
- The graphs below show asset allocations by market sector and by maturity in your portfolio. Liquidity has been reduced to little or no value but with a flat short curve it may be the only sector available out to twelve months without the use of CP. Our expectation is of continuing dismally low rates, but we look for value in your authorized sectors to capture the yield available as markets change.

- The non-cash portion of your portfolio is yielding 5.689%.



PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas State Affordable Housing - Surplus Funds
## Portfolio Management
## Portfolio Summary
## May 31, 2021

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746
-

| Investments | Par Value | Market Value | Book Value | % of Portfolio | Term | Days to Maturity | YTM 365 Equiv. |
|---|---|---|---|---|---|---|---|
| Pass Through Securities (GNMA) | 840,760.51 | 930,249.97 | 840,760.51 | 36.20 | 7,482 | 5,930 | 5.786 |
| Pass Through Securities (FNMA) | 644,906.81 | 675,194.05 | 644,906.81 | 27.77 | 7,538 | 5,555 | 5.490 |
| Pass Through Securities (FHLMC) | 836,751.01 | 934,982.05 | 836,751.01 | 36.03 | 7,612 | 6,037 | 5.745 |
| **Investments** | **2,322,418.33** | **2,540,426.07** | **2,322,418.33** | **100.00%** | **7,544** | **5,864** | **5.689** |

| Total Earnings | May 31 Month Ending | Fiscal Year To Date |
|---|---|---|
| Current Year | 11,115.32 | 107,416.20 |

The following reports are submitted in accordance with the Public Funds Investment Act (Texas Gov't Code 2256). The reports also offer supplemental information not required by the Act in order to fully inform the governing body of the Texas State Affordable Housing Corporation of the position and activity within the Corporation's portfolio of investments. The reports include a management summary overview, a detailed inventory report for the end of the period, a transaction report, as well as graphic representations of the portfolio to provide full disclosure to the governing body.

Melinda Smith 6/30/2021

Melinda Smith, Chief Financial Officer



**Reporting period 05/01/2021-05/31/2021**
Data Updated: SET_TSSF: 06/21/2021 17:03
Run Date: 06/21/2021 - 17:03

Portfolio TSSF
AP
PM (PRF_PM1) 7.3.0
Report Ver. 7.3.6.1

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas St Aff Housing - Surplus
## Summary by Type
## May 31, 2021
## Grouped by Fund

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746
-

| Security Type | Number of Investments | Par Value | Book Value | % of Portfolio | Average YTM 365 | Average Days to Maturity |
|---|---|---|---|---|---|---|
| **Fund: General Investments** | | | | | | |
| Pass Through Securities (FHLMC) | 28 | 836,751.01 | 836,751.01 | 36.03 | 5.745 | 6,037 |
| Pass Through Securities (FNMA) | 17 | 644,906.81 | 644,906.81 | 27.77 | 5.490 | 5,555 |
| Pass Through Securities (GNMA) | 46 | 840,760.51 | 840,760.51 | 36.20 | 5.786 | 5,930 |
| **Subtotal** | **91** | **2,322,418.33** | **2,322,418.33** | **100.00** | **5.689** | **5,864** |
| **Total and Average** | **91** | **2,322,418.33** | **2,322,418.33** | **100.00** | **5.689** | **5,864** |

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas St Aff Housing - Surplus
## Fund GENERAL - General Investments
## Investments by Fund
## May 31, 2021

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746

| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Date | Days To Maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Pass Through Securities (GNMA)** | | | | | | | | | | | |
| 36296GK59 | 220 | G2 690716 Mtge | 04/27/2017 | 0.00 | 0.00 | 0.00 | 5.650 | 5.521 | 5.598 | 06/20/2038 | 6,228 |
| 36296GL74 | 246 | G2 690750 Mtge | 09/28/2017 | 24,196.52 | 24,196.52 | 26,788.77 | 6.000 | 5.862 | 5.943 | 05/20/2038 | 6,197 |
| 36202XEM5 | 193 | G2 612240 Mtge | 09/28/2016 | 57,764.44 | 57,764.44 | 63,909.26 | 5.750 | 5.614 | 5.692 | 11/20/2036 | 5,651 |
| 36295WR82 | 234 | G2 682811 Mtge | 09/28/2017 | 99,746.27 | 99,746.27 | 110,521.96 | 6.100 | 5.959 | 6.042 | 12/20/2037 | 6,046 |
| 36295X5K7 | 237 | G2 684050 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.100 | 5.959 | 6.042 | 01/20/2038 | 6,077 |
| 36295YLC5 | 239 | G2 684423 Mtge | 09/28/2017 | 79,017.10 | 79,017.10 | 87,595.79 | 6.100 | 5.959 | 6.042 | 12/20/2037 | 6,046 |
| 36201XSZ2 | 172 | G2 606366 Mtge | 08/27/2015 | 0.00 | 0.00 | 0.00 | 5.490 | 5.362 | 5.437 | 03/20/2036 | 5,406 |
| 36201XTW8 | 173 | G2 606365 Mtge | 08/27/2015 | 43,217.42 | 43,217.42 | 47,743.54 | 5.490 | 5.363 | 5.437 | 05/20/2036 | 5,467 |
| 36202TUK0 | 178 | G2 609086 Mtge | 06/28/2016 | 73,756.52 | 73,756.52 | 81,465.40 | 5.490 | 5.359 | 5.434 | 11/20/2036 | 5,651 |
| 36202XDG9 | 174 | G2 612203 Mtge | 08/27/2015 | 0.00 | 0.00 | 0.00 | 5.490 | 5.363 | 5.438 | 08/20/2036 | 5,559 |
| 36290YB64 | 179 | G2 621161 Mtge | 06/28/2016 | 0.00 | 0.00 | 0.00 | 5.490 | 5.359 | 5.434 | 11/20/2036 | 5,651 |
| 36290YDR6 | 188 | G2 621212 Mtge | 06/28/2016 | 21,869.54 | 21,869.54 | 24,190.01 | 5.750 | 5.616 | 5.694 | 04/20/2037 | 5,802 |
| 36290YB23 | 187 | G2 621157 Mtge | 06/28/2016 | 0.00 | 0.00 | 0.00 | 5.750 | 5.615 | 5.693 | 12/20/2036 | 5,681 |
| 36290YCF3 | 184 | G2 621170 Mtge | 06/28/2016 | 115,384.98 | 115,384.98 | 127,572.52 | 5.750 | 5.615 | 5.693 | 01/20/2037 | 5,712 |
| 36296BYN6 | 242 | G2 686617 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.000 | 5.861 | 5.943 | 03/20/2038 | 6,136 |
| 36296N4B9 | 248 | G2 696618 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.000 | 5.863 | 5.944 | 08/20/2038 | 6,289 |
| 36295KCH4 | 194 | G2 672472 Mtge | 09/28/2016 | 0.00 | 0.00 | 0.00 | 5.750 | 5.617 | 5.695 | 12/20/2037 | 6,046 |
| 36295KDR1 | 195 | G2 672512 Mtge | 09/28/2016 | 0.00 | 0.00 | 0.00 | 5.750 | 5.617 | 5.695 | 11/20/2037 | 6,016 |
| 36295MNM7 | 213 | G2 674596 Mtge | 04/27/2017 | 28,402.71 | 28,402.71 | 31,387.76 | 5.650 | 5.519 | 5.596 | 09/20/2037 | 5,955 |
| 36295MS34 | 204 | G2 674738 Mtge | 01/30/2017 | 29,276.99 | 29,276.99 | 32,326.53 | 5.750 | 5.610 | 5.688 | 08/20/2037 | 5,924 |
| 36295QT26 | 214 | G2 677469 Mtge | 04/27/2017 | 62,849.87 | 62,849.87 | 69,462.96 | 5.650 | 5.519 | 5.596 | 10/20/2037 | 5,985 |
| 36295UGS4 | 229 | G2 680709 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.000 | 5.861 | 5.942 | 12/20/2037 | 6,046 |
| 36295ULD1 | 230 | G2 680824 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.000 | 5.860 | 5.942 | 12/20/2037 | 6,046 |
| 36295USM4 | 231 | G2 681024 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.100 | 5.959 | 6.041 | 11/20/2037 | 6,016 |
| 36295WNR4 | 232 | G2 682700 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.000 | 5.861 | 5.942 | 01/20/2038 | 6,077 |
| 36295WR74 | 233 | G2 682810 Mtge | 09/28/2017 | 30,076.20 | 30,076.20 | 33,291.90 | 6.000 | 5.861 | 5.942 | 01/20/2038 | 6,077 |
| 36295X3E3 | 215 | G2 683997 Mtge | 04/27/2017 | 29,751.16 | 29,751.16 | 32,879.91 | 5.650 | 5.520 | 5.597 | 01/20/2038 | 6,077 |
| 36295X3F0 | 235 | G2 683997 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.100 | 5.959 | 6.042 | 01/20/2038 | 6,077 |
| 36295X3J2 | 236 | G2 684001 Mtge | 09/28/2017 | 67,949.58 | 67,949.58 | 75,233.09 | 6.000 | 5.861 | 5.942 | 02/20/2038 | 6,108 |
| 36295YHV8 | 238 | G2 684344 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.100 | 5.960 | 6.042 | 02/20/2038 | 6,108 |
| 36295YLM3 | 216 | G2 684432 Mtge | 04/27/2017 | 0.00 | 0.00 | 0.00 | 5.650 | 5.520 | 5.597 | 02/20/2038 | 6,108 |

# Fund GENERAL - General Investments
## Investments by Fund
## May 31, 2021

| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Date | Days To Maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Pass Through Securities (GNMA)** | | | | | | | | | | | |
| 36295YN25 | 240 | G2 684509 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.000 | 5.861 | 5.942 | 02/20/2038 | 6,108 |
| 36296AUJ1 | 217 | G2 685585 Mtge | 04/27/2017 | 0.00 | 0.00 | 0.00 | 5.650 | 5.521 | 5.597 | 03/20/2038 | 6,136 |
| 36296BWF5 | 241 | G2 686546 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.000 | 5.862 | 5.943 | 04/20/2038 | 6,167 |
| 36296BYJ5 | 218 | G2 686613 Mtge | 04/27/2017 | 0.00 | 0.00 | 0.00 | 5.650 | 5.521 | 5.597 | 04/20/2038 | 6,167 |
| 36296DVF2 | 219 | G2 688314 Mtge | 04/27/2017 | 0.00 | 0.00 | 0.00 | 5.650 | 5.521 | 5.598 | 05/20/2038 | 6,197 |
| 36296GK42 | 205 | G2 690715 Mtge | 01/30/2017 | 0.00 | 0.00 | 0.00 | 5.750 | 5.613 | 5.691 | 06/20/2038 | 6,228 |
| 36296K7L0 | 247 | G2 693999 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.100 | 5.961 | 6.044 | 07/20/2038 | 6,258 |
| 36296N4X1 | 206 | G2 696638 Mtge | 01/30/2017 | 0.00 | 0.00 | 0.00 | 5.750 | 5.613 | 5.691 | 08/20/2038 | 6,289 |
| 36296PBA8 | 207 | G2 696733 Mtge | 01/30/2017 | 0.00 | 0.00 | 0.00 | 5.650 | 5.514 | 5.591 | 07/20/2038 | 6,258 |
| 36296RNP8 | 208 | G2 698898 Mtge | 01/30/2017 | 0.00 | 0.00 | 0.00 | 5.750 | 5.613 | 5.691 | 08/20/2038 | 6,289 |
| 36296TFG3 | 249 | G2 700467 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.100 | 5.962 | 6.044 | 10/20/2038 | 6,350 |
| 36296TKE2 | 250 | G2 700593 Mtge | 09/28/2017 | 77,501.21 | 77,501.21 | 85,880.57 | 6.100 | 5.962 | 6.044 | 10/20/2038 | 6,350 |
| 36296DVK1 | 243 | G2 688318 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.000 | 5.862 | 5.943 | 05/20/2038 | 6,197 |
| 36296DWV6 | 244 | G2 688360 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.000 | 5.862 | 5.943 | 05/20/2038 | 6,197 |
| 36296DWX2 | 245 | G2 688362 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.100 | 5.960 | 6.043 | 05/20/2038 | 6,197 |
| | | **Subtotal and Average** | | **840,760.51** | **840,760.51** | **930,249.97** | | **5.707** | **5.786** | | **5,929** |
| **Pass Through Securities (FNMA)** | | | | | | | | | | | |
| 31410UYT3 | 183 | FN 898122 Mtge | 06/28/2016 | 37,254.87 | 37,254.87 | 37,633.19 | 5.750 | 5.601 | 5.679 | 09/01/2036 | 5,571 |
| 31409XNJ4 | 161 | FN 881593 Mtge | 08/27/2015 | 39,632.75 | 39,632.75 | 40,029.50 | 5.490 | 5.350 | 5.424 | 04/01/2036 | 5,418 |
| 31410MJP6 | 162 | FN 891370 Mtge | 08/27/2015 | 0.00 | 0.00 | 0.00 | 5.490 | 5.350 | 5.424 | 04/01/2036 | 5,418 |
| 31410MW89 | 163 | FN 891771 Mtge | 08/27/2015 | 112,538.61 | 112,538.61 | 120,635.69 | 5.490 | 5.350 | 5.425 | 05/01/2036 | 5,448 |
| 31410SAG2 | 164 | FN 895607 Mtge | 08/27/2015 | 50,386.99 | 50,386.99 | 52,861.45 | 5.490 | 5.350 | 5.425 | 05/01/2036 | 5,448 |
| 31410SWN3 | 165 | FN 896253 Mtge | 08/27/2015 | 0.00 | 0.00 | 0.00 | 5.490 | 5.351 | 5.425 | 06/01/2036 | 5,479 |
| 31410VWZ9 | 175 | FN 898964 Mtge | 06/28/2016 | 56,469.54 | 56,469.54 | 59,261.65 | 5.490 | 5.346 | 5.420 | 09/01/2036 | 5,571 |
| 31410VW22 | 185 | FN 898965 Mtge | 06/28/2016 | 74,133.88 | 74,133.88 | 77,187.26 | 5.750 | 5.602 | 5.680 | 11/01/2036 | 5,632 |
| 31410TNQ4 | 166 | FN 896899 Mtge | 08/27/2015 | 0.00 | 0.00 | 0.00 | 5.490 | 5.351 | 5.425 | 06/01/2036 | 5,479 |
| 31410UYS5 | 167 | FN 898121 Mtge | 08/27/2015 | 82,740.44 | 82,740.44 | 87,269.07 | 5.490 | 5.351 | 5.425 | 07/01/2036 | 5,509 |
| 31410VW71 | 168 | FN 898970 Mtge | 08/27/2015 | 0.00 | 0.00 | 0.00 | 5.490 | 5.351 | 5.425 | 07/01/2036 | 5,509 |
| 31411CMA6 | 169 | FN 904053 Mtge | 08/27/2015 | 37,772.79 | 37,772.79 | 38,141.46 | 5.490 | 5.351 | 5.425 | 08/01/2036 | 5,540 |
| 31411LYY1 | 170 | FN 911627 Mtge | 08/27/2015 | 65,944.27 | 65,944.27 | 69,196.03 | 5.490 | 5.349 | 5.423 | 11/01/2035 | 5,266 |
| 31412BRY0 | 176 | FN 920403 Mtge | 06/28/2016 | 0.00 | 0.00 | 0.00 | 5.490 | 5.347 | 5.421 | 12/01/2036 | 5,662 |

# Fund GENERAL - General Investments
## Investments by Fund
## May 31, 2021

| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Date | Days To Maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Pass Through Securities (FNMA)** | | | | | | | | | | | |
| 31413MMY0 | 177 | FN 949575 Mtge | 06/28/2016 | 0.00 | 0.00 | 0.00 | 5.490 | 5.348 | 5.422 | 03/01/2037 | 5,752 |
| 31413RLV6 | 171 | FN 953140 Mtge | 08/27/2015 | 0.00 | 0.00 | 0.00 | 5.490 | 5.354 | 5.428 | 09/01/2037 | 5,936 |
| 31414JA60 | 186 | FN 967229 Mtge | 06/28/2016 | 88,032.67 | 88,032.67 | 92,978.75 | 5.650 | 5.507 | 5.583 | 11/01/2037 | 5,997 |
| | | **Subtotal and Average** | | **644,906.81** | **644,906.81** | **675,194.05** | | **5.415** | **5.490** | | **5,554** |
| **Pass Through Securities (FHLMC)** | | | | | | | | | | | |
| 3128KYSL4 | 197 | FG A67723 Mtge | 01/30/2017 | 0.00 | 0.00 | 0.00 | 5.650 | 5.524 | 5.601 | 05/01/2037 | 5,813 |
| 31335YKU9 | 160 | FG U30307 Mtge | 08/27/2015 | 0.00 | 0.00 | 0.00 | 5.490 | 5.376 | 5.451 | 12/01/2036 | 5,662 |
| 31286DCD1 | 190 | FG T30068 Mtge | 09/28/2016 | 0.00 | 0.00 | 0.00 | 5.750 | 5.628 | 5.707 | 03/01/2037 | 5,752 |
| 31286DB59 | 189 | FG T30060 Mtge | 09/28/2016 | 30,695.05 | 30,695.05 | 34,357.45 | 5.750 | 5.628 | 5.706 | 02/01/2037 | 5,724 |
| 31286DLC3 | 196 | FG T30323 Mtge | 01/30/2017 | 0.00 | 0.00 | 0.00 | 5.650 | 5.525 | 5.602 | 10/01/2037 | 5,966 |
| 31286DKY6 | 209 | FG T30311 Mtge | 04/27/2017 | 36,987.86 | 36,987.86 | 41,317.74 | 5.650 | 5.532 | 5.609 | 10/01/2037 | 5,966 |
| 31321XK52 | 211 | FG U32116 Mtge | 04/27/2017 | 48,846.66 | 48,846.66 | 54,598.84 | 5.650 | 5.534 | 5.611 | 06/01/2038 | 6,209 |
| 31321XML5 | 227 | FG U32163 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.000 | 5.876 | 5.957 | 05/01/2038 | 6,178 |
| 31335YNQ5 | 180 | FG U30399 Mtge | 06/28/2016 | 55,758.14 | 55,758.14 | 61,960.58 | 5.750 | 5.630 | 5.708 | 06/01/2037 | 5,844 |
| 31335YPK6 | 192 | FG U30426 Mtge | 09/28/2016 | 70,628.18 | 70,628.18 | 78,462.97 | 5.750 | 5.629 | 5.707 | 07/01/2037 | 5,874 |
| 31335YUZ7 | 182 | FG U30600 Mtge | 06/28/2016 | 96,204.88 | 96,204.88 | 107,528.76 | 5.650 | 5.532 | 5.609 | 11/01/2037 | 5,997 |
| 31335YZ41 | 228 | FG U30763 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.100 | 5.973 | 6.056 | 12/01/2037 | 6,027 |
| 31335YNA0 | 181 | FG U30385 Mtge | 06/28/2016 | 58,554.84 | 58,554.84 | 65,073.74 | 5.750 | 5.629 | 5.707 | 04/01/2037 | 5,783 |
| 31321WAL0 | 222 | FG U30911 Mtge | 09/28/2017 | 44,414.09 | 44,414.09 | 49,894.97 | 6.100 | 5.973 | 6.056 | 01/01/2038 | 6,058 |
| 31321W5E2 | 221 | FG U31745 Mtge | 09/28/2017 | 62,433.96 | 62,433.96 | 70,122.51 | 6.000 | 5.875 | 5.957 | 03/01/2038 | 6,117 |
| 31321XAV6 | 198 | FG U31820 Mtge | 01/30/2017 | 57,065.73 | 57,065.73 | 63,406.54 | 5.750 | 5.625 | 5.703 | 04/01/2038 | 6,148 |
| 31321XAX2 | 224 | FG U31820 Mtge | 09/28/2017 | 58,336.08 | 58,336.08 | 65,523.57 | 6.000 | 5.875 | 5.957 | 04/01/2038 | 6,148 |
| 31321XE59 | 200 | FG U31956 Mtge | 01/30/2017 | 52,988.63 | 52,988.63 | 59,229.10 | 5.650 | 5.526 | 5.603 | 04/01/2038 | 6,148 |
| 31321XJH8 | 226 | FG U32064 Mtge | 09/28/2017 | 72,859.05 | 72,859.05 | 81,825.72 | 6.000 | 5.876 | 5.957 | 05/01/2038 | 6,178 |
| 31321XMM3 | 202 | FG U32164 Mtge | 01/30/2017 | 24,727.65 | 24,727.65 | 27,628.59 | 5.650 | 5.527 | 5.604 | 07/01/2038 | 6,239 |
| 31335YLE4 | 191 | FG U30325 Mtge | 09/28/2016 | 0.00 | 0.00 | 0.00 | 5.750 | 5.628 | 5.707 | 03/01/2037 | 5,752 |
| 31335YVH6 | 203 | FG U30616 Mtge | 01/30/2017 | 0.00 | 0.00 | 0.00 | 5.650 | 5.525 | 5.602 | 10/01/2037 | 5,966 |
| 31335YWR3 | 212 | FG U30656 Mtge | 04/27/2017 | 0.00 | 0.00 | 0.00 | 5.650 | 5.533 | 5.609 | 11/01/2037 | 5,997 |
| 31321XBK9 | 199 | FG U31842 Mtge | 01/30/2017 | 66,250.21 | 66,250.21 | 74,050.97 | 5.650 | 5.526 | 5.603 | 03/01/2038 | 6,117 |
| 31321XDG6 | 225 | FG U31903 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.000 | 5.876 | 5.957 | 05/01/2038 | 6,178 |
| 31321XE67 | 201 | FG U31957 Mtge | 01/30/2017 | 0.00 | 0.00 | 0.00 | 5.750 | 5.625 | 5.703 | 04/01/2038 | 6,148 |

# Fund GENERAL - General Investments
## Investments by Fund
## May 31, 2021

| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Date | Days To Maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Pass Through Securities (FHLMC)** | | | | | | | | | | | |
| 31321XE75 | 210 | FG U31958 Mtge | 04/27/2017 | 0.00 | 0.00 | 0.00 | 5.650 | 5.533 | 5.610 | 02/01/2038 | 6,089 |
| 31321WCX2 | 223 | FG U30986 Mtge | 09/28/2017 | 0.00 | 0.00 | 0.00 | 6.000 | 5.874 | 5.956 | 12/01/2037 | 6,027 |
| | | | **Subtotal and Average** | **836,751.01** | **836,751.01** | **934,982.05** | | **5.666** | **5.745** | | **6,037** |
| | | | **Total Investments and Average** | **2,322,418.33** | **2,322,418.33** | **2,540,426.07** | | **5.611** | **5.689** | | **5,864** |

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas St Aff Housing - Surplus
# Cash Reconciliation Report
## For the Period March 1, 2021 - May 31, 2021
## Grouped by Fund

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746

| Trans. Date | Investment # | Fund | Trans. Type | Security ID | Par Value | Security Description | Maturity Date | Purchases | Interest | Redemptions | Cash |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **General Investments** | | | | | | | | | | | |
| 03/15/2021 | 180 | GENERAL | Interest | 31335YNQ5 | 150,342.45 | FGU303 0.2M 5.75% Mat. | 06/01/2037 | 0.00 | 270.73 | 272.35 | 543.08 |
| 03/15/2021 | 181 | GENERAL | Interest | 31335YNA0 | 67,879.79 | FGU308 0.1M 5.75% Mat. | 04/01/2037 | 0.00 | 283.16 | 178.64 | 461.80 |
| 03/15/2021 | 182 | GENERAL | Interest | 31335YUZ7 | 112,790.45 | FGU306 0.1M 5.65% Mat. | 11/01/2037 | 0.00 | 458.65 | 295.80 | 754.45 |
| 03/15/2021 | 189 | GENERAL | Interest | 31286DB59 | 36,674.94 | FGT300 0.0M 5.75% Mat. | 02/01/2037 | 0.00 | 148.66 | 109.32 | 257.98 |
| 03/15/2021 | 192 | GENERAL | Interest | 31335YPK6 | 94,933.96 | FGU304 0.1M 5.75% Mat. | 07/01/2037 | 0.00 | 345.64 | 497.60 | 843.24 |
| 03/15/2021 | 198 | GENERAL | Interest | 31321XAV6 | 66,275.20 | FGU318 0.1M 5.75% Mat. | 04/01/2038 | 0.00 | 276.32 | 199.49 | 475.81 |
| 03/15/2021 | 199 | GENERAL | Interest | 31321XBK9 | 74,952.57 | FGU842 0.1M 5.65% Mat. | 03/01/2038 | 0.00 | 314.60 | 187.59 | 502.19 |
| 03/15/2021 | 200 | GENERAL | Interest | 31321XE59 | 60,403.19 | FGU319 0.1M 5.65% Mat. | 04/01/2038 | 0.00 | 252.57 | 165.20 | 417.77 |
| 03/15/2021 | 202 | GENERAL | Interest | 31321XMM3 | 32,533.49 | FGU321 0.0M 5.65% Mat. | 07/01/2038 | 0.00 | 118.89 | 173.87 | 292.76 |
| 03/15/2021 | 209 | GENERAL | Interest | 31286DKY6 | 64,278.72 | FGT311 0.1M 5.65% Mat. | 10/01/2037 | 0.00 | 187.73 | 703.84 | 891.57 |
| 03/15/2021 | 211 | GENERAL | Interest | 31321XK52 | 55,438.68 | FGU116 0.1M 5.65% Mat. | 06/01/2038 | 0.00 | 232.14 | 138.32 | 370.46 |
| 03/15/2021 | 221 | GENERAL | Interest | 31321W5E2 | 70,865.04 | FGU317 0.1M 6.00% Mat. | 03/01/2038 | 0.00 | 315.40 | 207.00 | 522.40 |
| 03/15/2021 | 222 | GENERAL | Interest | 31321WAL0 | 49,331.58 | FGU309 0.0M 6.10% Mat. | 01/01/2038 | 0.00 | 227.67 | 124.08 | 351.75 |
| 03/15/2021 | 224 | GENERAL | Interest | 31321XAX2 | 64,882.54 | FGU318 0.1M 6.00% Mat. | 04/01/2038 | 0.00 | 294.17 | 164.85 | 459.02 |
| 03/15/2021 | 226 | GENERAL | Interest | 31321XJH8 | 80,833.15 | FGU320 0.1M 6.00% Mat. | 05/01/2038 | 0.00 | 367.32 | 200.89 | 568.21 |
| 03/20/2021 | 173 | GENERAL | Interest | 36201XTW8 | 118,464.73 | G26066 0.1M 5.49% Mat. | 05/20/2036 | 0.00 | 199.91 | 158.96 | 358.87 |
| 03/20/2021 | 178 | GENERAL | Interest | 36202TUK0 | 86,182.90 | G26090 0.1M 5.49% Mat. | 11/20/2036 | 0.00 | 340.75 | 240.06 | 580.81 |
| 03/20/2021 | 184 | GENERAL | Interest | 36290YCF3 | 134,471.73 | G26217 0.1M 5.75% Mat. | 01/20/2037 | 0.00 | 558.24 | 370.76 | 929.00 |
| 03/20/2021 | 188 | GENERAL | Interest | 36290YDR6 | 33,104.67 | G26212 0.0M 5.75% Mat. | 04/20/2037 | 0.00 | 107.94 | 255.06 | 363.00 |
| 03/20/2021 | 193 | GENERAL | Interest | 36202XEM5 | 66,832.25 | G22240 0.1M 5.75% Mat. | 11/20/2036 | 0.00 | 279.45 | 184.21 | 463.66 |
| 03/20/2021 | 204 | GENERAL | Interest | 36295MS34 | 67,040.43 | G26747 0.1M 5.75% Mat. | 08/20/2037 | 0.00 | 153.11 | 921.68 | 1,074.79 |
| 03/20/2021 | 205 | GENERAL | Interest | 36296GK42 | 56,389.26 | G26907 0.1M 5.75% Mat. | 06/20/2038 | 0.00 | 241.82 | 50,467.64 | 50,709.46 |
| 03/20/2021 | 213 | GENERAL | Interest | 36295MNM7 | 32,188.10 | G26745 0.0M 5.65% Mat. | 09/20/2037 | 0.00 | 134.95 | 86.22 | 221.17 |
| 03/20/2021 | 214 | GENERAL | Interest | 36295QT26 | 71,450.31 | G26774 0.1M 5.65% Mat. | 10/20/2037 | 0.00 | 298.70 | 195.90 | 494.60 |
| 03/20/2021 | 215 | GENERAL | Interest | 36295X3E3 | 33,454.82 | G26839 0.0M 5.65% Mat. | 01/20/2038 | 0.00 | 141.28 | 84.36 | 225.64 |
| 03/20/2021 | 233 | GENERAL | Interest | 36295WR74 | 33,367.68 | G26828 0.0M 6.00% Mat. | 01/20/2038 | 0.00 | 151.63 | 82.80 | 234.43 |
| 03/20/2021 | 234 | GENERAL | Interest | 36295WR82 | 110,649.49 | G22811 0.1M 6.10% Mat. | 12/20/2037 | 0.00 | 511.24 | 273.43 | 784.67 |
| 03/20/2021 | 236 | GENERAL | Interest | 36295X3J2 | 76,135.82 | G26840 0.1M 6.00% Mat. | 02/20/2038 | 0.00 | 342.88 | 206.95 | 549.83 |
| 03/20/2021 | 239 | GENERAL | Interest | 36295YLC5 | 88,012.57 | G24423 0.1M 6.10% Mat. | 12/20/2037 | 0.00 | 405.15 | 226.97 | 632.12 |
| 03/20/2021 | 246 | GENERAL | Interest | 36296GL74 | 26,747.88 | G20750 0.0M 6.00% Mat. | 05/20/2038 | 0.00 | 121.95 | 64.28 | 186.23 |
| 03/20/2021 | 250 | GENERAL | Interest | 36296TKE2 | 85,293.91 | G27005 0.1M 6.10% Mat. | 10/20/2038 | 0.00 | 396.98 | 196.62 | 593.60 |
| 03/25/2021 | 161 | GENERAL | Interest | 31409XNJ4 | 94,018.05 | FN8815 0.1M 5.49% Mat. | 04/01/2036 | 0.00 | 183.19 | 135.61 | 318.80 |
| 03/25/2021 | 163 | GENERAL | Interest | 31410MW89 | 135,291.51 | FN8917 0.1M 5.49% Mat. | 05/01/2036 | 0.00 | 520.17 | 384.81 | 904.98 |
| 03/25/2021 | 164 | GENERAL | Interest | 31410SAG2 | 84,705.09 | FN8956 0.1M 5.49% Mat. | 05/01/2036 | 0.00 | 233.17 | 191.79 | 424.96 |
| 03/25/2021 | 167 | GENERAL | Interest | 31410UYS5 | 99,858.21 | FN8981 0.1M 5.49% Mat. | 07/01/2036 | 0.00 | 382.53 | 289.51 | 672.04 |
| 03/25/2021 | 169 | GENERAL | Interest | 31411CMA6 | 64,739.66 | FN9040 0.1M 5.49% Mat. | 08/01/2036 | 0.00 | 179.10 | 456.09 | 635.19 |
| 03/25/2021 | 170 | GENERAL | Interest | 31411LYY1 | 79,911.93 | FN9116 0.1M 5.49% Mat. | 11/01/2035 | 0.00 | 304.95 | 236.23 | 541.18 |
| 03/25/2021 | 175 | GENERAL | Interest | 31410VWZ9 | 66,528.69 | FN8964 0.1M 5.49% Mat. | 09/01/2036 | 0.00 | 261.03 | 194.33 | 455.36 |

| Trans. Date | Investment # | Fund | Trans. Type | Security ID | Par Value | Security Description | Maturity Date | Purchases | Interest | Redemptions | Cash |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **General Investments** | | | | | | | | | | | |
| 03/25/2021 | 183 | GENERAL | Interest | 31410UYT3 | 80,282.28 | FN8122 0.1M 5.75% Mat. | 09/01/2036 | 0.00 | 198.47 | 983.11 | 1,181.58 |
| 03/25/2021 | 185 | GENERAL | Interest | 31410VW22 | 90,451.78 | FN8965 0.1M 5.75% Mat. | 11/01/2036 | 0.00 | 359.81 | 316.98 | 676.79 |
| 03/25/2021 | 186 | GENERAL | Interest | 31414JA60 | 108,583.92 | FN9672 0.1M 5.65% Mat. | 11/01/2037 | 0.00 | 419.51 | 353.64 | 773.15 |
| 04/15/2021 | 180 | GENERAL | Interest | 31335YNQ5 | 150,342.45 | FGU303 0.2M 5.75% Mat. | 06/01/2037 | 0.00 | 269.43 | 195.91 | 465.34 |
| 04/15/2021 | 181 | GENERAL | Interest | 31335YNA0 | 67,879.79 | FGU308 0.1M 5.75% Mat. | 04/01/2037 | 0.00 | 282.30 | 179.57 | 461.87 |
| 04/15/2021 | 182 | GENERAL | Interest | 31335YUZ7 | 112,790.45 | FGU306 0.1M 5.65% Mat. | 11/01/2037 | 0.00 | 457.26 | 501.83 | 959.09 |
| 04/15/2021 | 189 | GENERAL | Interest | 31286DB59 | 36,674.94 | FGT300 0.0M 5.75% Mat. | 02/01/2037 | 0.00 | 148.14 | 109.91 | 258.05 |
| 04/15/2021 | 192 | GENERAL | Interest | 31335YPK6 | 94,933.96 | FGU304 0.1M 5.75% Mat. | 07/01/2037 | 0.00 | 343.26 | 500.19 | 843.45 |
| 04/15/2021 | 198 | GENERAL | Interest | 31321XAV6 | 66,275.20 | FGU318 0.1M 5.75% Mat. | 04/01/2038 | 0.00 | 275.37 | 200.53 | 475.90 |
| 04/15/2021 | 199 | GENERAL | Interest | 31321XBK9 | 74,952.57 | FGU842 0.1M 5.65% Mat. | 03/01/2038 | 0.00 | 313.72 | 188.55 | 502.27 |
| 04/15/2021 | 200 | GENERAL | Interest | 31321XE59 | 60,403.19 | FGU319 0.1M 5.65% Mat. | 04/01/2038 | 0.00 | 251.79 | 156.05 | 407.84 |
| 04/15/2021 | 202 | GENERAL | Interest | 31321XMM3 | 32,533.49 | FGU321 0.0M 5.65% Mat. | 07/01/2038 | 0.00 | 118.08 | 174.76 | 292.84 |
| 04/15/2021 | 209 | GENERAL | Interest | 31286DKY6 | 64,278.72 | FGT311 0.1M 5.65% Mat. | 10/01/2037 | 0.00 | 184.42 | 688.68 | 873.10 |
| 04/15/2021 | 211 | GENERAL | Interest | 31321XK52 | 55,438.68 | FGU116 0.1M 5.65% Mat. | 06/01/2038 | 0.00 | 231.49 | 139.03 | 370.52 |
| 04/15/2021 | 221 | GENERAL | Interest | 31321W5E2 | 70,865.04 | FGU317 0.1M 6.00% Mat. | 03/01/2038 | 0.00 | 314.36 | 229.62 | 543.98 |
| 04/15/2021 | 222 | GENERAL | Interest | 31321WAL0 | 49,331.58 | FGU309 0.0M 6.10% Mat. | 01/01/2038 | 0.00 | 227.04 | 124.77 | 351.81 |
| 04/15/2021 | 224 | GENERAL | Interest | 31321XAX2 | 64,882.54 | FGU318 0.1M 6.00% Mat. | 04/01/2038 | 0.00 | 293.34 | 165.74 | 459.08 |
| 04/15/2021 | 226 | GENERAL | Interest | 31321XJH8 | 80,833.15 | FGU320 0.1M 6.00% Mat. | 05/01/2038 | 0.00 | 366.32 | 201.98 | 568.30 |
| 04/20/2021 | 173 | GENERAL | Interest | 36201XTW8 | 118,464.73 | G26066 0.1M 5.49% Mat. | 05/20/2036 | 0.00 | 199.19 | 159.75 | 358.94 |
| 04/20/2021 | 178 | GENERAL | Interest | 36202TUK0 | 86,182.90 | G26090 0.1M 5.49% Mat. | 11/20/2036 | 0.00 | 339.65 | 241.25 | 580.90 |
| 04/20/2021 | 184 | GENERAL | Interest | 36290YCF3 | 134,471.73 | G26217 0.1M 5.75% Mat. | 01/20/2037 | 0.00 | 556.47 | 372.68 | 929.15 |
| 04/20/2021 | 188 | GENERAL | Interest | 36290YDR6 | 33,104.67 | G26212 0.0M 5.75% Mat. | 04/20/2037 | 0.00 | 106.71 | 256.79 | 363.50 |
| 04/20/2021 | 193 | GENERAL | Interest | 36202XEM5 | 66,832.25 | G22240 0.1M 5.75% Mat. | 11/20/2036 | 0.00 | 278.57 | 185.17 | 463.74 |
| 04/20/2021 | 204 | GENERAL | Interest | 36295MS34 | 67,040.43 | G26747 0.1M 5.75% Mat. | 08/20/2037 | 0.00 | 148.69 | 326.48 | 475.17 |
| 04/20/2021 | 213 | GENERAL | Interest | 36295MNM7 | 32,188.10 | G26745 0.0M 5.65% Mat. | 09/20/2037 | 0.00 | 134.55 | 86.67 | 221.22 |
| 04/20/2021 | 214 | GENERAL | Interest | 36295QT26 | 71,450.31 | G26774 0.1M 5.65% Mat. | 10/20/2037 | 0.00 | 297.78 | 196.90 | 494.68 |
| 04/20/2021 | 215 | GENERAL | Interest | 36295X3E3 | 33,454.82 | G26839 0.0M 5.65% Mat. | 01/20/2038 | 0.00 | 140.88 | 84.79 | 225.67 |
| 04/20/2021 | 233 | GENERAL | Interest | 36295WR74 | 33,367.68 | G26828 0.0M 6.00% Mat. | 01/20/2038 | 0.00 | 151.22 | 83.25 | 234.47 |
| 04/20/2021 | 234 | GENERAL | Interest | 36295WR82 | 110,649.49 | G22811 0.1M 6.10% Mat. | 12/20/2037 | 0.00 | 509.85 | 274.93 | 784.78 |
| 04/20/2021 | 236 | GENERAL | Interest | 36295X3J2 | 76,135.82 | G26840 0.1M 6.00% Mat. | 02/20/2038 | 0.00 | 341.84 | 208.08 | 549.92 |
| 04/20/2021 | 239 | GENERAL | Interest | 36295YLC5 | 88,012.57 | G24423 0.1M 6.10% Mat. | 12/20/2037 | 0.00 | 404.00 | 228.22 | 632.22 |
| 04/20/2021 | 246 | GENERAL | Interest | 36296GL74 | 26,747.88 | G20750 0.0M 6.00% Mat. | 05/20/2038 | 0.00 | 121.63 | 64.62 | 186.25 |
| 04/20/2021 | 250 | GENERAL | Interest | 36296TKE2 | 85,293.91 | G27005 0.1M 6.10% Mat. | 10/20/2038 | 0.00 | 395.98 | 197.70 | 593.68 |
| 04/25/2021 | 161 | GENERAL | Interest | 31409XNJ4 | 94,018.05 | FN8815 0.1M 5.49% Mat. | 04/01/2036 | 0.00 | 182.57 | 136.19 | 318.76 |
| 04/25/2021 | 163 | GENERAL | Interest | 31410MW89 | 135,291.51 | FN8917 0.1M 5.49% Mat. | 05/01/2036 | 0.00 | 518.41 | 386.73 | 905.14 |
| 04/25/2021 | 164 | GENERAL | Interest | 31410SAG2 | 84,705.09 | FN8956 0.1M 5.49% Mat. | 05/01/2036 | 0.00 | 232.29 | 192.75 | 425.04 |
| 04/25/2021 | 167 | GENERAL | Interest | 31410UYS5 | 99,858.21 | FN8981 0.1M 5.49% Mat. | 07/01/2036 | 0.00 | 381.21 | 290.96 | 672.17 |
| 04/25/2021 | 169 | GENERAL | Interest | 31411CMA6 | 64,739.66 | FN9040 0.1M 5.49% Mat. | 08/01/2036 | 0.00 | 177.01 | 458.36 | 635.37 |
| 04/25/2021 | 170 | GENERAL | Interest | 31411LYY1 | 79,911.93 | FN9116 0.1M 5.49% Mat. | 11/01/2035 | 0.00 | 303.87 | 237.41 | 541.28 |
| 04/25/2021 | 175 | GENERAL | Interest | 31410VWZ9 | 66,528.69 | FN8964 0.1M 5.49% Mat. | 09/01/2036 | 0.00 | 260.14 | 195.30 | 455.44 |
| 04/25/2021 | 183 | GENERAL | Interest | 31410UYT3 | 80,282.28 | FN8122 0.1M 5.75% Mat. | 09/01/2036 | 0.00 | 193.76 | 1,188.23 | 1,381.99 |
| 04/25/2021 | 185 | GENERAL | Interest | 31410VW22 | 90,451.78 | FN8965 0.1M 5.75% Mat. | 11/01/2036 | 0.00 | 358.29 | 318.62 | 676.91 |

| Trans. Date | Investment # | Fund | Trans. Type | Security ID | Par Value | Security Description | Maturity Date | Purchases | Interest | Redemptions | Cash |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **General Investments** | | | | | | | | | | | |
| 04/25/2021 | 186 | GENERAL | Interest | 31414JA60 | 108,583.92 | FN9672 0.1M 5.65% Mat. | 11/01/2037 | 0.00 | 417.84 | 355.45 | 773.29 |
| 05/15/2021 | 180 | GENERAL | Interest | 31335YNQ5 | 150,342.45 | FGU303 0.2M 5.75% Mat. | 06/01/2037 | 0.00 | 268.49 | 274.79 | 543.28 |
| 05/15/2021 | 181 | GENERAL | Interest | 31335YNA0 | 67,879.79 | FGU308 0.1M 5.75% Mat. | 04/01/2037 | 0.00 | 281.44 | 180.51 | 461.95 |
| 05/15/2021 | 182 | GENERAL | Interest | 31335YUZ7 | 112,790.45 | FGU306 0.1M 5.65% Mat. | 11/01/2037 | 0.00 | 454.89 | 409.89 | 864.78 |
| 05/15/2021 | 189 | GENERAL | Interest | 31286DB59 | 36,674.94 | FGT300 0.0M 5.75% Mat. | 02/01/2037 | 0.00 | 147.61 | 110.46 | 258.07 |
| 05/15/2021 | 192 | GENERAL | Interest | 31335YPK6 | 94,933.96 | FGU304 0.1M 5.75% Mat. | 07/01/2037 | 0.00 | 340.86 | 508.58 | 849.44 |
| 05/15/2021 | 198 | GENERAL | Interest | 31321XAV6 | 66,275.20 | FGU318 0.1M 5.75% Mat. | 04/01/2038 | 0.00 | 274.41 | 201.57 | 475.98 |
| 05/15/2021 | 199 | GENERAL | Interest | 31321XBK9 | 74,952.57 | FGU842 0.1M 5.65% Mat. | 03/01/2038 | 0.00 | 312.83 | 191.63 | 504.46 |
| 05/15/2021 | 200 | GENERAL | Interest | 31321XE59 | 60,403.19 | FGU319 0.1M 5.65% Mat. | 04/01/2038 | 0.00 | 251.06 | 332.85 | 583.91 |
| 05/15/2021 | 202 | GENERAL | Interest | 31321XMM3 | 32,533.49 | FGU321 0.0M 5.65% Mat. | 07/01/2038 | 0.00 | 117.25 | 175.66 | 292.91 |
| 05/15/2021 | 209 | GENERAL | Interest | 31286DKY6 | 64,278.72 | FGT311 0.1M 5.65% Mat. | 10/01/2037 | 0.00 | 181.18 | 1,492.21 | 1,673.39 |
| 05/15/2021 | 211 | GENERAL | Interest | 31321XK52 | 55,438.68 | FGU116 0.1M 5.65% Mat. | 06/01/2038 | 0.00 | 230.83 | 179.94 | 410.77 |
| 05/15/2021 | 221 | GENERAL | Interest | 31321W5E2 | 70,865.04 | FGU317 0.1M 6.00% Mat. | 03/01/2038 | 0.00 | 313.21 | 208.69 | 521.90 |
| 05/15/2021 | 222 | GENERAL | Interest | 31321WAL0 | 49,331.58 | FGU309 0.0M 6.10% Mat. | 01/01/2038 | 0.00 | 226.41 | 125.45 | 351.86 |
| 05/15/2021 | 224 | GENERAL | Interest | 31321XAX2 | 64,882.54 | FGU318 0.1M 6.00% Mat. | 04/01/2038 | 0.00 | 292.51 | 166.64 | 459.15 |
| 05/15/2021 | 226 | GENERAL | Interest | 31321XJH8 | 80,833.15 | FGU320 0.1M 6.00% Mat. | 05/01/2038 | 0.00 | 365.31 | 203.08 | 568.39 |
| 05/20/2021 | 173 | GENERAL | Interest | 36201XTW8 | 118,464.73 | G26066 0.1M 5.49% Mat. | 05/20/2036 | 0.00 | 198.45 | 160.55 | 359.00 |
| 05/20/2021 | 178 | GENERAL | Interest | 36202TUK0 | 86,182.90 | G26090 0.1M 5.49% Mat. | 11/20/2036 | 0.00 | 338.55 | 242.46 | 581.01 |
| 05/20/2021 | 184 | GENERAL | Interest | 36290YCF3 | 134,471.73 | G26217 0.1M 5.75% Mat. | 01/20/2037 | 0.00 | 554.68 | 374.64 | 929.32 |
| 05/20/2021 | 188 | GENERAL | Interest | 36290YDR6 | 33,104.67 | G26212 0.0M 5.75% Mat. | 04/20/2037 | 0.00 | 105.48 | 144.54 | 250.02 |
| 05/20/2021 | 193 | GENERAL | Interest | 36202XEM5 | 66,832.25 | G22240 0.1M 5.75% Mat. | 11/20/2036 | 0.00 | 277.68 | 186.13 | 463.81 |
| 05/20/2021 | 204 | GENERAL | Interest | 36295MS34 | 67,040.43 | G26747 0.1M 5.75% Mat. | 08/20/2037 | 0.00 | 147.13 | 1,428.18 | 1,575.31 |
| 05/20/2021 | 213 | GENERAL | Interest | 36295MNM7 | 32,188.10 | G26745 0.0M 5.65% Mat. | 09/20/2037 | 0.00 | 134.14 | 87.11 | 221.25 |
| 05/20/2021 | 214 | GENERAL | Interest | 36295QT26 | 71,450.31 | G26774 0.1M 5.65% Mat. | 10/20/2037 | 0.00 | 296.85 | 197.91 | 494.76 |
| 05/20/2021 | 215 | GENERAL | Interest | 36295X3E3 | 33,454.82 | G26839 0.0M 5.65% Mat. | 01/20/2038 | 0.00 | 140.48 | 85.23 | 225.71 |
| 05/20/2021 | 233 | GENERAL | Interest | 36295WR74 | 33,367.68 | G26828 0.0M 6.00% Mat. | 01/20/2038 | 0.00 | 150.80 | 83.70 | 234.50 |
| 05/20/2021 | 234 | GENERAL | Interest | 36295WR82 | 110,649.49 | G22811 0.1M 6.10% Mat. | 12/20/2037 | 0.00 | 508.45 | 276.45 | 784.90 |
| 05/20/2021 | 236 | GENERAL | Interest | 36295X3J2 | 76,135.82 | G26840 0.1M 6.00% Mat. | 02/20/2038 | 0.00 | 340.80 | 210.44 | 551.24 |
| 05/20/2021 | 239 | GENERAL | Interest | 36295YLC5 | 88,012.57 | G24423 0.1M 6.10% Mat. | 12/20/2037 | 0.00 | 402.84 | 229.47 | 632.31 |
| 05/20/2021 | 246 | GENERAL | Interest | 36296GL74 | 26,747.88 | G20750 0.0M 6.00% Mat. | 05/20/2038 | 0.00 | 121.31 | 64.97 | 186.28 |
| 05/20/2021 | 250 | GENERAL | Interest | 36296TKE2 | 85,293.91 | G27005 0.1M 6.10% Mat. | 10/20/2038 | 0.00 | 394.97 | 198.79 | 593.76 |
| 05/25/2021 | 161 | GENERAL | Interest | 31409XNJ4 | 94,018.05 | FN8815 0.1M 5.49% Mat. | 04/01/2036 | 0.00 | 181.95 | 136.87 | 318.82 |
| 05/25/2021 | 163 | GENERAL | Interest | 31410MW89 | 135,291.51 | FN8917 0.1M 5.49% Mat. | 05/01/2036 | 0.00 | 516.64 | 388.86 | 905.50 |
| 05/25/2021 | 164 | GENERAL | Interest | 31410SAG2 | 84,705.09 | FN8956 0.1M 5.49% Mat. | 05/01/2036 | 0.00 | 231.41 | 193.72 | 425.13 |
| 05/25/2021 | 167 | GENERAL | Interest | 31410UYS5 | 99,858.21 | FN8981 0.1M 5.49% Mat. | 07/01/2036 | 0.00 | 379.88 | 292.41 | 672.29 |
| 05/25/2021 | 169 | GENERAL | Interest | 31411CMA6 | 64,739.66 | FN9040 0.1M 5.49% Mat. | 08/01/2036 | 0.00 | 174.92 | 460.65 | 635.57 |
| 05/25/2021 | 170 | GENERAL | Interest | 31411LYY1 | 79,911.93 | FN9116 0.1M 5.49% Mat. | 11/01/2035 | 0.00 | 302.79 | 238.60 | 541.39 |
| 05/25/2021 | 175 | GENERAL | Interest | 31410VWZ9 | 66,528.69 | FN8964 0.1M 5.49% Mat. | 09/01/2036 | 0.00 | 259.25 | 196.27 | 455.52 |
| 05/25/2021 | 183 | GENERAL | Interest | 31410UYT3 | 80,282.28 | FN8122 0.1M 5.75% Mat. | 09/01/2036 | 0.00 | 188.07 | 1,994.42 | 2,182.49 |
| 05/25/2021 | 185 | GENERAL | Interest | 31410VW22 | 90,451.78 | FN8965 0.1M 5.75% Mat. | 11/01/2036 | 0.00 | 356.76 | 320.30 | 677.06 |
| 05/25/2021 | 186 | GENERAL | Interest | 31414JA60 | 108,583.92 | FN9672 0.1M 5.65% Mat. | 11/01/2037 | 0.00 | 416.17 | 357.27 | 773.44 |

| Trans. Date | Investment # | Fund | Trans. Type | Security ID | Par Value | Security Description | Maturity Date | Purchases | Interest | Redemptions | Cash |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Subtotal | 0.00 | 33,929.02 | 84,973.13 | 118,902.15 |
| | | | | | | | Total | 0.00 | 33,929.02 | 84,973.13 | 118,902.15 |

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

# Texas St Aff Housing - Surplus
## Interest Earnings
## Sorted by Fund - Fund
## March 1, 2021 - May 31, 2021
## Yield on Average Book Value

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746
-

| CUSIP | Investment # | Fund | Security Type | Ending Par Value | Beginning Book Value | Average Book Value | Maturity Date | Current Rate | Annualized Yield | Adjusted Interest Earnings: Interest Earned | Adjusted Interest Earnings: Amortization/ Accretion | Adjusted Interest Earnings: Adjusted Interest Earnings |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fund: General Investments** | | | | | | | | | | | | |
| 31409XNJ4 | 161 | GENERAL | GN2 | 39,632.75 | 40,041.42 | 39,876.00 | 04/01/2036 | 5.490 | 0.059 | 545.84 | 0.00 | 545.84 |
| 31410MW89 | 163 | GENERAL | GN2 | 112,538.61 | 113,699.01 | 113,229.47 | 05/01/2036 | 5.490 | 0.059 | 1,549.91 | 0.00 | 1,549.91 |
| 31410SAG2 | 164 | GENERAL | GN2 | 50,386.99 | 50,965.25 | 50,731.23 | 05/01/2036 | 5.490 | 0.059 | 694.22 | 0.00 | 694.22 |
| 31410UYS5 | 167 | GENERAL | GN2 | 82,740.44 | 83,613.32 | 83,260.07 | 07/01/2036 | 5.490 | 0.059 | 1,139.63 | 0.00 | 1,139.63 |
| 31411CMA6 | 169 | GENERAL | GN2 | 37,772.79 | 39,147.89 | 38,591.39 | 08/01/2036 | 5.490 | 0.059 | 524.74 | 0.00 | 524.74 |
| 31411LYY1 | 170 | GENERAL | GN2 | 65,944.27 | 66,656.51 | 66,368.27 | 11/01/2035 | 5.490 | 0.059 | 908.36 | 0.00 | 908.36 |
| 36201XTW8 | 173 | GENERAL | GN1 | 43,217.42 | 43,696.68 | 43,476.68 | 05/20/2036 | 5.490 | 0.059 | 595.36 | 0.00 | 595.36 |
| 31410VWZ9 | 175 | GENERAL | GN2 | 56,469.54 | 57,055.44 | 56,818.33 | 09/01/2036 | 5.490 | 0.059 | 777.74 | 0.00 | 777.74 |
| 31413MMY0 | 177 | GENERAL | GN2 | 0.00 | 0.00 | 0.00 | 03/01/2037 | 5.490 | | 0.00 | 0.00 | 0.00 |
| 36202TUK0 | 178 | GENERAL | GN1 | 73,756.52 | 74,480.29 | 74,148.05 | 11/20/2036 | 5.490 | 0.059 | 1,015.64 | 0.00 | 1,015.64 |
| 31335YNQ5 | 180 | GENERAL | GN3 | 55,758.14 | 56,501.19 | 56,119.42 | 06/01/2037 | 5.750 | 0.062 | 805.09 | 0.00 | 805.09 |
| 31335YNA0 | 181 | GENERAL | GN3 | 58,554.84 | 59,093.56 | 58,817.01 | 04/01/2037 | 5.750 | 0.062 | 844.32 | 0.00 | 844.32 |
| 31335YUZ7 | 182 | GENERAL | GN3 | 96,204.88 | 97,412.40 | 96,829.50 | 11/01/2037 | 5.650 | 0.061 | 1,365.11 | 0.00 | 1,365.11 |
| 31410UYT3 | 183 | GENERAL | GN2 | 37,254.87 | 41,420.63 | 40,064.36 | 09/01/2036 | 5.750 | 0.060 | 560.34 | 0.00 | 560.34 |
| 36290YCF3 | 184 | GENERAL | GN1 | 115,384.98 | 116,503.06 | 115,989.87 | 01/20/2037 | 5.750 | 0.062 | 1,664.04 | 0.00 | 1,664.04 |
| 31410VW22 | 185 | GENERAL | GN2 | 74,133.88 | 75,089.78 | 74,702.98 | 11/01/2036 | 5.750 | 0.062 | 1,070.27 | 0.00 | 1,070.27 |
| 31414JA60 | 186 | GENERAL | GN2 | 88,032.67 | 89,099.03 | 88,667.51 | 11/01/2037 | 5.650 | 0.061 | 1,248.50 | 0.00 | 1,248.50 |
| 36290YDR6 | 188 | GENERAL | GN1 | 21,869.54 | 22,525.93 | 22,187.46 | 04/20/2037 | 5.750 | 0.062 | 316.98 | 0.00 | 316.98 |
| 31286DB59 | 189 | GENERAL | GN3 | 30,695.05 | 31,024.74 | 30,855.49 | 02/01/2037 | 5.750 | 0.062 | 442.83 | 0.00 | 442.83 |
| 31335YPK6 | 192 | GENERAL | GN3 | 70,628.18 | 72,134.55 | 71,363.16 | 07/01/2037 | 5.750 | 0.062 | 1,022.55 | 0.00 | 1,022.55 |
| 36202XEM5 | 193 | GENERAL | GN1 | 57,764.44 | 58,319.95 | 58,064.97 | 11/20/2036 | 5.750 | 0.062 | 833.04 | 0.00 | 833.04 |
| 36295KDR1 | 195 | GENERAL | GN1 | 0.00 | 0.00 | 0.00 | 11/20/2037 | 5.750 | | 0.00 | 0.00 | 0.00 |
| 31321XAX2 | 224 | GENERAL | GN3 | 58,336.08 | 58,833.31 | 58,578.08 | 04/01/2038 | 6.000 | 0.065 | 877.53 | 0.00 | 877.53 |
| 31321XAV6 | 198 | GENERAL | GN3 | 57,065.73 | 57,667.32 | 57,358.50 | 04/01/2038 | 5.750 | 0.062 | 823.22 | 0.00 | 823.22 |
| 31321XBK9 | 199 | GENERAL | GN3 | 66,250.21 | 66,817.98 | 66,527.20 | 03/01/2038 | 5.650 | 0.061 | 938.48 | 0.00 | 938.48 |
| 31321XE59 | 200 | GENERAL | GN3 | 52,988.63 | 53,642.73 | 53,361.44 | 04/01/2038 | 5.650 | 0.061 | 752.34 | 0.00 | 752.34 |
| 31321XMM3 | 202 | GENERAL | GN3 | 24,727.65 | 25,251.94 | 24,982.79 | 07/01/2038 | 5.650 | 0.061 | 351.76 | 0.00 | 351.76 |
| 31335YVH6 | 203 | GENERAL | GN3 | 0.00 | 0.00 | 0.00 | 10/01/2037 | 5.650 | | 0.00 | 0.00 | 0.00 |
| 36295MS34 | 204 | GENERAL | GN1 | 29,276.99 | 31,953.33 | 30,886.67 | 08/20/2037 | 5.750 | 0.061 | 436.11 | 0.00 | 436.11 |
| 36296GK42 | 205 | GENERAL | GN1 | 0.00 | 50,467.64 | 10,422.66 | 06/20/2038 | 5.750 | | 0.00 | 0.00 | 0.00 |

# Texas St Aff Housing - Surplus
## Interest Earnings
## March 1, 2021 - May 31, 2021

| CUSIP | Investment # | Fund | Security Type | Ending Par Value | Beginning Book Value | Average Book Value | Maturity Date | Current Rate | Annualized Yield | Adjusted Interest Earnings: Interest Earned | Adjusted Interest Earnings: Amortization/ Accretion | Adjusted Interest Earnings: Adjusted Interest Earnings |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fund: General Investments** | | | | | | | | | | | | |
| 36296N4X1 | 206 | GENERAL | GN1 | 0.00 | 0.00 | 0.00 | 08/20/2038 | 5.750 | | 0.00 | 0.00 | 0.00 |
| 31286DKY6 | 209 | GENERAL | GN3 | 36,987.86 | 39,872.59 | 38,648.30 | 10/01/2037 | 5.650 | 0.060 | 539.75 | 0.00 | 539.75 |
| 31321XK52 | 211 | GENERAL | GN3 | 48,846.66 | 49,303.95 | 49,082.40 | 06/01/2038 | 5.650 | 0.061 | 692.31 | 0.00 | 692.31 |
| 36295MNM7 | 213 | GENERAL | GN1 | 28,402.71 | 28,662.71 | 28,543.37 | 09/20/2037 | 5.650 | 0.061 | 402.42 | 0.00 | 402.42 |
| 36295QT26 | 214 | GENERAL | GN1 | 62,849.87 | 63,440.58 | 63,169.43 | 10/20/2037 | 5.650 | 0.061 | 890.55 | 0.00 | 890.55 |
| 36295X3E3 | 215 | GENERAL | GN1 | 29,751.16 | 30,005.54 | 29,888.78 | 01/20/2038 | 5.650 | 0.061 | 421.44 | 0.00 | 421.44 |
| 36295X3F0 | 235 | GENERAL | GN1 | 0.00 | 0.00 | 0.00 | 01/20/2038 | 6.100 | | 0.00 | 0.00 | 0.00 |
| 36295YLM3 | 216 | GENERAL | GN1 | 0.00 | 0.00 | 0.00 | 02/20/2038 | 5.650 | | 0.00 | 0.00 | 0.00 |
| 36296GK59 | 220 | GENERAL | GN1 | 0.00 | 0.00 | 0.00 | 06/20/2038 | 5.650 | | 0.00 | 0.00 | 0.00 |
| 31321W5E2 | 221 | GENERAL | GN3 | 62,433.96 | 63,079.27 | 62,747.90 | 03/01/2038 | 6.000 | 0.065 | 939.74 | 0.00 | 939.74 |
| 31321WAL0 | 222 | GENERAL | GN3 | 44,414.09 | 44,788.39 | 44,596.27 | 01/01/2038 | 6.100 | 0.066 | 679.22 | 0.00 | 679.22 |
| 31321XDG6 | 225 | GENERAL | GN3 | 0.00 | 0.00 | 0.00 | 05/01/2038 | 6.000 | | 0.00 | 0.00 | 0.00 |
| 31321XJH8 | 226 | GENERAL | GN3 | 72,859.05 | 73,465.00 | 73,153.97 | 05/01/2038 | 6.000 | 0.065 | 1,095.93 | 0.00 | 1,095.93 |
| 36295ULD1 | 230 | GENERAL | GN1 | 0.00 | 0.00 | 0.00 | 12/20/2037 | 6.000 | | 0.00 | 0.00 | 0.00 |
| 36295USM4 | 231 | GENERAL | GN1 | 0.00 | 0.00 | 0.00 | 11/20/2037 | 6.100 | | 0.00 | 0.00 | 0.00 |
| 36295WR74 | 233 | GENERAL | GN1 | 30,076.20 | 30,325.95 | 30,211.33 | 01/20/2038 | 6.000 | 0.065 | 452.40 | 0.00 | 452.40 |
| 36295WR82 | 234 | GENERAL | GN1 | 99,746.27 | 100,571.08 | 100,192.55 | 12/20/2037 | 6.100 | 0.066 | 1,525.34 | 0.00 | 1,525.34 |
| 36295X3J2 | 236 | GENERAL | GN1 | 67,949.58 | 68,575.05 | 68,288.40 | 02/20/2038 | 6.000 | 0.065 | 1,022.39 | 0.00 | 1,022.39 |
| 36295YHV8 | 238 | GENERAL | GN1 | 0.00 | 0.00 | 0.00 | 02/20/2038 | 6.100 | | 0.00 | 0.00 | 0.00 |
| 36295YLC5 | 239 | GENERAL | GN1 | 79,017.10 | 79,701.76 | 79,387.55 | 12/20/2037 | 6.100 | 0.066 | 1,208.51 | 0.00 | 1,208.51 |
| 36296BYN6 | 242 | GENERAL | GN1 | 0.00 | 0.00 | 0.00 | 03/20/2038 | 6.000 | | 0.00 | 0.00 | 0.00 |
| 36296DVK1 | 243 | GENERAL | GN1 | 0.00 | 0.00 | 0.00 | 05/20/2038 | 6.000 | | 0.00 | 0.00 | 0.00 |
| 36296GL74 | 246 | GENERAL | GN1 | 24,196.52 | 24,390.39 | 24,301.41 | 05/20/2038 | 6.000 | 0.065 | 363.92 | 0.00 | 363.92 |
| 36296TKE2 | 250 | GENERAL | GN1 | 77,501.21 | 78,094.32 | 77,822.12 | 10/20/2038 | 6.100 | 0.066 | 1,184.91 | 0.00 | 1,184.91 |
| | | | **Subtotal** | **2,322,418.33** | **2,407,391.46** | **2,352,312.34** | | | **0.061** | **33,522.78** | **0.00** | **33,522.78** |
| | | | **Total** | **2,322,418.33** | **2,407,391.46** | **2,352,312.34** | | | **0.061** | **33,522.78** | **0.00** | **33,522.78** |

PATTERSON & ASSOCIATES
A MEEDER INVESTMENT MANAGEMENT COMPANY

Patterson & Associates
901 S. MoPac
Suite 195
Austin, TX 78746

# Texas St Aff Housing - Surplus
## Texas Compliance Change in Val Report
### Sorted by Fund
### March 1, 2021 - May 31, 2021

| Inv # / Cusip | Issuer / Par Value | Fund / YTM | Purch Date / Mat Date | Interest Accrual / Interest Received | Beginning Book Value / Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value / Ending Market Value |
|---|---|---|---|---|---|---|---|---|---|
| **Fund: General Investments** | | | | | | | | | |
| 160 | FGMTGE | GENERAL | 08/27/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31335YKU9 | 0.00 | 0.000 | 12/01/2036 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 161 | FN8815 | GENERAL | 08/27/2015 | 545.84 | 40,041.42 | 0.00 | 408.67 | -408.67 | 39,632.75 |
| 31409XNJ4 | 39,632.75 | 5.424 | 04/01/2036 | 547.71 | 41,379.24 | 0.00 | 408.67 | -1,349.74 | 40,029.50 |
| 162 | FN8913 | GENERAL | 08/27/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31410MJP6 | 0.00 | 0.000 | 04/01/2036 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 163 | FN8917 | GENERAL | 08/27/2015 | 1,549.91 | 113,699.01 | 0.00 | 1,160.40 | -1,160.40 | 112,538.61 |
| 31410MW89 | 112,538.61 | 5.425 | 05/01/2036 | 1,555.22 | 121,911.11 | 0.00 | 1,160.40 | -1,275.42 | 120,635.69 |
| 164 | FN8956 | GENERAL | 08/27/2015 | 694.22 | 50,965.25 | 0.00 | 578.26 | -578.26 | 50,386.99 |
| 31410SAG2 | 50,386.99 | 5.425 | 05/01/2036 | 696.87 | 53,465.18 | 0.00 | 578.26 | -603.73 | 52,861.45 |
| 165 | FN8962 | GENERAL | 08/27/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31410SWN3 | 0.00 | 0.000 | 06/01/2036 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 166 | FN8968 | GENERAL | 08/27/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31410TNQ4 | 0.00 | 0.000 | 06/01/2036 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 167 | FN8981 | GENERAL | 08/27/2015 | 1,139.63 | 83,613.32 | 0.00 | 872.88 | -872.88 | 82,740.44 |
| 31410UYS5 | 82,740.44 | 5.425 | 07/01/2036 | 1,143.62 | 88,188.56 | 0.00 | 872.88 | -919.49 | 87,269.07 |
| 168 | FN8989 | GENERAL | 08/27/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31410VW71 | 0.00 | 0.000 | 07/01/2036 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 169 | FN9040 | GENERAL | 08/27/2015 | 524.74 | 39,147.89 | 0.00 | 1,375.10 | -1,375.10 | 37,772.79 |
| 31411CMA6 | 37,772.79 | 5.425 | 08/01/2036 | 531.03 | 39,536.58 | 0.00 | 1,375.10 | -1,395.12 | 38,141.46 |
| 170 | FN9116 | GENERAL | 08/27/2015 | 908.36 | 66,656.51 | 0.00 | 712.24 | -712.24 | 65,944.27 |
| 31411LYY1 | 65,944.27 | 5.423 | 11/01/2035 | 911.61 | 69,939.14 | 0.00 | 712.24 | -743.11 | 69,196.03 |

| Inv # / Cusip | Issuer / Par Value | Fund / YTM | Purch Date / Mat Date | Interest Accrual / Interest Received | Beginning Book Value / Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value / Ending Market Value |
|---|---|---|---|---|---|---|---|---|---|
| 171 | FN9531 | GENERAL | 08/27/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31413RLV6 | 0.00 | 0.000 | 09/01/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 172 | G26063 | GENERAL | 08/27/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36201XSZ2 | 0.00 | 0.000 | 03/20/2036 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 173 | G26066 | GENERAL | 08/27/2015 | 595.36 | 43,696.68 | 0.00 | 479.26 | -479.26 | 43,217.42 |
| 36201XTW8 | 43,217.42 | 5.437 | 05/20/2036 | 597.55 | 48,314.20 | 0.00 | 479.26 | -570.66 | 47,743.54 |
| 174 | G26122 | GENERAL | 08/27/2015 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36202XDG9 | 0.00 | 0.000 | 08/20/2036 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 175 | FN8964 | GENERAL | 06/28/2016 | 777.74 | 57,055.44 | 0.00 | 585.90 | -585.90 | 56,469.54 |
| 31410VWZ9 | 56,469.54 | 5.420 | 09/01/2036 | 780.42 | 59,872.65 | 0.00 | 585.90 | -611.00 | 59,261.65 |
| 176 | FN9204 | GENERAL | 06/28/2016 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31412BRY0 | 0.00 | 0.000 | 12/01/2036 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 177 | FN9495 | GENERAL | 06/28/2016 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31413MMY0 | 0.00 | 0.000 | 03/01/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 178 | G26090 | GENERAL | 06/28/2016 | 1,015.64 | 74,480.29 | 0.00 | 723.77 | -723.77 | 73,756.52 |
| 36202TUK0 | 73,756.52 | 5.434 | 11/20/2036 | 1,018.95 | 82,344.41 | 0.00 | 723.77 | -879.01 | 81,465.40 |
| 179 | G26211 | GENERAL | 06/28/2016 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36290YB64 | 0.00 | 0.000 | 11/20/2036 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 180 | FGU303 | GENERAL | 06/28/2016 | 805.09 | 56,501.19 | 0.00 | 743.05 | -743.05 | 55,758.14 |
| 31335YNQ5 | 55,758.14 | 5.708 | 06/01/2037 | 808.65 | 62,750.50 | 0.00 | 743.05 | -789.92 | 61,960.58 |
| 181 | FGU308 | GENERAL | 06/28/2016 | 844.32 | 59,093.56 | 0.00 | 538.72 | -538.72 | 58,554.84 |
| 31335YNA0 | 58,554.84 | 5.707 | 04/01/2037 | 846.90 | 65,633.68 | 0.00 | 538.72 | -559.94 | 65,073.74 |
| 182 | FGU306 | GENERAL | 06/28/2016 | 1,365.11 | 97,412.40 | 0.00 | 1,207.52 | -1,207.52 | 96,204.88 |
| 31335YUZ7 | 96,204.88 | 5.609 | 11/01/2037 | 1,370.80 | 108,789.02 | 0.00 | 1,207.52 | -1,260.26 | 107,528.76 |

| Inv # / Cusip | Issuer / Par Value | Fund / YTM | Purch Date / Mat Date | Interest Accrual / Interest Received | Beginning Book Value / Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value / Ending Market Value |
|---|---|---|---|---|---|---|---|---|---|
| 183 | FN8122 | GENERAL | 06/28/2016 | 560.34 | 41,420.63 | 0.00 | 4,165.76 | -4,165.76 | 37,254.87 |
| 31410UYT3 | 37,254.87 | 5.679 | 09/01/2036 | 580.30 | 42,739.21 | 0.00 | 4,165.76 | -5,106.02 | 37,633.19 |
| 184 | G26217 | GENERAL | 06/28/2016 | 1,664.04 | 116,503.06 | 0.00 | 1,118.08 | -1,118.08 | 115,384.98 |
| 36290YCF3 | 115,384.98 | 5.693 | 01/20/2037 | 1,669.39 | 129,100.66 | 0.00 | 1,118.08 | -1,528.14 | 127,572.52 |
| 185 | FN8965 | GENERAL | 06/28/2016 | 1,070.27 | 75,089.78 | 0.00 | 955.90 | -955.90 | 74,133.88 |
| 31410VW22 | 74,133.88 | 5.680 | 11/01/2036 | 1,074.86 | 79,413.98 | 0.00 | 955.90 | -2,226.72 | 77,187.26 |
| 186 | FN9672 | GENERAL | 06/28/2016 | 1,248.50 | 89,099.03 | 0.00 | 1,066.36 | -1,066.36 | 88,032.67 |
| 31414JA60 | 88,032.67 | 5.583 | 11/01/2037 | 1,253.52 | 94,106.82 | 0.00 | 1,066.36 | -1,128.07 | 92,978.75 |
| 187 | G26215 | GENERAL | 06/28/2016 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36290YB23 | 0.00 | 0.000 | 12/20/2036 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 188 | G26212 | GENERAL | 06/28/2016 | 316.98 | 22,525.93 | 0.00 | 656.39 | -656.39 | 21,869.54 |
| 36290YDR6 | 21,869.54 | 5.694 | 04/20/2037 | 320.13 | 24,966.51 | 0.00 | 656.39 | -776.50 | 24,190.01 |
| 189 | FGT300 | GENERAL | 09/28/2016 | 442.83 | 31,024.74 | 0.00 | 329.69 | -329.69 | 30,695.05 |
| 31286DB59 | 30,695.05 | 5.706 | 02/01/2037 | 444.41 | 34,703.08 | 0.00 | 329.69 | -345.63 | 34,357.45 |
| 190 | FGT068 | GENERAL | 09/28/2016 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31286DCD1 | 0.00 | 0.000 | 03/01/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 191 | FGU325 | GENERAL | 09/28/2016 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31335YLE4 | 0.00 | 0.000 | 03/01/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 192 | FGU304 | GENERAL | 09/28/2016 | 1,022.55 | 72,134.55 | 0.00 | 1,506.37 | -1,506.37 | 70,628.18 |
| 31335YPK6 | 70,628.18 | 5.707 | 07/01/2037 | 1,029.76 | 80,102.71 | 0.00 | 1,506.37 | -1,639.74 | 78,462.97 |
| 193 | G22240 | GENERAL | 09/28/2016 | 833.04 | 58,319.95 | 0.00 | 555.51 | -555.51 | 57,764.44 |
| 36202XEM5 | 57,764.44 | 5.692 | 11/20/2036 | 835.70 | 64,660.68 | 0.00 | 555.51 | -751.42 | 63,909.26 |
| 194 | G26724 | GENERAL | 09/28/2016 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36295KCH4 | 0.00 | 0.000 | 12/20/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| Inv # / Cusip | Issuer / Par Value | Fund / YTM | Purch Date / Mat Date | Interest Accrual / Interest Received | Beginning Book Value / Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value / Ending Market Value |
|---|---|---|---|---|---|---|---|---|---|
| 195 | G26725 | GENERAL | 09/28/2016 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36295KDR1 | 0.00 | 0.000 | 11/20/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 196 | FGT303 | GENERAL | 01/30/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31286DLC3 | 0.00 | 0.000 | 10/01/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 197 | FGA677 | GENERAL | 01/30/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 3128KYSL4 | 0.00 | 0.000 | 05/01/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 198 | FGU318 | GENERAL | 01/30/2017 | 823.22 | 57,667.32 | 0.00 | 601.59 | -601.59 | 57,065.73 |
| 31321XAV6 | 57,065.73 | 5.703 | 04/01/2038 | 826.10 | 64,045.59 | 0.00 | 601.59 | -639.05 | 63,406.54 |
| 199 | FGU842 | GENERAL | 01/30/2017 | 938.48 | 66,817.98 | 0.00 | 567.77 | -567.77 | 66,250.21 |
| 31321XBK9 | 66,250.21 | 5.603 | 03/01/2038 | 941.15 | 74,618.23 | 0.00 | 567.77 | -567.26 | 74,050.97 |
| 200 | FGU319 | GENERAL | 01/30/2017 | 752.34 | 53,642.73 | 0.00 | 654.10 | -654.10 | 52,988.63 |
| 31321XE59 | 52,988.63 | 5.603 | 04/01/2038 | 755.42 | 59,904.35 | 0.00 | 654.10 | -675.25 | 59,229.10 |
| 201 | FGU957 | GENERAL | 01/30/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31321XE67 | 0.00 | 0.000 | 04/01/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 202 | FGU321 | GENERAL | 01/30/2017 | 351.76 | 25,251.94 | 0.00 | 524.29 | -524.29 | 24,727.65 |
| 31321XMM3 | 24,727.65 | 5.604 | 07/01/2038 | 354.22 | 28,191.36 | 0.00 | 524.29 | -562.77 | 27,628.59 |
| 203 | FGU616 | GENERAL | 01/30/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31335YVH6 | 0.00 | 0.000 | 10/01/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 204 | G26747 | GENERAL | 01/30/2017 | 436.11 | 31,953.33 | 0.00 | 2,676.34 | -2,676.34 | 29,276.99 |
| 36295MS34 | 29,276.99 | 5.688 | 08/20/2037 | 448.93 | 35,375.19 | 0.00 | 2,676.34 | -3,048.66 | 32,326.53 |
| 205 | G26907 | GENERAL | 01/30/2017 | 0.00 | 50,467.64 | 0.00 | 50,467.64 | -50,467.64 | 0.00 |
| 36296GK42 | 0.00 | 0.000 | 06/20/2038 | 241.82 | 55,933.86 | 0.00 | 50,467.64 | -55,933.86 | 0.00 |
| 206 | G26966 | GENERAL | 01/30/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296N4X1 | 0.00 | 0.000 | 08/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| Inv # / Cusip | Issuer / Par Value | Fund / YTM | Purch Date / Mat Date | Interest Accrual / Interest Received | Beginning Book Value / Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value / Ending Market Value |
|---|---|---|---|---|---|---|---|---|---|
| 207 | G26967 | GENERAL | 01/30/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296PBA8 | 0.00 | 0.000 | 07/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 208 | G26988 | GENERAL | 01/30/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296RNP8 | 0.00 | 0.000 | 08/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 209 | FGT311 | GENERAL | 04/27/2017 | 539.75 | 39,872.59 | 0.00 | 2,884.73 | -2,884.73 | 36,987.86 |
| 31286DKY6 | 36,987.86 | 5.609 | 10/01/2037 | 553.33 | 44,505.90 | 0.00 | 2,884.73 | -3,188.16 | 41,317.74 |
| 210 | FGU958 | GENERAL | 04/27/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31321XE75 | 0.00 | 0.000 | 02/01/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 211 | FGU116 | GENERAL | 04/27/2017 | 692.31 | 49,303.95 | 0.00 | 457.29 | -457.29 | 48,846.66 |
| 31321XK52 | 48,846.66 | 5.611 | 06/01/2038 | 694.46 | 55,059.63 | 0.00 | 457.29 | -460.79 | 54,598.84 |
| 212 | FGU656 | GENERAL | 04/27/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31335YWR3 | 0.00 | 0.000 | 11/01/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 213 | G26745 | GENERAL | 04/27/2017 | 402.42 | 28,662.71 | 0.00 | 260.00 | -260.00 | 28,402.71 |
| 36295MNM7 | 28,402.71 | 5.596 | 09/20/2037 | 403.64 | 31,727.94 | 0.00 | 260.00 | -340.18 | 31,387.76 |
| 214 | G26774 | GENERAL | 04/27/2017 | 890.55 | 63,440.58 | 0.00 | 590.71 | -590.71 | 62,849.87 |
| 36295QT26 | 62,849.87 | 5.596 | 10/20/2037 | 893.33 | 70,230.25 | 0.00 | 590.71 | -767.29 | 69,462.96 |
| 215 | G26839 | GENERAL | 04/27/2017 | 421.44 | 30,005.54 | 0.00 | 254.38 | -254.38 | 29,751.16 |
| 36295X3E3 | 29,751.16 | 5.597 | 01/20/2038 | 422.64 | 33,216.28 | 0.00 | 254.38 | -336.37 | 32,879.91 |
| 216 | G26844 | GENERAL | 04/27/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36295YLM3 | 0.00 | 0.000 | 02/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 217 | G26855 | GENERAL | 04/27/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296AUJ1 | 0.00 | 0.000 | 03/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 218 | G26866 | GENERAL | 04/27/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296BYJ5 | 0.00 | 0.000 | 04/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| Inv # / Cusip | Issuer / Par Value | Fund / YTM | Purch Date / Mat Date | Interest Accrual / Interest Received | Beginning Book Value / Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value / Ending Market Value |
|---|---|---|---|---|---|---|---|---|---|
| 219 | G26883 | GENERAL | 04/27/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296DVF2 | 0.00 | 0.000 | 05/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 220 | G20716 | GENERAL | 04/27/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296GK59 | 0.00 | 0.000 | 06/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 221 | FGU317 | GENERAL | 09/28/2017 | 939.74 | 63,079.27 | 0.00 | 645.31 | -645.31 | 62,433.96 |
| 31321W5E2 | 62,433.96 | 5.957 | 03/01/2038 | 942.97 | 70,860.71 | 0.00 | 645.31 | -738.20 | 70,122.51 |
| 222 | FGU309 | GENERAL | 09/28/2017 | 679.22 | 44,788.39 | 0.00 | 374.30 | -374.30 | 44,414.09 |
| 31321WAL0 | 44,414.09 | 6.056 | 01/01/2038 | 681.12 | 50,326.35 | 0.00 | 374.30 | -431.38 | 49,894.97 |
| 223 | FGU986 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31321WCX2 | 0.00 | 0.000 | 12/01/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 224 | FGU318 | GENERAL | 09/28/2017 | 877.53 | 58,833.31 | 0.00 | 497.23 | -497.23 | 58,336.08 |
| 31321XAX2 | 58,336.08 | 5.957 | 04/01/2038 | 880.02 | 66,094.46 | 0.00 | 497.23 | -570.89 | 65,523.57 |
| 225 | FGU903 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31321XDG6 | 0.00 | 0.000 | 05/01/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 226 | FGU320 | GENERAL | 09/28/2017 | 1,095.93 | 73,465.00 | 0.00 | 605.95 | -605.95 | 72,859.05 |
| 31321XJH8 | 72,859.05 | 5.957 | 05/01/2038 | 1,098.95 | 82,532.59 | 0.00 | 605.95 | -706.87 | 81,825.72 |
| 227 | FGU163 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31321XML5 | 0.00 | 0.000 | 05/01/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 228 | FGU307 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 31335YZ41 | 0.00 | 0.000 | 12/01/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 229 | G26807 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36295UGS4 | 0.00 | 0.000 | 12/20/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 230 | G26808 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36295ULD1 | 0.00 | 0.000 | 12/20/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| Inv # / Cusip | Issuer / Par Value | Fund / YTM | Purch Date / Mat Date | Interest Accrual / Interest Received | Beginning Book Value / Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value / Ending Market Value |
|---|---|---|---|---|---|---|---|---|---|
| 231 | G26810 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36295USM4 | 0.00 | 0.000 | 11/20/2037 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 232 | G26827 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36295WNR4 | 0.00 | 0.000 | 01/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 233 | G26828 | GENERAL | 09/28/2017 | 452.40 | 30,325.95 | 0.00 | 249.75 | -249.75 | 30,076.20 |
| 36295WR74 | 30,076.20 | 5.942 | 01/20/2038 | 453.65 | 33,686.73 | 0.00 | 249.75 | -394.83 | 33,291.90 |
| 234 | G22811 | GENERAL | 09/28/2017 | 1,525.34 | 100,571.08 | 0.00 | 824.81 | -824.81 | 99,746.27 |
| 36295WR82 | 99,746.27 | 6.042 | 12/20/2037 | 1,529.54 | 111,784.56 | 0.00 | 824.81 | -1,262.60 | 110,521.96 |
| 235 | G26839 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36295X3F0 | 0.00 | 0.000 | 01/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 236 | G26840 | GENERAL | 09/28/2017 | 1,022.39 | 68,575.05 | 0.00 | 625.47 | -625.47 | 67,949.58 |
| 36295X3J2 | 67,949.58 | 5.942 | 02/20/2038 | 1,025.52 | 76,188.51 | 0.00 | 625.47 | -955.42 | 75,233.09 |
| 237 | G24050 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36295X5K7 | 0.00 | 0.000 | 01/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 238 | G26843 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36295YHV8 | 0.00 | 0.000 | 02/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 239 | G24423 | GENERAL | 09/28/2017 | 1,208.51 | 79,701.76 | 0.00 | 684.66 | -684.66 | 79,017.10 |
| 36295YLC5 | 79,017.10 | 6.042 | 12/20/2037 | 1,211.99 | 88,617.99 | 0.00 | 684.66 | -1,022.20 | 87,595.79 |
| 240 | G26845 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36295YN25 | 0.00 | 0.000 | 02/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 241 | G26865 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296BWF5 | 0.00 | 0.000 | 04/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 242 | G26617 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296BYN6 | 0.00 | 0.000 | 03/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| Inv # / Cusip | Issuer / Par Value | Fund / YTM | Purch Date / Mat Date | Interest Accrual / Interest Received | Beginning Book Value / Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value / Ending Market Value |
|---|---|---|---|---|---|---|---|---|---|
| 243 | G28318 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296DVK1 | 0.00 | 0.000 | 05/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 244 | G28360 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296DWV6 | 0.00 | 0.000 | 05/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 245 | G28362 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296DWX2 | 0.00 | 0.000 | 05/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 246 | G20750 | GENERAL | 09/28/2017 | 363.92 | 24,390.39 | 0.00 | 193.87 | -193.87 | 24,196.52 |
| 36296GL74 | 24,196.52 | 5.943 | 05/20/2038 | 364.89 | 27,094.54 | 0.00 | 193.87 | -305.77 | 26,788.77 |
| 247 | G26939 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296K7L0 | 0.00 | 0.000 | 07/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 248 | G26618 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296N4B9 | 0.00 | 0.000 | 08/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 249 | G27004 | GENERAL | 09/28/2017 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 36296TFG3 | 0.00 | 0.000 | 10/20/2038 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 250 | G27005 | GENERAL | 09/28/2017 | 1,184.91 | 78,094.32 | 0.00 | 593.11 | -593.11 | 77,501.21 |
| 36296TKE2 | 77,501.21 | 6.044 | 10/20/2038 | 1,187.93 | 86,796.11 | 0.00 | 593.11 | -915.54 | 85,880.57 |
| **Sub Totals For: Fund: General Investments** | | | | 33,522.78 | 2,407,391.46 | 0.00 | 84,973.13 | -84,973.13 | 2,322,418.33 |
| | | | | 33,929.02 | 2,638,709.05 | 0.00 | 84,973.13 | -98,282.98 | 2,540,426.07 |
| **Report Grand Totals:** | | | | 33,522.78 | 2,407,391.46 | 0.00 | 84,973.13 | -84,973.13 | 2,322,418.33 |
| | | | | 33,929.02 | 2,638,709.05 | 0.00 | 84,973.13 | -98,282.98 | 2,540,426.07 |

# Disclosure

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**Investing involves risk. Past performance is no guarantee of future results. Debt and fixed income securities are subject to credit and interest rate risk. The investment return and principal value of an investment will fluctuate so that an investors shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.**

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Austin, TX 78746
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# Quarterly Investment Report

PREPARED FOR **TEXAS STATE AFFORDABLE HOUSING CORP-DIRECT LENDING**

**MAY 31, 2021**

PATTERSON & ASSOCIATES
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*Texas State Affordable Housing Corporation*
*Direct Lending Program*

Quarterly Investment Report
February 28, 2021 – May 31, 2021
**Portfolio Summary Management Report**

This quarterly report is in compliance with the investment policy and strategy as established by the Corporation and the Public Funds Investment Act (Chapter 2256, Texas Government Code).

| ***Portfolio as of February 28, 2021*** | | ***Portfolio as of May 31, 2021*** | |
|---|---|---|---|
| Beginning Book Value | $ 196,671 | Ending Book Value | $ 207,651 |
| Beginning Market Value | $ 196,671 | Ending Market Value | $ 207,651 |
| | | Investment Income for the period | $ 0 |
| Unrealized Gain/Loss | $ 0 | Unrealized Gain/Loss | $ 0 |
| | | **Change in Unrealized Gain/Loss** | **$ 0** |
| WAM at Beginning Period Date[1] | 1 day | WAM at Ending Period Date[1] | 1 day |
| | | Change in Market Value | $ 10,980 |

| | |
|---|---|
| **Average Yield to Maturity for period** | **0.000%** |
| **Average Yield 3 month Treasury bill for period** | **0.020%** |
| **Average Yield 6 month Treasury bill for period** | **0.040%** |

Ms. Melinda Smith, CFO
Texas State Affordable Housing Corporation

Mr. Nick Lawrence, Controller
Texas State Affordable Housing Corporation

Mr. David Long, President
Texas State Affordable Housing Corporation

Ms. Linda Patterson, President
Patterson & Associates



[1] **WAM**, represents weighted average maturity.

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# TSAHC - Direct Lending Program
# Portfolio Management
# Portfolio Summary
# May 31, 2021

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-

| Investments | Par Value | Market Value | Book Value | % of Portfolio | Term | Days to Maturity | YTM 365 Equiv. |
|---|---|---|---|---|---|---|---|
| Bank Accounts | 207,651.49 | 207,651.49 | 207,651.49 | 100.00 | 1 | 1 | 0.000 |
| | **207,651.49** | **207,651.49** | **207,651.49** | **100.00%** | **1** | **1** | **0.000** |

**Investments**

| Total Earnings | May 31 Month Ending | Fiscal Year To Date |
|---|---|---|
| Current Year | 0.00 | 0.00 |

The following reports are submitted in accordance with the Public Funds Investment Act (Texas Gov't Code 2256). The reports also offer supplemental information not required by the Act in order to fully inform the governing body of the Texas State Affordable Housing Corporation of the position and activity within the Corporation's portfolio of investments. The reports include a management summary overview, a detailed inventory report for the end of the period, a transaction report, as well as graphic representations of the portfolio to provide full disclosure to the governing body.

Melinda Smith 6/30/2021

Melinda Smith, Chief Financial Officer



**Reporting period 05/01/2021-05/31/2021**
Data Updated: SET_TSDL: 06/21/2021 15:13
Run Date: 06/21/2021 - 15:14

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# TSAHC - Direct Lending Program
## Summary by Type
## May 31, 2021
## Grouped by Fund

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-

| Security Type | Number of Investments | Par Value | Book Value | % of Portfolio | Average YTM 365 | Average Days to Maturity |
|---|---|---|---|---|---|---|
| **Fund: Briarcliff Replacement Reserve** | | | | | | |
| Bank Accounts | 1 | 2,812.50 | 2,812.50 | 1.35 | 0.000 | 1 |
| **Subtotal** | **1** | **2,812.50** | **2,812.50** | **1.35** | **0.000** | **1** |
| **Fund: Neighborhood Stabilization Pro** | | | | | | |
| Bank Accounts | 1 | 2,903.71 | 2,903.71 | 1.40 | 0.000 | 1 |
| **Subtotal** | **1** | **2,903.71** | **2,903.71** | **1.40** | **0.000** | **1** |
| **Fund: Rita Blanca Reserve** | | | | | | |
| Bank Accounts | 1 | 73,688.54 | 73,688.54 | 35.49 | 0.000 | 1 |
| **Subtotal** | **1** | **73,688.54** | **73,688.54** | **35.49** | **0.000** | **1** |
| **Fund: Willows Operating** | | | | | | |
| Bank Accounts | 1 | 0.00 | 0.00 | 0.00 | 0.000 | 0 |
| **Subtotal** | **1** | **0.00** | **0.00** | **0.00** | **0.000** | **0** |
| **Fund: Willows Replacement Reserve** | | | | | | |
| Bank Accounts | 1 | 128,246.74 | 128,246.74 | 61.76 | 0.000 | 1 |
| **Subtotal** | **1** | **128,246.74** | **128,246.74** | **61.76** | **0.000** | **1** |
| **Total and Average** | **5** | **207,651.49** | **207,651.49** | **100.00** | **0.000** | **1** |

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# TSAHC - Direct Lending Program
## Fund BCLIFF - Briarcliff Replacement Reserve
## Investments by Fund
## May 31, 2021

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Austin, TX 78746
-

| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Days To Date Maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Bank Accounts** | | | | | | | | | | |
| 592214563 | 213 | Frost Bank Checking | 03/25/2021 | 2,812.50 | 2,812.50 | 2,812.50 | | | | 1 |
| | | | **Subtotal and Average** | **2,812.50** | **2,812.50** | **2,812.50** | | **0.000** | **0.000** | **1** |
| | | | **Total Investments and Average** | **2,812.50** | **2,812.50** | **2,812.50** | | **0.000** | **0.000** | **1** |

# Fund NSP - Neighborhood Stabilization Pro
## Investments by Fund
## May 31, 2021



| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Days To Date Maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Bank Accounts** | | | | | | | | | | |
| 591359932 | 71 | Frost Bank Checking | 04/20/2010 | 2,903.71 | 2,903.71 | 2,903.71 | | | | 1 |
| | | | **Subtotal and Average** | **2,903.71** | **2,903.71** | **2,903.71** | | **0.000** | **0.000** | **1** |
| | | | **Total Investments and Average** | **2,903.71** | **2,903.71** | **2,903.71** | | **0.000** | **0.000** | **1** |

# Fund RBRES - Rita Blanca Reserve
## Investments by Fund
## May 31, 2021



| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Days To Date Maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Bank Accounts** | | | | | | | | | | |
| 591732447 | 150 | Frost Bank Checking | 01/28/2015 | 73,688.54 | 73,688.54 | 73,688.54 | | | | 1 |
| | | | **Subtotal and Average** | **73,688.54** | **73,688.54** | **73,688.54** | | **0.000** | **0.000** | **1** |
| | | | **Total Investments and Average** | **73,688.54** | **73,688.54** | **73,688.54** | | **0.000** | **0.000** | **1** |

# Fund WOPER - Willows Operating
# Investments by Fund
# May 31, 2021



| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Days To Date Maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Bank Accounts** | | | | | | | | | | |
| 591501356 | 106 | Frost Bank Checking | 11/17/2011 | 0.00 | 0.00 | 0.00 | | | | 1 |
| | | | **Subtotal and Average** | **0.00** | **0.00** | **0.00** | | **0.000** | **0.000** | **0** |
| | | | **Total Investments and Average** | **0.00** | **0.00** | **0.00** | | **0.000** | **0.000** | **0** |

# Fund WRR - Willows Replacement Reserve
## Investments by Fund
## May 31, 2021



| CUSIP | Investment # | Issuer | Purchase Date | Book Value | Par Value | Market Value | Current Rate | YTM 360 | YTM 365 | Maturity Days To Date Maturity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Bank Accounts** | | | | | | | | | | |
| 591501224 | 108 | Frost Bank Checking | 11/17/2011 | 128,246.74 | 128,246.74 | 128,246.74 | | | | 1 |
| | | | **Subtotal and Average** | **128,246.74** | **128,246.74** | **128,246.74** | | **0.000** | **0.000** | **1** |
| | | | **Total Investments and Average** | **128,246.74** | **128,246.74** | **128,246.74** | | **0.000** | **0.000** | **1** |

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# TSAHC - Direct Lending Program
## Interest Earnings
### Sorted by Fund - Fund
### March 1, 2021 - May 31, 2021
### Yield on Average Book Value

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| CUSIP | Investment # | Fund | Security Type | Ending Par Value | Beginning Book Value | Average Book Value | Maturity Date | Current Rate | Annualized Yield | Adjusted Interest Earnings: Interest Earned | Adjusted Interest Earnings: Amortization/ Accretion | Adjusted Interest Earnings: Adjusted Interest Earnings |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fund: Briarcliff Replacement Reserve** | | | | | | | | | | | | |
| 592214563 | 213 | BCLIFF | RR5 | 2,812.50 | 0.00 | 1,681.39 | | | | 0.00 | 0.00 | 0.00 |
| | | | **Subtotal** | **2,812.50** | **0.00** | **1,681.39** | | | | **0.00** | **0.00** | **0.00** |
| **Fund: Neighborhood Stabilization Pro** | | | | | | | | | | | | |
| 591359932 | 71 | NSP | RR5 | 2,903.71 | 2,903.71 | 3,034.14 | | | | 0.00 | 0.00 | 0.00 |
| | | | **Subtotal** | **2,903.71** | **2,903.71** | **3,034.14** | | | | **0.00** | **0.00** | **0.00** |
| **Fund: Rita Blanca Reserve** | | | | | | | | | | | | |
| 591732447 | 150 | RBRES | RR5 | 73,688.54 | 70,853.63 | 72,558.68 | | | | 0.00 | 0.00 | 0.00 |
| | | | **Subtotal** | **73,688.54** | **70,853.63** | **72,558.68** | | | | **0.00** | **0.00** | **0.00** |
| **Fund: Willows Replacement Reserve** | | | | | | | | | | | | |
| 591501224 | 108 | WRR | RR5 | 128,246.74 | 122,913.42 | 126,058.34 | | | | 0.00 | 0.00 | 0.00 |
| | | | **Subtotal** | **128,246.74** | **122,913.42** | **126,058.34** | | | | **0.00** | **0.00** | **0.00** |
| | | | **Total** | **207,651.49** | **196,670.76** | **203,332.55** | | | | **0.00** | **0.00** | **0.00** |

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# TSAHC - Direct Lending Program
## Texas Compliance Change in Val Report
### Sorted by Fund
### March 1, 2021 - May 31, 2021

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| Inv # / Cusip | Issuer / Par Value | Fund / YTM | Purch Date / Mat Date | Interest Accrual / Interest Received | Beginning Book Value / Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value / Ending Market Value |
|---|---|---|---|---|---|---|---|---|---|
| **Fund: Briarcliff Replaceme** | | | | | | | | | |
| 213 | FBC | BCLIFF | 03/25/2021 | 0.00 | 0.00 | 2,812.50 | 0.00 | 2,812.50 | 2,812.50 |
| 592214563 | 2,812.50 | 0.000 | / / | 0.00 | 0.00 | 2,812.50 | 0.00 | 2,812.50 | 2,812.50 |
| **Sub Totals For: Fund: Briarcliff Replaceme** | | | | 0.00 | 0.00 | 2,812.50 | 0.00 | 2,812.50 | 2,812.50 |
| | | | | 0.00 | 0.00 | 2,812.50 | 0.00 | 2,812.50 | 2,812.50 |
| **Fund: Neighborhood Stabili** | | | | | | | | | |
| 71 | FBC | NSP | 04/20/2010 | 0.00 | 2,903.71 | 12,000.00 | 12,000.00 | 0.00 | 2,903.71 |
| 591359932 | 2,903.71 | 0.000 | / / | 0.00 | 2,903.71 | 12,000.00 | 12,000.00 | 0.00 | 2,903.71 |
| **Sub Totals For: Fund: Neighborhood Stabili** | | | | 0.00 | 2,903.71 | 12,000.00 | 12,000.00 | 0.00 | 2,903.71 |
| | | | | 0.00 | 2,903.71 | 12,000.00 | 12,000.00 | 0.00 | 2,903.71 |
| **Fund: Rita Blanca Reserve** | | | | | | | | | |
| 150 | FBC | RBRES | 01/28/2015 | 0.00 | 70,853.63 | 2,834.91 | 0.00 | 2,834.91 | 73,688.54 |
| 591732447 | 73,688.54 | 0.000 | / / | 0.00 | 70,853.63 | 2,834.91 | 0.00 | 2,834.91 | 73,688.54 |
| **Sub Totals For: Fund: Rita Blanca Reserve** | | | | 0.00 | 70,853.63 | 2,834.91 | 0.00 | 2,834.91 | 73,688.54 |
| | | | | 0.00 | 70,853.63 | 2,834.91 | 0.00 | 2,834.91 | 73,688.54 |
| **Fund: Willows Operating** | | | | | | | | | |
| 106 | FBC | WOPER | 11/17/2011 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 591501356 | 0.00 | 0.000 | / / | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Sub Totals For: Fund: Willows Operating** | | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Fund: Willows Replacement** | | | | | | | | | |
| 108 | FBC | WRR | 11/17/2011 | 0.00 | 122,913.42 | 5,333.32 | 0.00 | 5,333.32 | 128,246.74 |
| 591501224 | 128,246.74 | 0.000 | / / | 0.00 | 122,913.42 | 5,333.32 | 0.00 | 5,333.32 | 128,246.74 |

| Inv # / Cusip | Issuer / Par Value | Fund / YTM | Purch Date / Mat Date | Interest Accrual / Interest Received | Beginning Book Value / Beginning Market Value | Purchases/ Additions | Redemptions | Change in Value | Ending Book Value / Ending Market Value |
|---|---|---|---|---|---|---|---|---|---|
| **Sub Totals For: Fund: Willows Replacement** | | | | 0.00 | 122,913.42 | 5,333.32 | 0.00 | 5,333.32 | 128,246.74 |
| | | | | 0.00 | 122,913.42 | 5,333.32 | 0.00 | 5,333.32 | 128,246.74 |
| **Report Grand Totals:** | | | | 0.00 | 196,670.76 | 22,980.73 | 12,000.00 | 10,980.73 | 207,651.49 |
| | | | | 0.00 | 196,670.76 | 22,980.73 | 12,000.00 | 10,980.73 | 207,651.49 |

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# Tab 1

Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on June 9, 2021.

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**
**BOARD MEETING**

**The Governing Board of the Texas State Affordable Housing Corporation (TSAHC) met both ONLINE and IN-PERSON:**

**June 9th, 2021,**
**10:30 a.m.**

**Summary of Minutes**

**Call to Order**
**Roll Call**
**Certification of Quorum**

**The Board Meeting of the Texas State Affordable Housing Corporation (the "Corporation") was called to order by Bill Dietz, Chair, at 10:34 a.m., on June 9, 2021, at the offices of Texas State Affordable Housing Corporation, 6701 Shirley Avenue, Austin, TX 78752. Roll Call certified that a quorum was present.**

**Members Present both in-person and remotely via teleconferencing:**
Bill Dietz, Chair, in-person
Valerie Cardenas, Vice Chair, online
Andy Williams, Member, in-person
Lemuel Williams, Member, in-person

**Guests Present both in-person and remotely via teleconferencing:**
Chris Spelbring, Raymond James, on-line
David Jones, CSG Advisors, on-line
W. Routt Thornhill, Coats Rose, in-person

**President's Report** **David Long**

See page 5 in the official transcript.

**Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Board Meeting held on May 12, 2021.**

Mr. Andy Williams made a motion to approve the minutes of the Board meeting held on May 12, 2021. Mr. Lemuel Williams seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken, and the motion passed unanimously.

See page 9 in the official transcript.

**Tab 2 Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of One or More Applications for Allocation of Private Activity Bonds to the Texas Bond Review Board for Qualified Mortgage Revenue Bonds.**

Presented by Joniel LeVecque, Director, Homeownership Programs

Mr. Andy Williams made a motion to approve a Resolution Regarding the Submission of One or More Applications for Allocation of Private Activity Bonds to the Texas Bond Review Board for Qualified Mortgage

Revenue Bonds. Ms. Cardenas seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken, and the motion passed unanimously.

See page 10 in the official transcript.

**Tab 3** **Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for the Bluff View Apartments.**

Presented by David Danenfelzer, Senior Director, Development Finance

Mr. Lemuel Williams made a motion to approve a Resolution Regarding the Submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for the Bluff View Apartments. Mr. Andy Williams seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken, and the motion passed unanimously.

See page 13 in the official transcript.

**Tab 4** **Presentation, Discussion and Possible Approval of a motion to resubmit Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board for the Sandpiper Cove Apartments Project.**

Presented by David Danenfelzer, Senior Director, Development Finance

**Public Comment:**

Bobken Simonians
Ray Richardson
Donald Ball
Paula Watts
Loia Wilkerson
Monica Sussman
Blair Korndorfer
Miranda Sprague
Chris Akbari
David Wheaton
William “Buzz” Elton

Mr. Dietz made a motion to resubmit Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board for the Sandpiper Cove Apartments Project. Ms. Cardenas seconded the motion. Mr. Dietz asked for public comment and public comment was given. A vote was taken, and the result was a 2-2 tie. Mr. Lemuel Williams motioned to revisit the agenda item at our July Meeting. Ms. Cardenas seconded this motion. A vote was taken, and the motion passed unanimously.

See page 18 in the official transcript.

**Tab 5** **Presentation, Discussion, and Possible Approval of a Resolution approving a Texas Housing Impact Fund second lien bridge loan to Casa Cobe Holdings, LLC in an amount not to exceed $1,000,000 for the Saison North Apartments Project.**

Presented by Cassandra Ramirez, Development Finance Specialist

Ms. Cardenas made a motion to approve a Resolution approving a Texas Housing Impact Fund second lien bridge loan to Casa Cobe Holdings, LLC in an amount not to exceed $1,000,000 for the Saison North Apartments Project. Mr. Lemuel Williams seconded the motion. Mr. Dietz asked for public comment and none was given. A vote was taken, and the motion passed unanimously.

See page 73 in the official transcript.

**Tab 6** **87th Texas Legislative Session Update.**

Presented by Michael Wilt, Senior Manager, External Relations

No action taken.

See page 76 in the official transcript.

**Announcements and Closing Comments**

Mr. Long and Board Members tentatively scheduled the next Board Meeting for July 14, 2021, at 10:30am.

**Adjournment**

Mr. Dietz adjourned the meeting at 12:15pm.

Respectfully submitted by_____
Rebecca DeLeon, Corporate Secretary

# Tab 2

Presentation, Discussion and Possible Approval of a Resolution authorizing the restructurings of two series of Texas State Affordable Housing Corporation Single Family Mortgage Revenue Bonds, designated as 2011 Series B / 2009 Series B Bonds, through the Redemption of the related series of Bonds, and all matters related thereto.

CERTIFICATION

| | |
|---|---|
| THE STATE OF TEXAS | § |
| | § |
| TEXAS STATE AFFORDABLE | § |
| HOUSING CORPORATION | § |

I, the undersigned officer of the Texas State Affordable Housing Corporation (the "Corporation"), do hereby certify as follows:

1. The Board of Directors of the Corporation (the "Board") convened on July 21, 2021, at the Corporation's offices in Austin, Texas, and the roll was called of the duly constituted members of said Board, who are as follows:

| Name | Office |
|---|---|
| William H. Dietz | Chairperson |
| Valerie Cardenas | Vice Chairperson |
| Courtney Johnson-Rose | Director |
| Lemuel Williams | Director |
| Andy Williams | Director |

2. The officers of the Corporation (who are not Board members) are as follows:

| Name | Office |
|---|---|
| David Long | President |
| Janie Taylor | Executive Vice President |
| Melinda Smith | Chief Financial Officer and Treasurer |
| Rebecca DeLeon | Secretary |
| Cynthia Gonzales | Assistant Secretary |

All Board members were present except _____, thus constituting a quorum. All of the officers of the Corporation were present at the meeting.

3. Whereupon, among other business, the following written resolution (the "Resolution") bearing the following caption:

"**RESOLUTION NO. 21-__**

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**

RESOLUTION APPROVING THE RESTRUCTURINGS OF TWO SERIES OF TEXAS STATE AFFORDABLE HOUSING CORPORATION SINGLE FAMILY MORTGAGE REVENUE BONDS, DESIGNATED AS 2011 SERIES B / 2009 SERIES B BONDS, THROUGH THE REDEMPTION OF THE RELATED SERIES OF BONDS, AND ALL MATTERS RELATED THERETO"

was duly introduced for the consideration of the Board and said caption was read in full. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion and request for comments, said motion prevailed and was carried by the following vote:

___ AYES ___ NOS ___ ABSTENTIONS

4. That a true, full and correct copy of the Resolution adopted at the meeting described in the above is attached to this certificate; that the adoption of the Resolution will be duly recorded in the Board's minutes of the meeting; that the persons named above are the duly chosen, qualified and acting members of the Board and the officers of the Corporation as indicated; that each member of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid meeting, and that the Resolution would be introduced and considered for adoption at said meeting.

SIGNED this 21st day of July, 2021.

_____
Rebecca DeLeon, Secretary
Texas State Affordable Housing Corporation

**RESOLUTION NO. 21-__**

**TEXAS STATE AFFORDABLE HOUSING CORPORATION**

RESOLUTION APPROVING THE RESTRUCTURINGS OF TWO SERIES OF TEXAS STATE AFFORDABLE HOUSING CORPORATION SINGLE FAMILY MORTGAGE REVENUE BONDS, DESIGNATED AS 2011 SERIES B / 2009 SERIES B BONDS, THROUGH THE REDEMPTION OF THE RELATED SERIES OF BONDS, AND ALL MATTERS RELATED THERETO

WHEREAS, the Texas State Affordable Housing Corporation (the "Corporation") has been duly created and organized pursuant to and in accordance with the provisions of Subchapter Y (Section 2306.551 et. seq.) of Chapter 2306, Texas Government Code, as amended, and other applicable provisions of Texas law (collectively, the "Act"); the Corporation is authorized to establish programs including bond-financed programs, to provide individuals and families of low income, as defined in the Act, with adequate, safe and sanitary housing; and

WHEREAS, the Corporation has previously issued the following two separate series of its Bonds: (i) Single Family Mortgage Revenue Bonds, Series 2011B (the "2011B Bonds") issued on December 15, 2011, pursuant to a Trust Indenture dated as of December 1, 2009 including Appendix A and the related Release Date Annex dated as of December 15, 2011 executed in conjunction with the issuance of the 2011B Bonds; and (ii) Single Family Mortgage Revenue Bonds, Series 2009B (the "2009B Bonds") issued on December 23, 2009, pursuant to a Trust Indenture dated as of December 1, 2009, and the release from escrow of the 2009B Bonds on December 15, 2011; and

WHEREAS, the proceeds of the 2011B and 2009B Bonds (collectively, the "Bonds") were used to purchase mortgage-backed securities (collectively, the "Certificates") backed by mortgage loans made to persons or families for the purchase of qualifying single family residences in the State of Texas; and

WHEREAS, the Corporation has determined that it is in the best interest of the Corporation to analyze for each Series of Bonds the optional redemption in whole of the related Bonds outstanding, in accordance with any applicable redemption (or purchase in lieu of redemption) provisions under the related Trust Indentures and/or Release Date Annex, in order to release surplus revenues and/or assets to the Corporation after provision for the related redemptions and the payment of transaction costs; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS STATE AFFORDABLE HOUSING CORPORATION AS FOLLOWS:

Section 1. Authorization to Approve Bond Redemption. That the President and Executive Vice President are authorized to evaluate the redemption (or purchase in lieu of redemption) of the related Bonds, and the release of surplus revenues and payment of transaction costs, in consultation with the Corporation's financial advisor and legal counsel.

Section 2. Execution and Delivery of Documents. That if, pursuant to Section 1, it is determined that a redemption (or purchase in lieu of redemption) of the related Bonds shall

proceed, the President or Executive Vice President are each authorized and directed for and on behalf of the Corporation to execute any documents that may be necessary or desirable to consummate the redemption (or purchase in lieu of redemption) of the related Bonds.

Section 3. Ratification of Prior Actions. All actions taken prior to the date of this Resolution by any officer of the Corporation in the name and on behalf of the Corporation, with respect to any of the matters and transactions described above, are ratified, confirmed and approved by the Board of Directors.

Section 4. Conflicting Prior Actions. That all orders, resolutions, or any actions or parts thereof of the Board of Directors of the Corporation in conflict herewith are hereby expressly repealed to the extent of any such conflict.

Section 5. Severability. That if any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution.

Section 6. Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

*[Remainder of Page Intentionally Left Blank]*

APPROVED AND EFFECTIVE this 21st day of July, 2021.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

_____
William H. Dietz, Chairperson

ATTEST:

_____
Rebecca DeLeon, Secretary
Texas State Affordable Housing Corporation

CSG | advisors

*Atlanta • Los Angeles • New York • San Francisco*

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# MEMORANDUM

**TO:** Texas State Affordable Housing Corporation

**FROM:** David Jones and Tim Rittenhouse

**SUBJECT:** Recommendation to Optionally Redeem Single Family Bonds 2011 Series B / 2009 Series B

**DATE:** June 21, 2021

The Corporation's 2011 Series B / 2009 Series B bonds ("the Bonds") can be optionally redeemed at par on or after September 1, 2021 after providing a minimum 20-day redemption notice to bondholders. As of June 1, 2021, the bonds have a total balance outstanding of $7.405 million with an average bond coupon of 3.10%. Given TSAHC's ability to optionally redeem the bonds at par on September 1st, CSG Advisors prepared an analysis of the economics of using cash in the Corporation's General Fund combined with monies currently held within the 2011B/2009B trust accounts to optionally redeem the Bonds. The result of such a use of funds would be that the related mortgage-backed securities ("MBS") would be transferred and held as an investment in the Corporation's General Fund. Our analysis is attached to this memorandum.

In order to determine the Corporation's economic benefit of optionally redeeming the Bonds, we first determined the present value economics of allowing the bonds to remain outstanding (see scenario entitled, "Take No Action"). Assuming that the MBS prepay at speeds between 150% and 300% PSA, the forecasted present value when allowing the Bonds to remain outstanding ("Take No Action" Scenario) ranges from $0.899 million to $1.025 million.

Alternatively, assuming TSAHC optionally redeemed the Bonds and sold the MBS at an estimated price of 110% ("Valuation Method 1"), the present value of optionally redeeming the Bonds is $1.428 million, which represents an improvement of between $402k and $529k over the Take No Action scenario, assuming prepayment speeds of between 150% to 300% PSA.

In view of the amount of liquid assets TSAHC has accumulated as a result of recent strong single family production and MBS sale premiums, the Corporation plans to hold such MBS as investments and collect the principal and interest receipts over time as shown in "Valuation Method 2". In this scenario, we assumed that the Corporation would use its own General Fund

cash as well as funds available within the 2011B/2009B trust accounts to redeem the Bonds and transfer the MBS to its General Fund. All of the bonds are callable at par. Assuming that the mortgage-backed securities prepay at speeds between 150% and 300% PSA, the present value of holding the MBS is between $1.15 million and $1.32 million, an increase of $250k - $302k over the Take No Action scenario. The present value of the bond interest expense avoided by redeeming the bonds would range between $596k and $909k at prepayment speeds of between 150% and 300% PSA.

As of June 2021, the MBS have prepaid at a speed of 200% PSA over their historic life, while prepayment speeds within the last 12 months have been higher as a result of the increased refinance activity spurred by lower mortgage rates during this period. As such, the MBS seem more likely to prepay on the faster end of the 150% PSA to 300% PSA range shown in the analysis.

TSAHC is currently expected to need approximately $6.85 million of cash to optionally redeem the Bonds. The amount of cash needed to fully redeem the Bonds could be less depending on the amount of MBS receipts received prior to the September 1, 2021 bond optional redemption date. The Corporation currently has sufficient liquidity within its General Fund to redeem the Bonds. In addition, the MBS could always be liquidated in the future to the extent the Corporation had need for additional liquidity.

Given the economic benefit of optionally redeeming the Bonds, TSAHC's sufficient General Fund liquidity, and the ability to improve investment income within the General Fund, we recommend that the optional redemption of the 2011 Series B and 2009 Series B Bonds be approved.

# Texas State Affordable Housing Corporation
# Single Family Mortgage Revenue Bonds
# Series 2011B (Market Bonds) and Series 2009B (Program Bonds)

## OPTIONAL REDEMPTION ANALYSIS

*Purpose: To compute and compare the economic benefit of optionally redeeming the 2011B and 2009B bonds on September 1, 2021.*

| | 150% PSA | 225% PSA | 300% PSA |
|---|---|---|---|
| **Take No Action: (Net Present Value of 09B/11B)** | **$ 1,025,575** | **$ 953,365** | **$ 899,628** |
| **OPTIONAL REDEMPTION VALUATION:** | | | |
| ***Valuation Method 1: MBS Market Price*** | | | |
| Market Price of MBS* | 8,278,542 | 8,278,542 | 8,278,542 |
| Less: Authority Funds Needed for Redemption | (6,850,229) | (6,850,229) | (6,850,229) |
| **Net Present Value** | **1,428,313** | **1,428,313** | **1,428,313** |
| ***Improvement over Taking No Action*** | **$ 402,738** | **$ 474,948** | **$ 528,685** |
| ***Valuation Method 2: Discounted Cash Flows of MBS*** | | | |
| Discounted Cash Flows of MBS | 8,177,803 | 8,075,120 | 8,000,035 |
| Less: Authority Funds Needed for Redemption | (6,850,229) | (6,850,229) | (6,850,229) |
| **Net Present Value** | **1,327,574** | **1,224,891** | **1,149,806** |
| ***Improvement over Taking No Action*** | **$ 302,000** | **$ 271,526** | **$ 250,178** |

| | 150% PSA | 225% PSA | 300% PSA |
|---|---|---|---|
| **Present Value of Bond Interest Expense Saved** | **$ 909,052** | **$ 724,900** | **$ 596,573** |

**Notes:**

- Discount rate of 2.5% used for discounting future cash flows.
- The historical prepayment speeds (as a % of PSA) are as follows:

| Lifetime | 12 Mo | 6 Mo | 3 Mo |
|---|---|---|---|
| 200 | 407 | 284 | 254 |

* Assumes that the market price of the MBS is 110.0%.

**Texas State Affordable Housing Corporation**
**Single Family Mortgage Revenue Bonds**
**Series 2011B (Market Bonds) and Series 2009B (Program Bonds)**

## ESTIMATED FUNDS NEEDED FOR REDEMPTION

**Data as of June 1, 2021 with Optional Redemption assumed on Sept. 1, 2021**

| | | |
|---|---|---|
| **FUNDS NEEDED FOR REDEMPTION** | | |
| Bond Principal Redemption | $ | 7,405,000.00 |
| Bond Accrued Interest (Sept 1, 2021) | | 114,781.00 |
| Optional Call Premium (0.00%) | | - |
| Estimated Rebate Liability | | - |
| Professional Fees | | 25,000.00 |
| **TOTAL FUNDS NEEDED** | **$** | **7,544,781.00** |

| | | |
|---|---|---|
| **FORECASTED AVAILABLE FUNDS (2011B/2009B)** | | |
| Revenue Fund | $ | 5,003.95 |
| Interest Fund | | 76,520.66 |
| Principal Fund | | 86,666.68 |
| Redemption Fund | | 379,393.41 |
| GNMA Principal Receipt (June) | | 27,500.87 |
| GNMA Interest Receipt (June) | | 23,466.40 |
| GNMA Principal Receipt (July) | | 27,000.00 |
| GNMA Interest Receipt (July) | | 22,000.00 |
| GNMA Principal Receipt (August) | | 26,000.00 |
| GNMA Interest Receipt (August) | | 21,000.00 |
| MBS Sale Premium (0.00%) | | - |
| **FORECASTED AVAILABLE FUNDS** | **$** | **694,551.97** |
| **ESTIMATED CASH REQUIRED FOR OPTIONAL REDEMPTION** | **$** | **6,850,229.03** |
| **MBS Principal - to be Released to TSHAC (Est.)** | **$** | **7,525,947.13** |
| MBS Principal-3.50% Coupon | $ | 4,498,046.31 |
| MBS Principal-4.00% Coupon | | 1,808,232.49 |
| MBS Principal-4.25% Coupon | | 1,219,668.33 |

* Program Expense Fund total of $642.54 excluded from analysis
* Market bonds subject to Optional Redemption at par on September 1, 2021
* Program bonds assumed redeemed on September 1, 2021

# Tab 3

Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Tax-Exempt Mortgage-backed Bonds (M-TEBS) (Gardens of Balch Springs Apartments) Series 2021, an Indenture of Trust, a Financing Agreement, a Bond Purchase Agreement, an Asset Oversight, Compliance and Security Agreement, a Regulatory Agreement, a Preliminary Official Statement and a Final Official Statement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the bonds; and other provisions in connection therewith.

RESOLUTION NO. 21-___

TEXAS STATE AFFORDABLE HOUSING CORPORATION

RESOLUTION authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS) (Gardens of Balch Springs Apartments) Series 2021, an Indenture of Trust, a Financing Agreement, a Bond Purchase Agreement, an Asset Oversight, Compliance and Security Agreement, a Regulatory Agreement, a Preliminary Official Statement and a Final Official Statement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the bonds; and other provisions in connection therewith

WHEREAS, Texas State Affordable Housing Corporation (the "Issuer") has been duly created and organized pursuant to and in accordance with the provisions of the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq. Vernon's Annotated Texas Civil Statutes, as amended and under the authority of Subchapter Y of Chapter 2306, Texas Government Code, as amended (the "Act"), for the public purpose, among other things, of promoting the public health, safety and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income; and

WHEREAS, the Act authorizes the Issuer to (a) make mortgage loans to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by persons and families of low, very low and extremely low income; (b) issue its bonds or other obligations, including notes, for the purpose, among others, of obtaining funds to make loans for multifamily developments, to establish any necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; (c) pledge all or any part of the revenues, receipts or resources of the Issuer, including the revenues and receipts to be received by the Issuer from such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Issuer in order to secure the payment of the principal or redemption price of and interest on such bonds; and (d) make, enter into, and enforce contracts, agreements, leases, indentures, mortgages, deeds, deeds of trust, security agreements, pledge agreements, credit agreements and other instruments with any person on terms the Issuer determines to be acceptable; and

WHEREAS, the Issuer has determined to provide a loan to Gardens at Balch Springs, LP, a Texas limited partnership (the "Borrower"), for the purpose of acquiring, constructing and equipping a multifamily residential development to be located in the City of Balch Springs, Texas and to be known as the Gardens of Balch Springs Apartments (the "Project") to be rented to persons of low and moderate income and paying certain costs of issuance of the Bonds, as evidenced by that certain Financing Agreement (the "Agreement") by and among the Issuer, Regions Bank, as trustee (the "Trustee") and the Borrower and in connection therewith the Borrower has agreed to assume certain of the obligations set forth in the Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") by and among the Issuer, the Trustee and the Borrower; and

WHEREAS, the Issuer now proposes to issue its bonds styled "Texas State Affordable Housing Corporation Multifamily Tax-Exempt Mortgage-Backed Bonds (M-TEBS) (Gardens of Balch Springs Apartments) Series 2021" (the "Bonds") pursuant to this Resolution and an Indenture of Trust (the "Indenture") between the Issuer and the Trustee; and

WHEREAS, the Issuer further proposes to sell the Bonds, upon the issuance thereof, to Jeffries (the "Underwriter"); and

WHEREAS, all capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Indenture unless the context in which they appear requires otherwise; and

WHEREAS, there have been presented to the Issuer proposed forms of each of the following:

1. the Indenture;

2. the Agreement;

3. the Bond Purchase Agreement (the "Purchase Agreement"), by and among the Underwriter, the Issuer and the Borrower;

4. the Asset Oversight, Compliance and Security Agreement (the "Asset Oversight and Compliance Agreement"), by and between the Borrower and the Issuer;

5. the Regulatory Agreement; and

6. the Preliminary Official Statement (the "Preliminary Official Statement"), relating to the Bonds.

WHEREAS, the Issuer finds the form and substance of the above-listed documents (hereinafter, collectively the "Bond Documents") to be satisfactory and proper and finds the recitals with regard to the Issuer contained therein to be true, correct and complete and hereby determines to proceed with the issuance and sale of the Bonds, the execution of such documents and the taking of such other actions as may be necessary and appropriate in connection therewith; and now

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS STATE AFFORDABLE HOUSING CORPORATION THAT:

Section 1: Based solely upon the representations made to the Board of Directors (the "Board") by the Borrower, it appears and the Board hereby finds that the issuance of the Bonds and the making of the various contractual commitments, as provided herein, will provide a means of financing the Project within the State that accomplishes the public purpose of providing adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income.

Section 2: The issuance of the Bonds in one or more series and in the aggregate maximum principal amount of not to exceed $27,000,000, is hereby authorized and approved. The Bonds shall mature, bear interest at the rate or rates and shall be subject to the redemption features as specified in the Indenture. The Board hereby approves the Indenture in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon advice of bond counsel to the Issuer), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the

Issuer is authorized and directed, for and on behalf of the Issuer, to execute the Indenture and such officers are hereby authorized to deliver the Indenture. Upon execution by the parties thereto and delivery thereof, the Indenture shall be binding upon the Issuer in accordance with the terms and provisions thereof.

Section 3: The Board hereby approves the Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon advice of bond counsel to the Issuer), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer is hereby authorized and directed, for and on behalf of the Issuer, to execute the Agreement, and the Chief Financial Officer and Treasurer, Secretary or any Assistant Secretary of the Issuer is authorized and directed, for and on behalf of the Issuer, to attest the Agreement, and such officers are hereby authorized to deliver the Agreement. Upon execution by the parties thereto and delivery thereof, the Agreement shall be binding upon the Issuer in accordance with the terms and provisions thereof.

Section 4: The Board hereby approves the Purchase Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon advice of bond counsel to the Issuer), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer are each hereby authorized and directed, for and on behalf of the Issuer, to execute the Purchase Agreement, and such officers are hereby authorized to deliver the Purchase Agreement. Upon execution by the parties thereto and delivery thereof, the Purchase Agreement shall be binding upon the Issuer in accordance with the terms and provisions thereof.

Section 5: The Board hereby approves the Asset Oversight and Compliance Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon advice of bond counsel to the Issuer), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer are each hereby authorized and directed, for and on behalf of the Issuer, to execute the Asset Oversight and Compliance Agreement, and such officers are hereby authorized to deliver the Asset Oversight and Compliance Agreement. Upon execution by the parties thereto and delivery thereof, the Asset Oversight and Compliance Agreement shall be binding upon the Issuer in accordance with the terms and provisions thereof.

Section 6: The Board hereby approves the Regulatory Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon advice of bond counsel to the Issuer), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer are each hereby authorized and directed, for and on behalf of the Issuer, to execute the Regulatory Agreement, and such officers are hereby authorized to deliver the Regulatory Agreement. Upon execution by the parties thereto and delivery thereof, the Regulatory Agreement shall be binding upon the Issuer in accordance with the terms and provisions thereof.

Section 7: The Board hereby approves the Preliminary Official Statement and the changes to the Preliminary Official Statement which will result in the final Official Statement (the "Official Statement") proposed to be delivered in connection with the sale of the Bonds, in

substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer (upon advice of bond counsel to the Issuer) and the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer is hereby authorized and directed, for and on behalf of the Issuer, to execute the Preliminary Official Statement and the Official Statement. Delivery to the Underwriter of the Preliminary Official Statement and the Official Statement, based upon representations received from the Borrower is hereby authorized.

Section 8: The Board hereby approves the Bonds in substantially the form and substance set forth in the Indenture as presented to the Board with such changes or additions as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer, as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer are hereby authorized and directed, for and on behalf of the Issuer, to execute the Bonds or have their facsimile signatures placed upon the Bonds, and the Chief Financial Officer and Treasurer, Secretary or any Assistant Secretary, by manual or facsimile signature, are hereby authorized and directed to attest the signature of the Chairperson, Vice Chairperson, President or Executive Vice President, and any of such officers is hereby authorized and directed to deliver the Bonds.

Section 9: The Board hereby approves the sale of the Bonds to the Underwriter in accordance with the terms and conditions specified in the Purchase Agreement approved herein.

Section 10: Regions Bank is hereby appointed as Trustee and paying agent under the terms of the Indenture for the Bonds. If said bank shall be unable or unwilling to so serve, the Chairperson, Vice Chairperson, President or Executive Vice President of the Issuer is hereby authorized and directed to designate a commercial bank or other entity with trust powers acceptable to it to serve as Trustee and paying agent.

Section 11: The Chairperson, Vice Chairperson, President and Executive Vice President of the Issuer, either individually or jointly, are hereby authorized to approve any different date, designation or title by which the Bonds shall be known, the principal amount or amounts and maturity date or dates of the Bonds to be issued pursuant to this Resolution, to establish the interest rate or rates to be borne by the Bonds, provided, however, that the interest rate or rates shall never exceed 15% per annum. The Chairperson, Vice Chairperson, President and Executive Vice President of the Issuer, either individually or jointly, are further authorized to engage the services of consultants that may be needed, in the opinion of such officer, to fully complete the issuance and delivery of the Bonds.

Section 12: The officers of the Issuer are each hereby authorized to execute and deliver to the Trustee the written order of the Issuer for the authentication and delivery of the Bonds by the Trustee in accordance with the Indenture.

Section 13: All action (not inconsistent with provisions of this Resolution) heretofore taken by the Board and officers of the Issuer directed toward the financing of the Project and the issuance of the Bonds shall be and the same hereby is ratified, approved, and confirmed.

Section 14: The officers of the Issuer shall take all action in conformity with the Act necessary or reasonably required to effectuate the issuance of the Bonds and take all action necessary or desirable in conformity with the Act to finance the Project and for carrying out, giving effect to, and consummating the transactions described in the Bonds, this Resolution, the Bond Documents, and any other instruments authorized by this Resolution or required to effect the

transactions contemplated hereby, including without limitation, the execution and delivery of any certificates, agreements or documents, including a remarketing agreement, if any, in addition to those specifically referenced herein which are associated with the issuance of the Bonds.

Section 15: The President or the Executive Vice President of the Issuer is authorized to approve such changes to the documents specifically referenced in this Resolution and to make any changes or enter into any supplements or amendments that may be required following the closing of the Bonds for a period of up to one year as well as the certificates, agreements and documents authorized in Section 14 hereof, as they deem necessary or appropriate. The execution and delivery of such documents by either of such officers shall constitute conclusive evidence of such approval.

Section 16: If any section, paragraph, clause, or provision of this Resolution shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution. In case any obligation of the Issuer authorized or established by this Resolution or the Bonds is held to be in violation of law as applied to any person or in any circumstance, such obligation shall be deemed to be the obligation of the Issuer to the fullest extent permitted by law.

[*remainder of page intentionally left blank*]

PASSED, APPROVED AND EFFECTIVE this July 14, 2021.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

_____

President

# Texas State Affordable Housing Corporation

Multifamily Private Activity Bond Project Summary

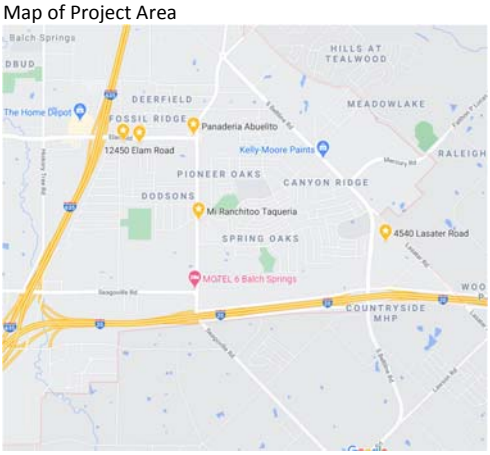
**Agenda:**

Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Tax-Exempt Mortgage-backed Bonds (M-TEBS) (Gardens of Balch Springs Apartments) Series 2021, an Indenture of Trust, a Financing Agreement, a Bond Purchase Agreement, an Asset Oversight, Compliance and Security Agreement, a Regulatory Agreement, a Preliminary Official Statement and a Final Official Statement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the bonds; and other provisions in connection therewith.

**Summary:**

TSAHC received an application from TDI Affordable Development, LLC (Developer) on September 1, 2020 proposing the construction of an affordable housing community called Gardens of Balch Springs. The property, located in Balch Springs, will include 200-units of affordable housing targeting seniors.

Map of Project Area




**Public Benefit:**

The Gardens of Balch Springs is a proposed 200-unit apartment community that will serve low and very-low income seniors. Sixty percent of the units (120-units) will provide affordable rents to households at or below 60% area median income. The project meets TSAHC's targeted housing need for Senior and Service Enriched Housing.

**Financial Summary:**

The proposed development of Gardens of Balch Springs has a total budget of approximately $37.3 million, roughly $186,000 per unit. The proposed financing includes tax-exempt bonds and 4% housing tax credits. Roughly $23 million will be used for construction, with $1.7 million for site acquisition. Financing costs, soft costs, developer fees and reserves account for the remaining $12.3 million.

The initial par amount of the bonds is anticipated to total $27 million, though a portion of the initial bond amount will be repaid with tax credit equity. The permanent bond debt will total $21 million originated through Regions Bank using the Fannie Mae M-TEBs program. Regions Bank is also providing $15.1 million in housing tax credit proceeds and $1 million in deferred developer fees will round out the sources.

The current owners of the land are not an affiliated entity of the Developer nor its principals. No seller notes, cash flow sharing, or incentives are included in the financial structure of the project. The project is reserving its right to request a property tax exemption, which will require additional review and approval by the Texas Bond Review Board.

**Market Conditions:**

Gardens of Balch Springs will be located within a new master planned community to be named Mercury Park. Located north of the intersection of S Beltline Rd and Mercury Rd, Mercury Park is a 173-acre master planned community purposefully situated in the City of Balch Springs. Balch Springs is on the southeast side of the DFW

metroplex, at the intersection of IH 635 and IH 20.

The surrounding neighborhoods are predominately single-family subdivisions with median home prices ($141,900) that are higher than the City's median ($129,100) but lower than the County's ($161,500). Household incomes are also higher for the project's census tract ($78,934), which is also well above the State's ($70,423).

Although the project location is part of a larger planned development, the project site has good access to commercial, retail and job centers. The census tract is not considered to be in a medically underserved area; access from Mercury Park may be limited as there are no transit lines serving the area at this time.

**Developer Summary:**

TDI Affordable Development, LLC, is a collaboration between JPI and Prudentia Development. Established in 1989, JPI is now one of the largest multifamily developers in Texas, having developed more than 98,000 units in Texas and other states. JPI has a strong reputation as privately held developer, builder and investment manager of Class A multifamily housing. The Company's founding principals have worked together for over 30 years, guiding the Company to successful developments throughout the major US markets. JPI is currently active in California, Arizona, Texas, New York and other select northeast markets.

Owned and managed by Ryan and Natalie Combs, Prudentia Development brings more than 10-years of experience in affordable multifamily development in both 9% and 4% housing tax credit projects. Ryan and Natalie started their careers as accountants for housing developers. Ryan has grown his experience through managing construction and development activities for affordable housing developers, including Bonner Carrington and Palladium USA. Ryan was a project manager on two projects financed by TSAHC, THF Palladium Midland and Palladium Glenn Heights.

Staff has reviewed the Development team's compliance history in Texas and in other states, and found no issues of non-compliance.

**Recommendation:**

Staff recommends approval of the Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Tax-Exempt Mortgage-backed Bonds (M-TEBS) (Gardens of Balch Springs Apartments) Series 2021, an Indenture of Trust, a Financing Agreement, a Bond Purchase Agreement, an Asset Oversight, Compliance and Security Agreement, a Regulatory Agreement, a Preliminary Official Statement and a Final Official Statement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the bonds; and other provisions in connection therewith.

# Project Summary

Applicant TDI Affordable Development LLC
Project Name Gardens of Balch Springs

## Location

Address North west quadrant of S Belt Line Road and Mercury I
City Balch Springs
County: Dallas
State Texas
75181
Census Tract: 48113017306

## Bonds

Max. Par Amount: $ 27,000,000
Bond Type: PAB
Term of Bonds: 20
Allocation Year: 2021

## Perm Funding Souces

| | Amount | % of Total |
|---|---|---|
| TSAHC - Bond Amount Construction Term | $ 27,000,000 | |
| TSAHC - Bonds Perm/Jeffries | $ 21,090,850 | 56.49% |
| | | |
| HTC Equity | $ 15,181,784 | 40.66% |
| Deferred Developer Fee | $ 1,063,663 | 2.85% |
| | | |
| **Totals** | **$ 37,336,297** | **100%** |

* not included in total

## Market Summary

| | City | County | State | Census Tract |
|---|---|---|---|---|
| Population: | 144,250 | 2,586,552 | 27,885,195 | 8,339 |
| Median Age: | 32 | 33 | 34 | 32 |
| Diversity Index: | 68 | 70 | - | - |
| % Hispanic: | 40% | 40% | 39% | 41% |
| % Persons with Disability: | 11% | 10% | 12% | 11% |
| | | | | |
| % Households that Rent: | 43% | 50% | 38% | 10% |
| Median Rents: | 1,065 | 1,046 | 998 | 1,298 |
| % Renters Who are Cost Burdened: | 51% | 45% | 44% | 31% |
| Median Home Price: | $ 129,100 | $ 161,500 | $ 161,700 | $ 141,900 |
| | | | | |
| Median Household Income: | $ 63,137 | $ 64,011 | $ 70,423 | $ 78,934 |
| Unemployment: | 0.00% | 8.10% | 8.20% | 0.00% |
| Persons w/o Insurance: | 21% | 21% | 17% | 21% |
| Medically Underserved Area: | No | - | - | - |
| % Attending Public Schools: | 95% | 93% | 93% | 90% |
| Graduation Rate (Mesquite ISD) | 80% | | | |

CRA Eligible Census Tract: Not eligible
# of LI Projects and Units: 4 729

## Summary of Sources and Uses

**Applicant** TDI Affordable Development LLC

**Project Name** Gardens of Balch Springs

**Number of Units** 200

| **Sources** | Amount | Amount Per Unit | Percentage of Total |
|---|---|---|---|
| TSAHC - Bonds Perm/Jeffries | $ 21,090,850 | $ 105,454 | 56% |
| | | | |
| HTC Equity | $ 15,181,784 | $ 75,909 | 41% |
| Deferred Developer Fee | $ 1,063,663 | $ 5,318 | 3% |
| | | | |
| **Total Sources** | $ 37,336,297 | $ 186,681.49 | 100% |

**Uses**

| | | | |
|---|---|---|---|
| Acquisition | $ 1,665,000 | $ 8,325.00 | 4% |
| Off-Site Construction | | $ - | 0% |
| On-Site Work | $ 2,600,000 | $ 13,000.00 | 7% |
| Site Amenities | $ 650,000 | $ 3,250.00 | 2% |
| Building Costs | $ 16,102,000 | $ 80,510.00 | 43% |
| Other Const/Contingency | $ 4,032,956 | $ 20,164.78 | 11% |
| Soft Costs | $ 1,847,122 | $ 9,235.61 | 5% |
| Financing Costs | $ 4,874,503 | $ 24,372.52 | 13% |
| Developer Fees | $ 4,279,237 | $ 21,396.19 | 11% |
| Reserve Accounts | $ 1,285,479 | $ 6,427.40 | 3% |
| | | | |
| Total Uses | $ 37,336,297 | $ 186,681.49 | 100% |

| | |
|---|---|
| (Gap) / Reserve | $ - |
| Percent of Developer Fee Deferred | 24.86% |

# Gardens at Balch Springs - Underwriting - Operating Proforma

## Operating Proforma

Applicant: TDI Affordable Development LLC

Project Name: Gardens of Balch Springs

| | | | | | |
|---|---|---|---|---|---|
| Number of Units | 200 | Affordable Units | 120 | Min. Set Aside | 48 |
| Set Aside election | 40% @ 60% AMI | Affordable % | 60% | Accessible Unit Min. | 10 |

**Residential Income**

| Unit Type | Unit Sq. Ft. | Net Sq. Ft. | # units | Rent | Mo. Income | Inflator | Rent Limiter | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1/1 | 750 | 36,000 | 48 | $ 762 | $ 36,576 | 1.02 | 50% AMI | $ 438,912 | $ 447,690 | $ 456,644 | $ 465,777 | $ 475,092 | $ 524,540 | $ 579,135 |
| 1/1 | 750 | 19,500 | 26 | $ 924 | $ 24,024 | 1.02 | 60% AMI | $ 288,288 | $ 294,054 | $ 299,935 | $ 305,934 | $ 312,052 | $ 344,531 | $ 380,390 |
| 1/1 | 750 | 34,500 | 46 | $ 1,021 | $ 46,966 | 1.02 | 70% AMI | $ 563,592 | $ 574,864 | $ 586,361 | $ 598,088 | $ 610,050 | $ 673,545 | $ 743,648 |
| | | - | | | $ - | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| 2/2 | 950 | 30,400 | 32 | $ 910 | $ 29,120 | 1.02 | 50% AMI | $ 349,440 | $ 356,429 | $ 363,557 | $ 370,829 | $ 378,245 | $ 417,613 | $ 461,079 |
| 2/2 | 950 | 13,300 | 14 | $ 1,104 | $ 15,456 | 1.02 | 60% AMI | $ 185,472 | $ 189,181 | $ 192,965 | $ 196,824 | $ 200,761 | $ 221,656 | $ 244,726 |
| 2/2 | 950 | 32,300 | 34 | $ 1,263 | $ 42,942 | 1.02 | 70% AMI | $ 515,304 | $ 525,610 | $ 536,122 | $ 546,845 | $ 557,782 | $ 615,836 | $ 679,933 |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Subtotals: | | 166,000 | 200 | | $ 195,084 | | | | | | | | | |
| Other income: | | | | $ 20.00 | $ 4,000 | 1.02 | | $ 48,000.00 | $ 48,960 | $ 49,939 | $ 50,938 | $ 51,957 | $ 57,364 | $ 63,335 |
| Potential gross income | | | | | | | | $ 2,389,008 | $ 2,436,788 | $ 2,485,524 | $ 2,535,234 | $ 2,585,939 | $ 2,855,086 | $ 3,152,245 |
| Residential vacancy loss | | | | | | 7.50% | | $ (179,176) | $ (182,759) | $ (186,414) | $ (190,143) | $ (193,945) | $ (214,131) | $ (236,418) |
| **Effective Gross Residential Income** | | | | | | | | $ 2,209,832 | $ 2,254,029 | $ 2,299,110 | $ 2,345,092 | $ 2,391,994 | $ 2,640,954 | $ 2,915,827 |

| **Operating Expenses** | | TSAHC est. | Borrower Yr 1 | % EGI | Variance | Per Unit | Inflator | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | $ 98,400 | $ 102,702 | 4.65 | 4% | $ 514 | 1.03 | $ 102,702 | $ 105,783 | $ 108,957 | $ 112,225 | $ 115,592 | $ 134,003 | $ 155,346 |
| Management Fee | | $ 85,800 | $ 99,263 | 4.49 | 16% | $ 496 | 1.03 | $ 99,263 | $ 102,241 | $ 105,308 | $ 108,467 | $ 111,721 | $ 129,516 | $ 150,144 |
| Payroll and Related | | $ 278,800 | $ 202,476 | 9.16 | -27% | $ 1,012 | 1.03 | $ 202,476 | $ 208,550 | $ 214,807 | $ 221,251 | $ 227,889 | $ 264,185 | $ 306,263 |
| Maintenance & Repair | | $ 140,000 | $ 129,000 | 5.84 | -8% | $ 645 | 1.03 | $ 129,000 | $ 132,870 | $ 136,856 | $ 140,962 | $ 145,191 | $ 168,316 | $ 195,124 |
| Utilities | | $ 191,400 | $ 160,025 | 7.24 | -16% | $ 800 | 1.03 | $ 160,025 | $ 164,826 | $ 169,771 | $ 174,864 | $ 180,110 | $ 208,796 | $ 242,052 |
| Insurance | | $ 72,800 | $ 80,000 | 3.62 | 10% | $ 400 | 1.03 | $ 80,000 | $ 82,400 | $ 84,872 | $ 87,418 | $ 90,041 | $ 104,382 | $ 121,007 |
| Taxes | | | | 0.00 | #DIV/0! | $ - | 1.03 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Operating Debt Service Reserves | | | | 0.00 | #DIV/0! | $ - | 1.03 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Replacement reserves | | $ 50,000 | $ 50,000 | 2.26 | 0% | $ 250 | 1.03 | $ 50,000 | $ 51,500 | $ 53,045 | | $ - | $ - | $ - |
| HTC/HOME Compliance Fees | | $ 8,000 | $ 8,000 | 0.36 | 0% | $ 40 | 1.03 | $ 8,000 | $ 8,240 | $ 8,487 | $ 8,742 | $ 9,004 | $ 10,438 | $ 12,101 |
| Bond Compliance Fees | | $ 9,000 | $ 9,000 | 0.41 | 0% | $ 45 | 1.03 | $ 9,000 | $ 9,270 | $ 9,548 | $ 9,835 | $ 10,130 | $ 11,743 | $ 13,613 |
| Other (specify): | Trustee Fee | | | 0.00 | #DIV/0! | $ - | 1.03 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| **Total Operating Expenses** | | $ 934,200 | $ 840,466 | | -10% | $ 4,202.33 | | $ 840,466 | $ 865,680 | $ 891,650 | $ 863,764 | $ 889,676 | $ 1,031,379 | $ 1,195,651 |
| | | | | | state avg | $ 5,439.00 | *per unit* | *$ 4,202* | *$ 4,328* | *$ 4,458* | *$ 4,319* | *$ 4,448* | *$ 5,157* | *$ 5,978* |
| | | | | | *Operating Expenses as a percentage of Effective Gross Income* | | | *38.0%* | *38.4%* | *38.8%* | *36.8%* | *37.2%* | *39.1%* | *41.0%* |
| **NET OPERATING INCOME** | | | | | | | | **$ 1,369,366** | **$ 1,388,349** | **$ 1,407,459** | **$ 1,481,328** | **$ 1,502,317** | **$ 1,609,575** | **$ 1,720,176** |

# Gardens at Balch Springs - Underwriting - Operating Proforma

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **NET OPERATING INCOME** | | | | | | **$ 1,369,366** | **$ 1,388,349** | **$ 1,407,459** | **$ 1,481,328** | **$ 1,502,317** | **$ 1,609,575** | **$ 1,720,176** |
| **PRIMARY DEBT SERVICE** | Principal | Rate | Amort | Term | | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Year 10** | **Year 15** |
| TSAHC - Bonds Perm/Jeffries | $ 21,090,850 | 4.20% | 35 | 20 | | $ 1,151,182 | $ 1,151,182 | $ 1,151,182 | $ 1,151,182 | $ 1,151,182 | $ 1,151,182 | $ 1,151,182 |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Total Primary Debt | $ 21,090,850 | | | | | $ 1,151,182 | $ 1,151,182 | $ 1,151,182 | $ 1,151,182 | $ 1,151,182 | $ 1,151,182 | $ 1,151,182 |
| TSAHC Issuer Fee | $ 21,091 | | | | | $ 21,091 | $ 21,091 | $ 21,091 | $ 21,091 | $ 21,091 | $ 21,091 | $ 21,091 |
| Net Cashflow After Primary Debt | | | | | | $ 197,094 | $ 216,076 | $ 235,186 | $ 309,055 | $ 330,044 | $ 437,303 | $ 547,903 |
| DSCR Primary Debt | | | | | | 1.17 | 1.18 | 1.20 | 1.26 | 1.28 | 1.37 | 1.47 |
| **SOFT SUBORDINATE DEBT & EQUITY** | | | | | | | | | | | | |
| HTC Equity | $ 15,181,784 | | | | | | | | | | | |
| Deferred Developer Fee | $ 1,063,663 | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Total Secondary Debt | $ 16,245,447 | | | | Net Cash Flow of Secondary Debts | $ 197,094 | $ 216,076 | $ 235,186 | $ 309,055 | $ 330,044 | $ 437,303 | $ 547,903 |

# Tab 4

Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Riverstation) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

RESOLUTION NO. 21-___

TEXAS STATE AFFORDABLE HOUSING CORPORATION

RESOLUTION authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Riverstation) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith

WHEREAS, Texas State Affordable Housing Corporation (the "Governmental Lender") has been duly created and organized pursuant to and in accordance with the provisions of the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq. Vernon's Annotated Texas Civil Statutes, as amended and under the authority of Subchapter Y of Chapter 2306, Texas Government Code, as amended (the "Act"), for the public purpose, among other things, of promoting the public health, safety and welfare through the provision of adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income; and

WHEREAS, the Act authorizes the Governmental Lender to (a) make mortgage loans to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by persons and families of low, very low and extremely low income; (b) issue bonds or other obligations, including notes, to accomplish its public purpose, for the purpose, among others, of obtaining funds to make loans for multifamily developments if at least 40 percent of the units in a multifamily development are affordable to individuals and families with incomes at or below 60 percent of the median income, adjusted for family size, to establish any necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such obligations; (c) pledge all or any part of the revenues, receipts or resources of the Governmental Lender, including the revenues and receipts to be received by the Governmental Lender from such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the payment of the principal or prepayment price of and interest on such obligations; and (d) make, enter into, and enforce contracts, agreements, leases, indentures, mortgages, deeds, deeds of trust, security agreements, pledge agreements, credit agreements and other instruments with any person on terms the Governmental Lender determines to be acceptable; and

WHEREAS, the Governmental Lender has determined to provide a loan (the "Loan") to Dallas Leased Housing Associates XI, LLLP, a Minnesota limited liability limited partnership (the "Borrower"), for the purpose of acquiring, rehabilitating and equipping a multifamily residential development located in the City of Dallas, Texas and known as Riverstation (the "Project") to be rented to persons of low and moderate income, as evidenced by that certain Project Loan Agreement (the "Project Loan Agreement") by and among the Governmental Lender, the Borrower and BOKF, NA (the "Fiscal Agent"), and in connection therewith the Borrower has agreed to assume certain of the obligations set forth in the Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") by and among the Governmental Lender, the Fiscal Agent and the Borrower, and the Borrower will execute and deliver to the Governmental Lender a multifamily note (the "Project Note") in the original principal amount equal to the original principal amount of the Note (hereinafter defined); and

WHEREAS, the Governmental Lender now proposes to issue its note styled "Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Riverstation) Series 2021" (the "Note") pursuant to this Resolution and a Funding Loan Agreement (the "Funding Loan Agreement") among the Governmental Lender, Merchants Bank of Indiana (the "Initial Funding Lender") and the Fiscal Agent; and

WHEREAS, the Governmental Lender further proposes to sell the Note, upon the issuance thereof, to the Initial Funding Lender in order to obtain the funds to make the Loan; and

WHEREAS, all capitalized terms not otherwise defined herein shall have the same meaning ascribed to them in the Funding Loan Agreement unless the context in which they appear requires otherwise; and

WHEREAS, there have been presented to the Governmental Lender proposed forms of each of the following:

1. the Funding Loan Agreement;

2. the Project Loan Agreement;

3. the Asset Oversight, Compliance and Security Agreement (the "Asset Oversight and Compliance Agreement"), by and between the Borrower and the Governmental Lender; and

4. the Regulatory Agreement.

WHEREAS, the Governmental Lender finds the form and substance of the above-listed documents (hereinafter, collectively the "Note Documents") to be satisfactory and proper and finds the recitals with regard to the Governmental Lender contained therein to be true, correct and complete and hereby determines to proceed with the issuance and sale of the Note, the execution of such documents and the taking of such other actions as may be necessary and appropriate in connection therewith; and now

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS STATE AFFORDABLE HOUSING CORPORATION THAT:

Section 1: Based solely upon the representations made to the Board of Directors (the "Board") by the Borrower, it appears and the Board hereby finds that the issuance of the Note and the making of the various contractual commitments, as provided herein, will provide a means of financing the Project within the State that accomplishes the public purpose of providing adequate, safe and sanitary housing primarily for individuals and families of low, very low and extremely low income.

Section 2: The issuance of the Note in one or more series and in the aggregate maximum principal amount of not to exceed $28,000,000, is hereby authorized and approved. The Note shall mature, bear interest at the rate or rates and shall be subject to the prepayment features as specified in the Funding Loan Agreement. The Board hereby approves the Funding Loan Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental

Lender is authorized and directed, for and on behalf of the Governmental Lender, to execute the Funding Loan Agreement and such officers are hereby authorized to deliver the Funding Loan Agreement. Upon execution by the parties thereto and delivery thereof, the Funding Loan Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 3: The Board hereby approves the Project Loan Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender is hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Project Loan Agreement, and such officers are hereby authorized to deliver the Project Loan Agreement. Upon execution by the parties thereto and delivery thereof, the Project Loan Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 4: The Board hereby approves the Asset Oversight and Compliance Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are each hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Asset Oversight and Compliance Agreement, and such officers are hereby authorized to deliver the Asset Oversight and Compliance Agreement. Upon execution by the parties thereto and delivery thereof, the Asset Oversight and Compliance Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 5: The Board hereby approves the Regulatory Agreement in substantially the form and substance presented to the Board with such changes or additions thereto as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender (upon advice of bond counsel to the Governmental Lender), as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are each hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Regulatory Agreement, and such officers are hereby authorized to deliver the Regulatory Agreement. Upon execution by the parties thereto and delivery thereof, the Regulatory Agreement shall be binding upon the Governmental Lender in accordance with the terms and provisions thereof.

Section 6: The Board hereby approves the Note in substantially the form and substance set forth in the Funding Loan Agreement as presented to the Board with such changes or additions as may be approved by the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender, as evidenced by their execution and delivery thereof and the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender are hereby authorized and directed, for and on behalf of the Governmental Lender, to execute the Note or have their facsimile signatures placed upon the Note, and the Chief Financial Officer and Treasurer, Secretary or any Assistant Secretary, by manual or facsimile signature, are hereby authorized and directed to attest the signature of the Chairperson, Vice Chairperson, President or Executive Vice President, and any of such officers is hereby authorized and directed to deliver the Note.

Section 7: The Board hereby approves the sale of the Note to the Initial Funding Lender in accordance with the terms and conditions specified in the Funding Loan Agreement approved herein.

Section 8: BOKF, NA is hereby appointed as Fiscal Agent and paying agent under the terms of the Funding Loan Agreement for the Note. If said bank shall be unable or unwilling to so serve, the Chairperson, Vice Chairperson, President or Executive Vice President of the Governmental Lender is hereby authorized and directed to designate a commercial bank or other entity with trust powers acceptable to it to serve as Fiscal Agent and paying agent.

Section 9: The Chairperson, Vice Chairperson, President and Executive Vice President of the Governmental Lender, either individually or jointly, are hereby authorized to approve any different date, designation or title by which the Note shall be known, the principal amount and maturity date of the Note to be issued pursuant to this Resolution, to establish the interest rate or rates to be borne by the Note, provided, however, that the interest rate or rates shall never exceed 15% per annum. The Chairperson, Vice Chairperson, President and Executive Vice President of the Governmental Lender, either individually or jointly, are further authorized to engage the services of consultants that may be needed, in the opinion of such officer, to fully complete the issuance and delivery of the Note.

Section 10: The officers of the Governmental Lender are each hereby authorized to execute and deliver to the Fiscal Agent the written order of the Governmental Lender for the authentication and delivery of the Note by the Fiscal Agent in accordance with the Funding Loan Agreement.

Section 11: All action (not inconsistent with provisions of this Resolution) heretofore taken by the Board and officers of the Governmental Lender directed toward the financing of the Project and the issuance of the Note shall be and the same hereby is ratified, approved, and confirmed.

Section 12: The officers of the Governmental Lender shall take all action in conformity with the Act necessary or reasonably required to effectuate the issuance of the Note and take all action necessary or desirable in conformity with the Act to finance the Project and for carrying out, giving effect to, and consummating the transactions described in the Note, this Resolution, the Note Documents, and any other instruments authorized by this Resolution or required to effect the transactions contemplated hereby, including without limitation, the execution and delivery of any certificates, agreements or documents, including any subordination agreement or document, in addition to those specifically referenced herein which are associated with the issuance of the Note.

Section 13: The President or the Executive Vice President of the Governmental Lender is authorized to approve such changes to the documents specifically referenced in this Resolution and to make any changes or enter into any supplements or amendments that may be required following the closing of the Note for a period of up to one year as well as the certificates, agreements and documents authorized in Section 12 hereof, as they deem necessary or appropriate. The execution and delivery of such documents by either of such officers shall constitute conclusive evidence of such approval.

Section 14: If any section, paragraph, clause, or provision of this Resolution shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution. In case any

obligation of the Governmental Lender authorized or established by this Resolution or the Note is held to be in violation of law as applied to any person or in any circumstance, such obligation shall be deemed to be the obligation of the Governmental Lender to the fullest extent permitted by law.

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PASSED, APPROVED AND EFFECTIVE this July 21, 2021.

TEXAS STATE AFFORDABLE HOUSING CORPORATION

_____

President

# Texas State Affordable Housing Corporation

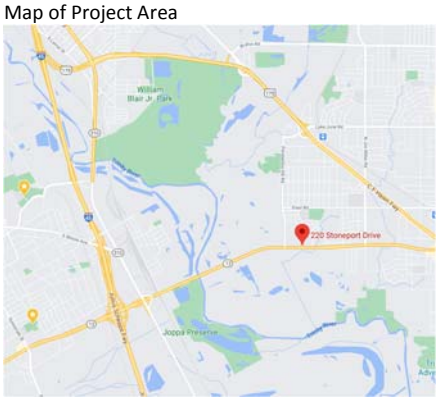
Multifamily Private Activity Bond Project Summary

**Agenda:**

Presentation, Discussion and Possible Approval of a Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Riverstation) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

**Summary:**

Map of Project Area




TSAHC received an application from Dominium (Developer) on September 9, 2020 proposing the acquisition and rehabilitation of an affordable housing community called Riverstation. The property, located in Dallas, is a 236-unit acquisition and rehabilitation project of an existing affordable rental community targeting families.

**Public Benefit:**

Riverstation is an existing affordable rental community with 236-units supported through a Project Based Section-8 contract. In addition to providing much needed renovations, the acquisition and rehabilitation of the project will preserve and extend the affordability period of the property. The project fulfills TSAHC's Targeted Housing Need for At-Risk Preservation projects.

**Financial Summary:**

The proposed acquisition and rehabilitation of Riverstation has a total budget of approximately $48.6 million. The financing includes long-term tax-exempt bonds and 4% housing tax credits. $25.3 million will be used for property acquisition costs, with total rehabilitation of $11.5 million, or $48,693 per unit. Financing costs, soft costs, developer fees and reserves account for the remaining $11.8 million.

The par amount of the bonds is anticipated to total $27.4 million. The bonds will be issued from TSAHC's 2021 volume cap utilizing a private placement Freddie Mac TEL financing structure to be originated by Merchants Capital Corp. Housing tax credit equity, valued at $18.3 million, a $320,000 rebate for energy

efficiency improvements and deferred developer fees of $2.6 million will cover the remaining balance of funding needs.

The current owners of Riverstation are not an affiliated entity of the Developer nor its principals. No seller notes, cash flow sharing, or incentives are included in the financial structure of the project. The project will also pay property taxes and there is no intent to request a tax exemption at a later date.

**Market Conditions:**

Riverstation is located on 220 Stoneport Drive, off S. Great Trinity Forest Way, across from the Trinity Forest Gulf Club. The property is surrounded by other multifamily complexes to the north and west, with commercial and retail to the east.

The neighborhood has a higher percentage of renters than Dallas and Dallas County. Household median income for the census tract is also lower than City and County figures. This is consistent with the fact that a higher percentage of rental units are contained within the census tract. The property is well situated for access to jobs and community services and has direct access to transit lines leading to Dallas' VA hospital and busy commercial/retail areas.

Economically, the area has a mix of auto dealerships, retail, educational and service industries. There is also excellent access to manufacturing and shipping center locations on south IH-45, within four miles of the property. The most notable feature of the area is the Trinity River Forrest. Located directly across the street from the complex, residents will have access to more than 6,000 acres of trails, the Trinity River Audubon Center and other outdoor recreational amenities. Access to medical services is good, with several clinics and hospitals within a two-mile radius and the VA hospital within five miles.

**Relocation and Tenant Resources:**

The renovation of Riverstation includes window and door replacements, kitchen improvements, HVAC and electrical system upgrades. Exterior renovations will include new roofing, sidewalk repairs and landscaping.

TSAHC staff believes that the majority of current tenants will remain in the property during renovations, though some may be temporarily displaced. All tenants, pursuant to federal and state law, will be protected from permanent relocation and the Developer's rehabilitation and relocation plan must be approved prior to closing.

**Developer Summary:**

Dominium is the only member of the developer's team for Riverstation. Founded in 1972 by David Brierton and Jack Safar, Dominium now owns over 25,000 apartment units and has more than 1,000 employees across the United States. Eighty percent of Dominium's portfolio is comprised of affordable communities,

primarily Section 42 Tax Credit and senior properties. Product types range from garden style to mid-rise to high-rise communities including historic and value-added rehabilitations.

Here in Texas, Dominium is represented by a strong team including Jeff Spicer, Vice President and Project Partner in Development and Acquisitions. Mr. Spicer has worked for more than 25 years in affordable housing in Texas. TSAHC previously worked with Mr. Spicer on the THF Sagebrush Apartments project that received a loan through the TSAHC's Texas Housing Impact Fund in 2017.

TSAHC issued financing for the Ventura at Tradewinds (2019) and Ventura at Fairgrounds (2020), with Dominium as a member of the development team. Those projects are currently under construction.

Staff has reviewed the Developer's compliance history with TSAHC program and housing tax credits through the Texas Department of Housing and Community Affairs. No issue of non-compliance or defaults have been found.

**Recommendation:**

Staff recommends approval of the Resolution authorizing the issuance of Texas State Affordable Housing Corporation Multifamily Housing Revenue Note (Riverstation) Series 2021, a Funding Loan Agreement, a Project Loan Agreement, an Asset Oversight, Compliance and Security Agreement and a Regulatory Agreement; authorizing the execution of documents and instruments necessary or convenient to carry out the issuance of the Note; and other provisions in connection therewith.

# Project Summary

Applicant: Dominium/Dallas Leased Housing
Project Name: Riverstation

## Location

Address: 220 Stoneport Drive — City: Dallas
County: Dallas — State: Texas — 75217
Census Tract: 48113009304

## Bonds

Max. Par Amount: $ 28,000,000 — Bond Type: PAB
Term of Bonds: 15 — Allocation Year: 2021

## Perm Funding Souces

| | Amount | % of Total |
|---|---|---|
| Regions - Fannie M-TEB | $ 27,390,000 | 56.74% |
| | $ - | 0.00% |
| HTC Equity | $ 18,329,346 | 37.97% |
| Deferred Developer Fee | $ 2,555,277 | 5.29% |
| | $ - | 0.00% |
| **Totals** | **$ 48,274,623** | **100%** |

* not included in total

## Market Summary

| | City | County | State | Census Tract |
|---|---|---|---|---|
| Population: | 505,816 | 2,586,552 | 27,885,195 | 6,682 |
| Median Age: | 33 | 33 | 34 | 23 |
| Diversity Index: | 52 | 70 | - | - |
| % Hispanic: | 42% | 40% | 39% | 37% |
| % Persons with Disability: | 10% | 10% | 12% | 12% |
| % Households that Rent: | 59% | 50% | 38% | 80% |
| Median Rents: | 987 | 1,046 | 998 | 639 |
| % Renters Who are Cost Burdened: | 51% | 45% | 44% | 31% |
| Median Home Price: | $ 169,400 | $ 161,500 | $ 161,700 | $ 74,400 |
| Median Household Income: | $ 54,518 | $ 64,011 | $ 70,423 | $ 30,035 |
| Unemployment: | 7.40% | 8.10% | 8.20% | 0.00% |
| Persons w/o Insurance: | 24% | 21% | 17% | 33% |
| Medically Underserved Area: | No | - | - | - |
| % Attending Public Schools: | 91% | 93% | 93% | 94% |
| Graduation Rate (Dallas ISD) | 62% | | | |

CRA Eligible Census Tract: Yes - Low Income

| | | |
|---|---|---|
| # of LI Projects and Units: | 9 | 1379 |

## Summary of Sources and Uses

**Applicant** Dominium/Dallas Leased Housing
**Project Name** Riverstation
**Number of Units** 236

| **Sources** | Amount | Amount Per Unit | Percentage of Total |
|---|---|---|---|
| Regions - Fannie M-TEB | $ 27,390,000 | $ 116,059 | 56% |
| | $ - | $ - | 0% |
| HTC Equity | $ 18,329,346 | $ 77,667 | 38% |
| Deferred Developer Fee | $ 2,555,277 | $ 10,827 | 5% |
| Oncor HVAC Incentive Program | $ 320,280 | $ 1,357 | 1% |
| **Total Sources** | $ 48,594,903 | $ 205,910.61 | 99% |

**Uses**

| | | | |
|---|---|---|---|
| Acquisition | $ 25,250,000 | $ 106,991.53 | 52% |
| Off-Site Construction | | $ - | 0% |
| On-Site Work | $ 493,969 | $ 2,093.09 | 1% |
| Site Amenities | $ 685,749 | $ 2,905.72 | 1% |
| Building Costs | $ 8,555,282 | $ 36,251.19 | 18% |
| Other Const/Contingency | $ 1,756,682 | $ 7,443.57 | 4% |
| Soft Costs | $ 1,527,349 | $ 6,471.82 | 3% |
| Financing Costs | $ 3,893,125 | $ 16,496.29 | 8% |
| Developer Fees | $ 5,683,869 | $ 24,084.19 | 12% |
| Reserve Accounts | $ 748,878 | $ 3,173.21 | 2% |
| | | | |
| Total Uses | $ 48,594,903 | $ 205,910.61 | 100% |

| | |
|---|---|
| (Gap) / Reserve | $ - |
| Percent of Developer Fee Deferred | 44.96% |

# Riverstation - Underwriting - Operating Proforma

## Operating Proforma

Applicant Dominium/Dallas Leased Housing

Project Name Riverstation

| | | | | | |
|---|---|---|---|---|---|
| Number of Units | 236 | Affordable Units | 216 | Min. Set Aside | 87 |
| Set Aside election | 40% @ 60% AMI | Affordable % | 92% | Accessible Unit Min. | 12 |

**Residential Income**

| Unit Type | Unit Sq. Ft. | Net Sq. Ft. | # units | Rent | Mo. Income | Inflator | Rent Limiter | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2/2 | 904 | 119,328 | 132 | $ 1,130 | $ 149,160 | 1.02 | 60% AMI | $ 1,789,920 | $ 1,825,718 | $ 1,862,233 | $ 1,899,477 | $ 1,937,467 | $ 2,139,120 | $ 2,361,761 |
| 3/2 | 1054 | 88,536 | 84 | $ 1,300 | $ 109,200 | 1.02 | 60% AMI | $ 1,310,400 | $ 1,336,608 | $ 1,363,340 | $ 1,390,607 | $ 1,418,419 | $ 1,566,049 | $ 1,729,045 |
| 4/2 | 1221 | 24,420 | 20 | $ 1,445 | $ 28,900 | 1.02 | 60% AMI | $ 346,800 | $ 353,736 | $ 360,811 | $ 368,027 | $ 375,387 | $ 414,458 | $ 457,595 |
| | | - | | | $ - | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| Subtotals: | | 232,284 | 236 | | $ 287,260 | | | | | | | | | |
| Other income: | | | | $ 15.85 | $ 3,741 | 1.02 | | $ 44,887.20 | $ 45,785 | $ 46,701 | $ 47,635 | $ 48,587 | $ 53,644 | $ 59,228 |
| Potential gross income | | | | | | | | $ 3,492,007 | $ 3,561,847 | $ 3,633,084 | $ 3,705,746 | $ 3,779,861 | $ 4,173,272 | $ 4,607,629 |
| Residential vacancy loss | | | | | | 7.50% | | $ (261,901) | $ (267,139) | $ (272,481) | $ (277,931) | $ (283,490) | $ (312,995) | $ (345,572) |
| **Effective Gross Residential Income** | | | | | | | | $ 3,230,107 | $ 3,294,709 | $ 3,360,603 | $ 3,427,815 | $ 3,496,371 | $ 3,860,276 | $ 4,262,057 |

| **Operating Expenses** | TSAHC est. | Borrower Yr 1 | % EGI | Variance | Per Unit | Inflator | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | $ 116,112 | $ 82,600 | 2.56 | -29% | $ 350 | 1.03 | $ 82,600 | $ 85,078 | $ 87,630 | $ 90,259 | $ 92,967 | $ 107,774 | $ 124,940 |
| Management Fee | $ 101,244 | $ 124,603 | 3.86 | 23% | $ 528 | 1.03 | $ 124,603 | $ 128,341 | $ 132,191 | $ 136,157 | $ 140,242 | $ 162,579 | $ 188,473 |
| Payroll and Related | $ 318,364 | $ 260,072 | 8.05 | -18% | $ 1,102 | 1.03 | $ 260,072 | $ 267,874 | $ 275,910 | $ 284,188 | $ 292,713 | $ 339,335 | $ 393,382 |
| Maintenance & Repair | $ 165,200 | $ 157,120 | 4.86 | -5% | $ 666 | 1.03 | $ 157,120 | $ 161,834 | $ 166,689 | $ 171,689 | $ 176,840 | $ 205,006 | $ 237,658 |
| Utilities | $ 225,852 | $ 204,140 | 6.32 | -10% | $ 865 | 1.03 | $ 204,140 | $ 210,264 | $ 216,572 | $ 223,069 | $ 229,761 | $ 266,356 | $ 308,780 |
| Insurance | $ 85,904 | $ 119,180 | 3.69 | 39% | $ 505 | 1.03 | $ 119,180 | $ 122,755 | $ 126,438 | $ 130,231 | $ 134,138 | $ 155,503 | $ 180,270 |
| Taxes | $ 215,704 | $ 267,000 | 8.27 | 24% | $ 1,131 | 1.03 | $ 267,000 | $ 275,010 | $ 283,260 | $ 291,758 | $ 300,511 | $ 348,374 | $ 403,861 |
| Operating Debt Service Reserves | | | 0.00 | #DIV/0! | $ - | 1.03 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Replacement reserves | $ 70,800 | $ 70,800 | 2.19 | 0% | $ 300 | 1.03 | $ 70,800 | $ 72,924 | $ 75,112 | | $ - | $ - | $ - |
| HTC/HOME Compliance Fees | $ 9,440 | $ 9,440 | 0.29 | 0% | $ 40 | 1.03 | $ 9,440 | $ 9,723 | $ 10,015 | $ 10,315 | $ 10,625 | $ 12,317 | $ 14,279 |
| Bond Compliance Fees | $ 10,620 | $ 10,620 | 0.33 | 0% | $ 45 | 1.03 | $ 10,620 | $ 10,939 | $ 11,267 | $ 11,605 | $ 11,953 | $ 13,857 | $ 16,064 |
| Other (specify): IT/Secuity/Sservice | $ 103,300 | $ 93,220 | 2.89 | -10% | $ 395 | 1.03 | $ 93,220 | $ 96,017 | $ 98,897 | $ 101,864 | $ 104,920 | $ 121,631 | $ 141,004 |
| **Total Operating Expenses** | $ 1,422,540 | $ 1,398,795 | | -2% | $ 5,927.10 | | $ 1,398,795 | $ 1,440,759 | $ 1,483,982 | $ 1,451,136 | $ 1,494,670 | $ 1,732,732 | $ 2,008,712 |
| | | | | state avg | $ 5,439.00 | *per unit* | *$ 5,927* | *$ 6,105* | *$ 6,288* | *$ 6,149* | *$ 6,333* | *$ 7,342* | *$ 8,511* |
| | | | | *Operating Expenses as a percentage of Effective Gross Income* | | | *43.3%* | *43.7%* | *44.2%* | *42.3%* | *42.7%* | *44.9%* | *47.1%* |
| **NET OPERATING INCOME** | | | | | | | **$ 1,831,312** | **$ 1,853,950** | **$ 1,876,621** | **$ 1,976,679** | **$ 2,001,701** | **$ 2,127,544** | **$ 2,253,346** |

# Riverstation - Underwriting - Operating Proforma

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **NET OPERATING INCOME** | | | | | | **$ 1,831,312** | **$ 1,853,950** | **$ 1,876,621** | **$ 1,976,679** | **$ 2,001,701** | **$ 2,127,544** | **$ 2,253,346** |
| **PRIMARY DEBT SERVICE** | Principal | Rate | Amort | Term | | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Year 10** | **Year 15** |
| Regions - Fannie M-TEB | $ 27,390,000 | 4.09% | 35 | 15 | | $ 1,473,108 | $ 1,473,108 | $ 1,473,108 | $ 1,473,108 | $ 1,473,108 | $ 1,473,108 | $ 1,473,108 |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Total Primary Debt | $ 27,390,000 | | | | | $ 1,473,108 | $ 1,473,108 | $ 1,473,108 | $ 1,473,108 | $ 1,473,108 | $ 1,473,108 | $ 1,473,108 |
| TSAHC Issuer Fee | $ 27,390 | | | | | $ 27,390 | $ 27,390 | $ 27,390 | $ 27,390 | $ 27,390 | $ 27,390 | $ 27,390 |
| Net Cashflow After Primary Debt | | | | | | $ 330,813 | $ 353,452 | $ 376,123 | $ 476,181 | $ 501,203 | $ 627,046 | $ 752,847 |
| DSCR Primary Debt | | | | | | 1.22 | 1.24 | 1.25 | 1.32 | 1.33 | 1.42 | 1.50 |
| **SOFT SUBORDINATE DEBT & EQUITY** | | | | | | | | | | | | |
| HTC Equity | $ 18,329,346 | | | | | | | | | | | |
| Deferred Developer Fee | $ 2,555,277 | | | | | | | | | | | |
| Oncor HVAC Incentive Program | $ 320,280 | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Total Secondary Debt | $ 21,204,903 | | | | Net Cash Flow of Secondary Debts | $ 330,813 | $ 353,452 | $ 376,123 | $ 476,181 | $ 501,203 | $ 627,046 | $ 752,847 |

# Tab 5

Presentation, Discussion and Possible Approval of a motion to resubmit Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board for the Sandpiper Cove Apartments Project.

# Texas State Affordable Housing Corporation

Multifamily Private Activity Bond Project Summary

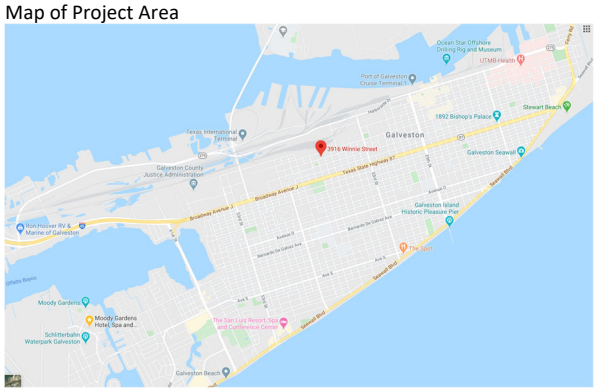
**Agenda:**

Presentation, Discussion and Possible Approval of a motion to resubmit Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board for the Sandpiper Cove Apartments Project.

**Summary:**

TSAHC received an application from ITEX Group and Jeshurun Development on May 8, 2020 proposing the acquisition and rehabilitation of an affordable housing community called Sandpiper Cove. The property, located in Galveston, has 192-units targeted to families.

Map of Project Area




**Public Benefit:**

Sandpiper Cove is an existing affordable apartment community serving low and very-low income families in Galveston. Built in 1969, the property consists of apartments from 1 to 5 bedrooms. The property qualifies under TSAHC's Targeted Housing Needs for At-Risk Preservation. The refinancing and rehabilitation will be coupled with an extended Section 8 Rental Assistance Contract, which means tenants pay 30% of their income towards rent and the owner receives a subsidy from the U. S. Department of Housing and Urban Development (HUD) that equals the difference between the tenant's payment (30% of their income) and a contract rent.

**Public Comment:**

Public comments have been submitted through written letters and during the public hearing process. Letters of support for the project were received from the Mayor of Galveston, City Manager of Galveston, Galveston ISD Board President, HUD, State Representative Mayes Middleton, U. S. Congressman Randy Weber and the Moody Methodist Church. Verbal public comments were provided during the TEFRA hearing process with 11 of 14 speakers opposed to the transaction. Nine of the eleven speakers opposed to the transaction identified themselves as tenants of the property. Two speakers who opposed the transaction are employees of the Texas Low Income Housing Information Service (TxLIHIS), a statewide advocacy group working with Sandpiper Cove tenants. Three speakers who were in favor of the transaction are employees or members of the ownership entity.

In July 2020, tenants of the property, with legal support provided by Lone Star Legal Aid filed a lawsuit in federal court asking HUD to enforce its own policies and claiming that "the federal investment in and subsidies for the owners of the apartment, the unit, project, site, and neighborhood conditions at Sandpiper Cove Apartments are dangerous and unfit for family life and the presence of children." Filings in support of the tenant's claims have been detailed in a letter provided to TSAHC by TxLIHIS and were presented to the board during our February meeting. Lone Star Legal Aid has also provided a letter detailing their arguments in the case and reasoning. A letter in support for the transaction was drafted by

tenant, John Mathews, requesting other tenants to sign on to the letter. Sixty persons signed on to the letter drafted by Mr. Mathews. The letter was forwarded by the Developer to TSAHC staff after the public hearing was held in December.

The property is also in-line to be nominated to the National Register of Historic Places. The Developer has already received initial approvals on their planned scope of work from the U.S. Department of the Interior, which oversees historic preservation of national register sites. TSAHC staff also confirmed with the Texas Historical Commission, which approves the historic register nomination process, that the property is scheduled for review in September of this year. If approved, the project may be eligible for an estimated $7.9 million in historic tax credits noted in the financial summary.

**Financial Summary:**

The proposed acquisition and rehabilitation of Sandpiper Cove has a total budget of approximately $43.8 million. The financing includes long-term tax-exempt bonds**,** 4% housing tax credits, and state historic tax credits. Roughly $16.3 million will be used for property acquisition costs, with a total rehabilitation of $12.7 million, or $67,000 per unit. Financing costs, soft costs, developer fees and reserves account for the remaining $12.24 million.

The maximum par amount of the bonds is anticipated to total $36.9 million. Long-term bond debt will total $22.5 million, with tax credit equity fee paying down a significant portion of the initial bond amount. Housing tax credits will total $11.9 million, with state and federal historic tax credits adding another $8.2 million. Deferred developer fees totaling $271,651 and income during operations of $845,000 will cover the remaining balance of permanent funding needs.

Feasibility of the project is made possible through the continuation of the project-based Section-8 contract. The lawsuit by tenants may bring this commitment into question, if HUD loses the suit and is required by the courts to convert the project-based subsidy into tenant-based vouchers, allowing tenants to move from the property and take rental subsidies with them. Staff has received a letter from Lone Star Legal Aid detailing the lawsuits claims supporting its validity. We have also received letters from HUD and the Developer's legal team claiming the lawsuit does not pose a risk to the project-based rental contract. TSAHC staff is not able to determine that actual level of risk, but has determined that if tenants win the suit, the loss of just 9% of voucher supported units would cause the project to fail TSAHC's feasibility requirements of a minimum debt coverage ratio of 1.15%.

Staff received updated underwriting numbers from the Developer on July 12, 2021 and is providing an update in this paragraph but did not change the figures above. The figures provided did not include new term sheets from equity or debt providers, so were not verified at the time this write-up was published. The proposed figures increase the total cost of the project from $43.8 million to $49.3 million. Building costs and contingencies increased from $12.8 million to $16.7 million, the largest increase from previous figures. This change also pushed up the rehab per unit figure from $67,000 to $86,900 per unit. To cover the additional costs for construction the Developer increased anticipated equity contributions from housing tax credits from $11.9 million to $14.6 million. Anticipated historic tax credit equity was lower

than previously estimated, but an increase in deferred developer fees from $271,651 to $2.3 million off set the anticipated changes. The new underwriting figures are included immediately after this write-up.

**Market Conditions:**

Sandpiper Cove is three blocks north of State Highway 87 in a predominantly residential neighborhood in Galveston. The neighborhood is bound by railyard and shipping docks on the northside of the island, with adequate green space buffering noise and contact to heavier industrial areas. The neighborhood includes several low-income housing developments and is located only 8 blocks from the City's Housing Authority headquarters.

The City of Galveston has struggled to rebuild local housing stock and neighborhoods since Hurricane Ike made landfall in 2008. With additional damage caused by Hurricane Harvey in 2017, the island was dealt another blow to its planned revitalization efforts. One primary indicator of this struggle is the City's median household incomes of $44,902 compared to the state's median household income of $59,570. With a local economy heavily dependent upon service industry jobs related to tourism and conventions this income disparity is understandable. The impacts of COVID-19 over the past year have added additional pressures to the City's economy, however figures from the Bureau of Labor Statistics for March 2021 showed the City's unemployment rate of 8.2% was only slightly behind the statewide unemployment rate of 7.2%.

Letters of opposition to the project from TxLIHIS included information about undesirable site characteristics, as defined by the Texas Department of Housing and Community Affairs Qualified Allocation Plan, the document that guides the issuance of housing tax credits. The letter pointed out concerns about high poverty rates within the census tract that the property is located, the existence of abandoned and vacant structures within 1,000 feet of the property, high voltage transmission lines within 100 feet of the property line and potential environmental hazards within 2-miles of the property site.

The Developer has responded to several issues related to environmental hazards and provided TSAHC with both the Phase I and Phase II environmental site assessments. Clean up of contaminated soils, identified in the Phase II assessment, is planned as part of the construction and environmental remediation process. Staff has reviewed additional reports and updates provided by the Developer since the March board meeting. The area effected by contaminated soils is relatively small (approximately 1,000 square feet) but will require long-term monitoring wells and possibly future remediation steps. The Developer has provided an estimate for remediation services that ranges from $150,000 to $230,000, with a three-year timeline for completion of final clearance from the Texas Commission on Environmental Quality.

TSAHC staff visited the property in April at the request of the Developer. The tour involved a walk to observe the exterior of all buildings and parking lots, as well as interior views of recently "make-ready" units. We use the term "make-ready" to denote that a full renovation was not completed. The only work easily observed was painting of walls and ceilings through each of the three units observed. All three units showed clear signs of past water damage, uneven flooring, old cabinetry and in some cases mold. Staff was informed that these "make-ready" units would be fully renovated if the project financing is approved.

On May 26, staff joined a virtual tour of the property by tenants and community organizers from TxLIHIS. The tour consisted of interior viewings of three occupied units and exterior areas, along with comment provided by tenants. Common observations in each of the units included, visible mold or mildew in bedrooms, hallways, kitchens, and bathrooms. At least two units did not have functioning air conditioning units at the time of the tour, and at least two unit had rooms without functioning electrical outlet or lighting. During the exterior walk of the property several units were shown to have broken windows that had been boarded up for significant periods of time, and multiple stairwells were missing railing and failing treads.

In March of this year, 4% housing tax credits were awarded for the Oleander Homes apartment project, located approximately 1 mile from Sandpiper Cove. The project will provide 348 new affordable rental homes for families and is schedule to be complete in spring 2023. Of the 348 units, 174 are supported by project based rental assistance, and the remaining 174 units will be required to accept tenant-based vouchers, per LIHTC regulations. Staff notes this project since it is highly likely that some current tenants from Sandpiper Cove may choose to move to the new property, and a significant shift might impact the feasibility of the project.

**Relocation and Tenant Resources:**

The renovation of Sandpiper Cove will be significant. Interior renovations of the property will include removal of sheetrock and wall coverings in most ground floor units to treat for mold, prevent future moisture build up and reinsulate exterior walls. Interior work will also include the replacement of cabinets, flooring, countertops, tile, lighting fixtures, doors and hardware. Exterior renovations will include new roofing, pavement repairs and landscaping. The cost of renovations for the project average $67,000 per unit, much higher than the required minimum rehab spending requirement of $35,000 per unit for the housing tax credit program.

TSAHC staff believes that most current tenants will remain in the property during renovations through a process of cycling rehab through individual buildings and moving tenants into completed units before starting construction on other buildings. Though some tenants may be temporarily displaced, the Developer is required to assist with temporary moves and the cost of all relocation for tenants. All tenants, pursuant to federal and state law, will be protected from permanent relocation and the Developer's rehabilitation and relocation plan will be approved by the City of Galveston and TDHCA, prior to closing.

The City of Galveston also operates both Public Housing facilities and Tenant Based Housing Voucher programs through its Housing Authority. The Housing Authority replied to our inquiry that 849 families are on its waiting list for Section 8 units and vouchers. The current property owner confirmed that there are 34 families on the property's waiting list.

**Developer Summary:**

The development is being completed through a partnership between ITEX Group and Jeshurun Development LLC., an affiliated company of J. Allen Management (JAMC). In an August 2020 presentation to the Board staff explained that ITEX Group would have a reduced role in ownership and development of this project. The reason was due to compliance issues raised by the Texas Department of Housing and

Community Affairs (TDHCA) on three properties owned and operated by ITEX. In October 2020, ITEX agreed to take several steps to resolve its previous compliance issues with TDHCA and their application for 4% housing tax credits was allowed to move forward. ITEX has resumed a primary role in ownership and development of this project and received a conditional approval from TDHCA's Executive Award Review and Advisory Committee (EARAC) with the approval of the 4% tax credits on March 15, 2021. A copy of the EARAC approval letter is attached to this agenda item.

The ITEX Group, LLC (ITEX) is a Texas-based for-profit limited liability company with headquarters in Port Arthur and executive offices in Houston. ITEX and its affiliates employ more than 250 people throughout the United States. ITEX's primary business is in developing, constructing and managing multifamily housing. ITEX currently has a portfolio of 53 properties in Texas, Louisiana and Colorado that includes more than 6,900 units.

Formed in 1981, JAMC has grown into a multifaceted affordable housing provider and property manager. Based in Beaumont, JAMC has owned and operated more than 1,200 units of housing throughout South East Texas, primarily in the Houston and Beaumont metro areas. JAMC's property management company, J. Allen Management, reaches well beyond the region and currently operates more than 5,000 units of HUD and tax credit financed properties across the states of Texas, Louisiana and New Mexico.

In April 2020, JAMC took over property management duties at Sandpiper Cove. The change in management companies was done by the current owner, Compass Point Apartments, LLC, at the request of HUD. HUD has issued several default notices due to multiple violations at the property over a several year period. Knowing that JAMC and ITEX Group were proposing an acquisition of the property, HUD approved the replacement of management companies prior to the closing of the sale.

**Recommendation:**

Staff recommends that the Board motion to terminate the Sandpiper Cove application and vote to support Staff's recommendation. Our recommendation is based on the following concerns regarding the project's feasibility and potential impacts to tenant safety and choice.

1. The lawsuit filed by current tenants poses a real risk to the project's feasibility. If the suit is successful and tenants are granted tenant based rental vouchers, the loss of only 9% of tenants holding those vouchers would lower the debt coverage ratio of the project below TSAHC's minimum requirements. Staff has reviewed comments and letters from HUD, attorneys for the Developer and attorneys for tenants. HUD staff have also noted to us on several occasions that the poor living conditions and defaults by the current owner have been occurring over the past several years.
2. Recent records show that Sandpiper Cove and its buildings experience frequent flooding and water damage during heavy rain and hurricanes. This comes from staff's review of news reports, federal funding records and other sources. While the proposed addition of a flood wall and water pumps on-site may mitigate some flooding, there is no guarantee that tenants will be safe and have access to emergency services when the flood wall is locked down. The additional cost of the

flood wall will also reduce the quality of rehabilitation, diverting funding from other high need repairs.

3. The awarding of 4% housing tax credits to Oleander Homes in March of this year will have an impact on the marketability of Sandpiper Cove. This new property will be built above the flood plain, will offer modern amenities and will accept tenants qualified for both project-based and tenant based rental assistance. Staff anticipates that several of Sandpiper Cove's tenants will relocate to Oleander if they have that choice. The loss of tenants to another property would have negative impacts on the ability of the property to lease up sufficiently and impact its feasibility.
4. While the above three reasons form the foundation for our recommendation to terminate the application, staff also believes that the greater question at hand may be one of choice. Preserving affordable housing is a focus of TSAHC's private activity bond program, but we also want to ensure that the housing preserved is both safe and decent. The long-term neglect by current and previous owners and property managers of Sandpiper Cove has created poor living conditions for the tenants. Staff has seen horrific conditions in recent months, both firsthand and through live streamed tours. Broken windows, visible mold in bedrooms, rusted and unsafe stoves, leaking faucets, inoperable HVAC systems and failing stair rails were all visible during both in person and virtual tours. These conditions lead us to ask what other choices can be given to the tenants.

If the tenants are successful in their lawsuit, or if HUD determines that the property will not be rehabilitated, then the process of issuing tenant choice vouchers will be the next logical step. As pointed out during last month's board meeting, this process typically takes between 12 to 18 months. While this is a long time for tenants to remain living in current conditions, staff has weighed this with estimates from the Developer that rehabilitation will take between 18 to 24 months to complete.

More importantly, the granting of housing choice vouchers will permit tenants to choose where they want to live and able to move to any apartment unit accepting tenant vouchers within the United States. Those wishing to stay on Galveston Island will have ample choice of current housing tax credit units and the new Oleander Homes development. Those wishing to move away will have even greater choice among the thousands of available housing tax credit assisted units in Texas and beyond.

Staff has grappled with this recommendation to the board and believes there are no Win-Win scenarios for the tenants of Sandpiper Cove, where both choice, safety and the preservation of the project can happen under the current proposal. If the board moves to accept staff's recommendation to terminate the application the project will be removed from our pipeline of projects and TSAHC will utilize remaining volume cap for other projects.

If the board elects to grant a new reservation of private activity volume cap to the project, staff will move forward as quickly as possible to finalize bond documents and return to the board with a final bond resolution in order to begin rehabilitation of the project as soon as possible.

# Project Summary

Applicant ITEX Group and Jeshurun Development
Project Name Sandpiper Cove

## Location

Address 3916 Winnie Street City Galveston
County: Galveston State Texas 77550
Census Tract: 48167724600

## Bonds

Max. Par Amount: $ 37,500,000 Bond Type: PAB
Term of Bonds: 3 yrs Allocation Year: 2020

## Perm Funding Souces

| | Amount | % of Total |
|---|---|---|
| Citi - Perm Loan Tranche A | $ 22,500,000 | 45.56% |
| | $ - | 0.00% |
| RBC - Housing Tax Credit Equity | $ 14,617,516 | 29.60% |
| RBC - Federal Historic Credits | $ 3,951,228 | 8.00% |
| Foss - State Historic Credits | $ 5,983,381 | 12.11% |
| Income During Construction | $ - | 0.00% |
| Deferred Dev Fee | $ 2,338,021 | 4.73% |
| **Totals** | **$ 49,390,146** | **100%** |

* not included in total

## Market Summary

| | City | County | State | Census Tract |
|---|---|---|---|---|
| Population: | 50,039 | 327,089 | 27,885,195 | 1,791 |
| Median Age: | 39 | 38 | 34 | 33 |
| Diversity Index: | - | 59 | - | 57 |
| % Hispanic: | 30% | 24% | 39% | 25% |
| % Persons with Disability: | 18% | 14% | 12% | 25% |
| % Households that Rent: | 56% | 34% | 38% | 76% |
| Median Rents: | 803 | 844 | 863 | 325 |
| % Renters Who are Cost Burdened: | 47% | 45% | 44% | 53% |
| Median Home Price: | $ 122,900 | $ 97,750 | $ 161,700 | NA |
| Median Household Income: | $ 44,902 | $ 69,369 | $ 59,570 | $ 15,625 |
| Unemployment: | 0.00% | 4.00% | 3.50% | 0.00% |
| Persons w/o Insurance: | 20% | 14% | 17% | 21% |
| Medically Underserved Area: | Yes | - | - | - |
| % Attending Public Schools: | 91% | 92% | 93% | 93% |
| Graduation Rate (Galveston ISD) | 65% | | | |

CRA Eligible Census Tract: Yes - LI
# of LI Projects and Units: 16 749

## Summary of Sources and Uses

**Applicant** ITEX Group and Jeshurun Development

**Project Name** Sandpiper Cove

**Number of Units** 192

| **Sources** | Amount | Amount Per Unit | Percentage of Total |
|---|---|---|---|
| Citi - Perm Loan Tranche A | $ 22,500,000 | $ 117,188 | 46% |
| | $ - | $ - | 0% |
| RBC - Housing Tax Credit Equity | $ 14,617,516 | $ 76,133 | 30% |
| RBC - Federal Historic Credits | $ 3,951,228 | $ 20,579 | 8% |
| Foss - State Historic Credits | $ 5,983,381 | $ 31,163 | 12% |
| Income During Construction | $ - | $ - | 0% |
| Deferred Dev Fee | $ 2,338,021 | $ 12,177 | 5% |
| | | | |
| **Total Sources** | $ 49,390,146 | $ 257,240.34 | 100% |

**Uses**

| | | | |
|---|---|---|---|
| Acquisition | $ 16,134,985 | $ 84,036.38 | 33% |
| Off-Site Construction | $ 10,000 | $ 52.08 | 0% |
| On-Site Work | $ 3,171,895 | $ 16,520.29 | 6% |
| Site Amenities | $ 539,825 | $ 2,811.59 | 1% |
| Building Costs | $ 12,549,805 | $ 65,363.57 | 25% |
| Other Const/Contingency | $ 4,132,966 | $ 21,525.86 | 8% |
| Soft Costs | $ 2,449,990 | $ 12,760.36 | 5% |
| Financing Costs | $ 3,649,532 | $ 19,007.98 | 7% |
| Developer Fees | $ 5,267,148 | $ 27,433.06 | 11% |
| Reserve Accounts | $ 1,484,000 | $ 7,729.17 | 3% |
| | | | |
| Total Uses | $ 49,390,146 | $ 257,240.34 | 100% |

| | |
|---|---|
| (Gap) / Reserve | $ - |
| Percent of Developer Fee Deferred | 44.39% |

Note: This budget does not include the cost of a proposed $1.3 million flood wall to be constructed around the perimeter of the property. Staff has not received an updated budget, but does believe the additional cost can be offset by additional deferred developer fees and tax credit equity.

# Sandpiper Cove - Underwriting JUly - Operating Proforma

## Operating Proforma

Applicant ITEX Group and Jeshurun Development

Project Name Sandpiper Cove

| | | | | | |
|---|---|---|---|---|---|
| Number of Units | 192 | Affordable Units | 192 | Min. Set Aside | 77 |
| Min. Set-Aside Requirement | 77 | Affordable % | 100% | Accessible Unit Min. | 10 |

**Residential Income**

| Unit Type | Unit Sq. Ft. | Net Sq. Ft. | # units | Rent | Mo. Income | Inflator | Rent Limiter | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1/1 | 573 | 5,730 | 10 | $ 915 | $ 9,150 | 1.02 | 60% AMI | $ 109,800 | $ 111,996 | $ 114,236 | $ 116,521 | $ 118,851 | $ 131,221 | $ 144,879 |
| 2/1 | 684 | 62,928 | 92 | $ 1,120 | $ 103,040 | 1.02 | 60% AMI | $ 1,236,480 | $ 1,261,210 | $ 1,286,434 | $ 1,312,162 | $ 1,338,406 | $ 1,477,708 | $ 1,631,509 |
| 3/1 | 858 | 54,912 | 64 | $ 1,390 | $ 88,960 | 1.02 | 60% AMI | $ 1,067,520 | $ 1,088,870 | $ 1,110,648 | $ 1,132,861 | $ 1,155,518 | $ 1,275,785 | $ 1,408,570 |
| 4/2 | 999 | 23,976 | 24 | $ 1,575 | $ 37,800 | 1.02 | 60% AMI | $ 453,600 | $ 462,672 | $ 471,925 | $ 481,364 | $ 490,991 | $ 542,094 | $ 598,516 |
| 5/2 | 1084 | 2,168 | 2 | $ 1,700 | $ 3,400 | 1.02 | 60% AMI | $ 40,800 | $ 41,616 | $ 42,448 | $ 43,297 | $ 44,163 | $ 48,760 | $ 53,835 |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Subtotals: | | 149,714 | 192 | | $ 242,350 | | | | | | | | | |
| Other income: | | | | $ 20.00 | $ 3,840 | 1.02 | | $ 46,080.00 | $ 47,002 | $ 47,942 | $ 48,900 | $ 49,878 | $ 55,070 | $ 60,802 |
| Potential gross income | | | | | | | | $ 2,954,280 | $ 3,013,366 | $ 3,073,633 | $ 3,135,106 | $ 3,197,808 | $ 3,530,638 | $ 3,898,110 |
| Residential vacancy loss | | | | | | 7.50% | | $ (221,571) | $ (226,002) | $ (230,522) | $ (235,133) | $ (239,836) | $ (264,798) | $ (292,358) |
| **Effective Gross Residential Income** | | | | | | | | $ 2,732,709 | $ 2,787,363 | $ 2,843,110 | $ 2,899,973 | $ 2,957,972 | $ 3,265,840 | $ 3,605,751 |

| **Operating Expenses** | | TSAHC est. | Borrower Yr 1 | % EGI | Variance | Per Unit | Inflator | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | $ 87,936 | $ 63,429 | 2.32 | -28% | $ 330 | 1.03 | $ 63,429 | $ 65,332 | $ 67,292 | $ 69,311 | $ 71,390 | $ 82,760 | $ 95,942 |
| Management Fee | | $ 101,376 | $ 136,635 | 5.00 | 35% | $ 712 | 1.03 | $ 136,635 | $ 140,734 | $ 144,956 | $ 149,305 | $ 153,784 | $ 178,278 | $ 206,673 |
| Payroll and Related | | $ 250,560 | $ 208,940 | 7.65 | -17% | $ 1,088 | 1.03 | $ 208,940 | $ 215,208 | $ 221,664 | $ 228,314 | $ 235,164 | $ 272,619 | $ 316,040 |
| Maintenance & Repair | | $ 144,576 | $ 140,061 | 5.13 | -3% | $ 729 | 1.03 | $ 140,061 | $ 144,263 | $ 148,591 | $ 153,048 | $ 157,640 | $ 182,748 | $ 211,855 |
| Utilities | | $ 160,704 | $ 240,111 | 8.79 | 49% | $ 1,251 | 1.03 | $ 240,111 | $ 247,314 | $ 254,734 | $ 262,376 | $ 270,247 | $ 313,290 | $ 363,189 |
| Insurance | | $ 76,416 | $ 191,094 | 6.99 | 150% | $ 995 | 1.03 | $ 191,094 | $ 196,827 | $ 202,732 | $ 208,814 | $ 215,078 | $ 249,334 | $ 289,047 |
| Taxes | | $ 99,648 | $ 215,514 | 7.89 | 116% | $ 1,122 | 1.03 | $ 215,514 | $ 221,979 | $ 228,639 | $ 235,498 | $ 242,563 | $ 281,197 | $ 325,984 |
| Operating Debt Service Reserves | | | | 0.00 | #DIV/0! | $ - | 1.03 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Replacement reserves | | $ 57,408 | $ 57,600 | 2.11 | 0% | $ 300 | 1.03 | $ 57,600 | $ 59,328 | $ 61,108 | | $ - | $ - | $ - |
| HTC/HOME Compliance Fees | | $ 7,680 | $ 7,680 | 0.28 | n/a | $ 40 | 1.03 | $ 7,680 | $ 7,910 | $ 8,148 | $ 8,392 | $ 8,644 | $ 10,021 | $ 11,617 |
| Bond Compliance Fees | | $ 8,640 | $ 8,640 | 0.32 | 0% | $ 45 | 1.03 | $ 8,640 | $ 8,899 | $ 9,166 | $ 9,441 | $ 9,724 | $ 11,273 | $ 13,069 |
| Other (specify): | SupServ/Secuirty | $ 71,911 | $ 71,911 | 2.63 | 0 | $ 375 | 1.03 | $ 71,911 | $ 74,068 | $ 76,290 | $ 78,579 | $ 80,936 | $ 93,828 | $ 108,772 |
| **Total Operating Expenses** | | $ 1,066,855 | $ 1,341,615 | | 26% | $ 6,987.58 | | $ 1,341,615 | $ 1,381,863 | $ 1,423,319 | $ 1,403,078 | $ 1,445,170 | $ 1,675,348 | $ 1,942,188 |
| | | | | | state avg | $ 5,251.00 | *per unit* | *$ 6,988* | *$ 7,197* | *$ 7,413* | *$ 7,308* | *$ 7,527* | *$ 8,726* | *$ 10,116* |
| | | | | | *Operating Expenses as a percentage of Effective Gross Income* | | | *49.1%* | *49.6%* | *50.1%* | *48.4%* | *48.9%* | *51.3%* | *53.9%* |
| **NET OPERATING INCOME** | | | | | | | | **$ 1,391,094** | **$ 1,405,500** | **$ 1,419,791** | **$ 1,496,895** | **$ 1,512,802** | **$ 1,590,492** | **$ 1,663,564** |

# Sandpiper Cove - Underwriting JUly - Operating Proforma

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **NET OPERATING INCOME** | | | | | | **$ 1,391,094** | **$ 1,405,500** | **$ 1,419,791** | **$ 1,496,895** | **$ 1,512,802** | **$ 1,590,492** | **$ 1,663,564** |
| **PRIMARY DEBT SERVICE** | Principal | Rate | Amort | Term | | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Year 10** | **Year 15** |
| Citi - Perm Loan Tranche A | $ 22,500,000 | 4.00% | 35 | 18 | | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Total Primary Debt | $ 22,500,000 | | | | | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 |
| TSAHC Issuer Fee | $ 22,500 | | | | | $ 22,500 | $ 22,500 | $ 22,500 | $ 22,500 | $ 22,500 | $ 22,500 | $ 22,500 |
| Net Cashflow After Primary Debt | | | | | | $ 173,102 | $ 187,508 | $ 201,799 | $ 278,903 | $ 294,810 | $ 372,500 | $ 445,572 |
| DSCR Primary Debt | | | | | | 1.14 | 1.15 | 1.17 | 1.23 | 1.24 | 1.31 | 1.37 |
| **SOFT SUBORDINATE DEBT & EQUITY** | | | | | | | | | | | | |
| RBC - Housing Tax Credit Equity | $ 14,617,516 | | | | | | | | | | | |
| RBC - Federal Historic Credits | $ 3,951,228 | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Foss - State Historic Credits | $ 5,983,381 | | | | | | | | | | | |
| Income During Construction | $ - | | | | | | | | | | | |
| Deferred Dev Fee | $ 2,338,021 | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Total Secondary Debt | $ 26,890,146 | | | | Net Cash Flow of Secondary Debts | $ 173,102 | $ 187,508 | $ 201,799 | $ 278,903 | $ 294,810 | $ 372,500 | $ 445,572 |

## Sandpiper Cove – Board Packet Addendum

Tab I. Related to Public Comment

- a. TEFRA Transcript
- b. Tenant Council Letter to ITEX 6.19.20
- c. TxLIHIS Site Standards Analysis Letter

Tab II. Letter from Developer on 7.12.21

Tab III. Related to Tenant Lawsuit

- a. Lawsuit filing in U.S. District Court
- b. Letter from Nixon Peabody 3.2.21
- c. Letter from HUD 3.8.21
- d. Letter from Lone Star Legal Aid 3.19.21
- e. Letter from HUD 5.21.21

Tab IV. Related to Flood Wall Construction

- a. Flood Wall Scope of Work and Pricing
- b. Flood Wall Design

Tab V. TDHCA email regarding EARC approval with conditions 3.1.21

Tab VI. Related to TSAHC Underwriting

- a. TSAHC March Underwriting Report
- b. TDHCA underwriting report 3.4.21
- c. TSAHC updated underwriting based on ITEX July numbers

Tab I. Related to Public Comment

a. TEFRA Transcript

b. Tenant Council Letter to ITEX 6.19.20

c. TxLIHIS Site Standards Analysis Letter

TEXAS STATE AFFORDABLE HOUSING CORPORATION

PUBLIC HEARING

REGARDING THE ISSUANCE OF BONDS
FOR
SANDPIPER COVE APARTMENTS

via RingCentral

Tuesday,
December 1, 2020
11:30 a.m.

BEFORE:

DAVID DANENFELZER, Hearing Officer

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P R O C E E D I N G S

MR. DANENFELZER: Good day. My name is David Danenfelzer, and I am a Hearing Officer for the Texas State Affordable Housing Corporation.

I am here to conduct the public hearing on behalf of the Corporation with respect to an issuance of tax-exempt private activity bonds relating to the Sandpiper Cove Apartments transaction.

Let the record show that it is now 11:37 a.m. on December 1, 2020, and we are holding this public hearing in accordance with Revenue Procedure 2020-21, issued by the Internal Revenue Service, specifically in light of the coronavirus disease 2019 pandemic. This hearing is in regards to the issuance of bonds for the Sandpiper Cove Apartments.

This hearing is being held to collect public comment on the proposed transaction to fulfill the public hearing requirements of Internal Revenue Code. A transcript, or summary of this hearing, will be made available to the Corporation's board of directors and to the Texas Attorney General. This hearing does not constitute a Board meeting of the Corporation, and no decisions regarding the proposed financings will be made at this hearing.

Also, please be advised that this is not a

question and answer hearing. The Corporation expects to issue tax-exempt private activity bonds to Galveston 3916 Winnie Street, LP, a Texas Limited Partnership. The bonds will be issued in one or more series to provide financing for the acquisition, and construction of a multifamily rental property.

The maximum aggregate face amount of the Bonds to be issued with respect to the Projects is $37,500,000. The Bonds shall not constitute or create an indebtedness, general or specific, or a liability of the State of Texas, or any political subdivision thereof. The Bonds shall never constitute or create a charge against the credit or taxing power of the State of Texas, or any political subdivision thereof.

Neither the State of Texas, nor any political subdivision thereof, shall in any manner be liable for the payment of the principal or interest of the Bonds, or for the performance of any agreement or pledges of any kind which may be undertaken by the Issuer. And no breach by the Issuer of any agreements will create an obligation upon the State of Texas, or any political subdivision thereof.

Only individuals who have -- choose to speak today will be allowed to provide public comment, or asked to provide public comment. I will now open the hearing up

for public comment.

I will call speakers based on the order that I have previously mentioned, or as they request through the chat function. I will also go through the order in which they appear in the presentation screen by number, or telephone number.

When you begin your testimony, please state for the record your name and address, along with your intent to testify in favor or opposition of the transaction. Each person's testimony will be limited to approximately three minutes. I will attempt to provide each speaker with a notice 30 seconds prior to the end of their three-minute period.

The first witness to provide public comment will be Elizabeth Roehm. Elizabeth, I am going to unmute you now.

And please state your name, your home address, and intent to testify in favor or opposition of the transaction. You don't have to have a specific address. You just have to say the city and state in which you live in.

MS. ROEHM: Okay. Thank you. My name is Elizabeth Roehm. R-O-E-H-M. I'm a staff attorney at Texas Housers. My home and work addresses are in Austin, Texas. So, I work with Texas Housers, a non-profit group,

working with tenants.

Today, we have a few comments about this application for bonds. Sandpiper Cove Apartments on Winnie Street in Galveston has many problems that a superficial rehab will not address.

And a rehab would have to include significant elevation and rehabs down to the studs to reach some of these issues. And other problems with the location cannot be addressed by rehab of the building.

So first, regarding the proposed rehab, in an industrial area, in a flood plain, where buildings should be elevated eleven feet, this is not a place to invest and compel tenants to live. Anything not sufficiently elevated is going to flood in the coming years, reintroducing mold, and harming residents.

Major systems of the building may need an overhaul that is not addressed by the proposed rehab. Tenants have experienced sewage backups, multi-day power outages, and persistent mold. Walls would need to be gutted to solve mold, and the foundation may need to be dug up to resolve sewer backups.

This is not a simple rehab, and application for bonds and tax credits do not address all these issues. Regarding the current management, J. Allen Management shared leadership staff with the new buyer developers that

are planning for bonds for the rehab. J. Allen Management took over on this site from the previous managers in April 2020, and they appear to be the intended ongoing management company after purchase and rehab. Tenants report a general lack of respect from management, and this has been from previous managers through now, including the time in which J. Allen Management Company has been in charge.

We would also like to point out that an environment of possible retaliation from management and owners. Tenants may not want to speak out -- I'm sorry -- they may want to speak out, but not feel safe doing so.

Regarding the location of Sandpiper Cove on Winnie Street, there is no rehab that can address the problem with the current -- the problems with the current Sandpiper site itself. A high voltage line runs along the border of the property. Proximity to high voltage lines have been shown to have severe negative health effects, including female infertility, and elevated risk of leukemia among children. The site is far from grocery stores, and in a very high poverty area.

Sandpiper Cove is currently located on the edge of a large industrial area that include the Port and is zoned for heavy industry. This is not a healthy area for people to live, with air pollutants, and other hazards so

close by.

We draw your attention to these issues, and hope that the Board will seek out and hear the concerns of tenants, both in today's TEFRA hearing and via future outreach. Thank you so much for your time.

MR. DANENFELZER: Elizabeth, thank you. I am going to go -- I know there was a request to have Erika go next. I don't see her having joined.

Do you happen to have at least the last four digits of her phone number? All right.

MS. ROEHM: At the end, it is the one ending in 7044.

MR. DANENFELZER: 7044. Okay.

MS. ROEHM: Thank you.

MR. DANENFELZER: Okay. I will go ahead and unmute her now. Thank you.

Ericka, can you hear me?

MS. BOWMAN: Hi. My name is Ericka Bowman. I am a -- I want to say, I want to say community navigator. But I am a navigator -- a community navigator for Texas Housers. I reside in Houston, Texas.

I am here to speak on not only -- I don't want to repeat everything that Elizabeth has just said, which is absolutely true for Sandpiper Cove. But I wanted to give a quick comment on what I have also experienced by

visiting Sandpiper Cove and working with the tenants for over a year now.

These conditions and speaking -- I know that there is some tenants here that's going to be speaking today and giving you more detail on the issues that they have to face on a daily basis. But I also wanted to speak on behalf of the tenants that aren't able to be on this call today.

Throughout the process of working over at Sandpiper Cove, the majority of the doors are the homes that I have walked inside --

OPERATOR: This meeting is now being recorded.

MS. BOWMAN: -- have all been in very bad living, very bad living standards. There is extreme mold. There are holes in the walls. The stair casing and stairwells are falling apart.

People are complaining of being sick, constantly. There is lots of retaliation that takes place on property when tenants decide to speak up against the living conditions they are being forced to live in. There are sewage issues that children are forced to walk and play in, on the premises.

No one, no human being should have to be forced to live in these conditions. And a lot of these tenants have been here for five, ten, 20, 30 years, and have seen

no repairs, no remodeling, nothing done. But the housing continuously falling apart and falling in on them as they reside at Sandpiper Cove.

I wish, I wish I could paint a picture of the conditions that these tenants are having to live in. But I can only say that it's unsafe. It is hazardous, and something needs to be done.

And the tenants have lost faith in HUD. They have lost faith in any -- give me one second, please. They have lost faith in anyone coming and helping them in this, in the conditions that they are faced to live in right now. So, I am not going to be long.

But I still just want to make a comment on what I witnessed, and what I have seen. And I know that these tenants are hoping and praying for an outcome that will allow them to live in a home that is safe for them and their families.

MR. DANENFELZER: Thank you. Thank you for that testimony.

I am going to go ahead and go through the telephone numbers now, one by one. I am going to first unmute area code (409)457-****. You are now live. And if you would, please, state -- first, would you like to provide public comment on the record?

MS. HARRIS: Yes.

MR. DANENFELZER: Okay. Then, would you please state your name, the city and state where you live, and your intent to testify in favor or opposition of the transaction.

MS. HARRIS: My name is Tina Harris. I live in Galveston. I live in Sandpiper Cove.

(Pause.)

MR. DANENFELZER: And what else would you like to provide for the public record?

MS. HARRIS: Oh, the comments about it -- well, I am the one that my daughter has tested mold in her system. My home has tested positive for mold inside my home.

They came here about a month ago, and tried to fix my porch, because my porch is literally falling. They came up and put asphalt on my railing and said that was all they could do with it.

MR. DANENFELZER: Okay.

MS. HARRIS: And my daughter is sick.

MR. DANENFELZER: Okay. Is there anything else you would like to add to the record?

MS. HARRIS: Just that we need out of here. I mean, that is our biggest concern. You know, I am trying on my own, if that is what I have to do.

There is no way that I can do it. But to have

my daughter healthy again would be my option --

MR. DANENFELZER: Right. All right.

MS. HARRIS: -- because my daughter has been in the ICU four times.

MR. DANENFELZER: Okay. Well. All right. Thank you very much, Tina, and I appreciate your public comment. I am going to go ahead and mute you. And I am going to move to the next caller on the --

MS. HARRIS: Okay. No, I have --

MR. DANENFELZER: I'm sorry. Hold on one moment.

MS. HARRIS: I had to call --

MR. DANENFELZER: Was there something else that you wanted to add?

MR. BROOKS: Yes. My name is Larry Brooks. I am also on this line, because I don’t have a phone.

MR. DANENFELZER: Okay. And Larry, would you state for the record your full name, and the city and state where you live?

MR. BROOKS: Okay. My name is Larry Bernard Brooks, Sr. My address is 3916 Winnie Street, Apartment 57, Galveston, Texas, 77550.

MR. DANENFELZER: Great. All right, and would you like to testify in favor or opposition of the transaction, Larry?

MR. BROOKS: Yes. I would.

MR. DANENFELZER: I need you to state whether you are in favor or opposition. I'm sorry that wasn't clear.

MR. BROOKS: So in favor of the opposition, yes, I am. You said --

MR. DANENFELZER: Okay.

MR. BROOKS: Let me get it right. Okay. What is going on. He was right here. Yes. Okay.

MR. DANENFELZER: Okay. Is there anything else you would like to add, Larry, to the record?

MR. BROOKS: Yeah, I would like to add, you know, we put work orders in here for them to fix things and they never come through. They tell them they have got a long list.

And I mean, I have been on a work order for a lot of things. My closet, I had too many clothes hung on it, and it just caved in. And they haven't fixed that yet.

And I am just waiting to see what they are going to do. Then, they claim they are going to remodel. And I don't believe they are going to do that, neither.

MR. DANENFELZER: Okay. All right. If that is all, Larry, I am going to go ahead and put you on mute.

MR. BROOKS: Okay. That is fine.

MR. DANENFELZER: Thank you for your comments today. I am going to move to the next dialer that I have on my list, which is area code (409)502-****. You are unmuted. Would you please state for the record your name, the city and state where you live, and your intent to testify in favor or in opposition of the transaction.

MS. JOHNSON: Hi, there. My name is Carlika Johnson. I live in Sandpiper Cove. And I testify in favor of the opposition.

MR. DANENFELZER: Okay. So, you do oppose the transaction? Is that correct?

MS. JOHNSON: Yes.

MR. DANENFELZER: All right. Thank you. Is there anything else you would like to add for the record?

MS. JOHNSON: I'm sorry?

MR. DANENFELZER: Is there anything else you would like to say on the record?

MS. JOHNSON: Well, yes. The living conditions out here are getting worse and worse every day. And some people are still forced to pay rent, even though they are living in the conditions that they are living in with mildew, mold, leakage in their apartments, holes in their apartment. Unsafe, unstable environments around here, sir.

VOICE: [indiscernible].

MS. JOHNSON: I know, Mom. I am just also speaking for everybody else, as well as myself.

MR. DANENFELZER: All right. Well, Carli --

MS. JOHNSON: Yes.

MR. DANENFELZER: Is there anything else you would like to add at this time?

MS. JOHNSON: No. Not at this time. I just hope that we can get out of here.

MR. DANENFELZER: Okay.

MS. JOHNSON: And I hope that this can go through.

MR. DANENFELZER: Right. Well, thank you for your public comment. I am going to mute you, and I am going to move to the next number I have on the list.

The next number I have is area code (409)599-****. I have unmuted you. Would you like to provide public comment?

MS. LITTLEJOHN: Yes, I would.

MR. DANENFELZER: And would you please state for the record your name, the city and state where you live, and your intent to testify either in favor or in opposition of the transaction.

MS. LITTLEJOHN: I am in favor of opposition to the transaction. Adrienne Littlejohn. I stay at

Sandpiper Cove now --

MR. DANENFELZER: Okay. And is there anything else you would like to add for the record?

MS. LITTLEJOHN: Yes, I would. I would like to state that I am speaking for the people here, let alone, my family and myself.

I would like to state that the conditions at Sandpiper Cove are horrible. I believe people deserve better, and no human should be treated like this. There is mold. There is -- this place is falling apart.

There is no respect from the management. There is no respect for the people. I, myself, have tried to go to several different organizations and people trying to fight for people's rights here at Sandpiper Cove.

Against that, I have been made a target. I have also been put upon by intimidation, defamation of character. I have been given the runaround.

Like other people have said, there is mold. This place is caving in. It is not good for anyone here. I believe that a better situation should be provided for kids to have a healthy environment to grow up in, let alone their parents and anybody else behind them.

I have been met by, like I said, intimidation, defamation of character, sexual harassment upon everything else. Along to go with everything, this has affected me

and my family by me having to move my kids out of my home. It is just horrible. It is really horrible here.

If I do not -- if I believe that people are not able to receive a voucher or a different solution to get out of here, it wouldn't be good for mental health, for health alone. It is very toxic here, and I don't think people deserve any of this, especially having to go to the higher ups and asking for help and being sent back to the people who are terrorizing them.

And just, we are trying to make a better situation for everybody here.

MR. DANENFELZER: Okay. Thank you. Is there -- your time is about to expire. Is there anything else you would like to state for the record?

MS. LITTLEJOHN: No. That'll be all for my part.

MR. DANENFELZER: All right. Thank you very much.

The next caller I am going to unmute is (409)692-****. You are unmuted. Would you like to speak on the record?

MS. MENDEZ: Yes.

MR. DANENFELZER: And would you please state your name, the city and state where you live, and your intent to testify in favor or opposition of the

transaction?

MS. MENDEZ: My name is Cynthia Mendez. I stay at Sandpiper Cove, Apartment 59, in Galveston, Texas.

MR. DANENFELZER: All right. And do you have other comments you would like to provide on the record?

MS. MENDEZ: Yes. I have a disabled husband that stays with me. Mold's bad. Management -- the manager and the assistant manager talk to you, nice and crazy.

You know, I mean, it is just terrible. And we don't have no rights to nothing. And it is really bad. My light can fall, but these -- it is hard to talk to the manager. If you talk to the manager, they will call the police like we are harassing them. Like they are the victim, and that ain't right.

We need better assistance out here. It is really bad. The mold is really bad.

MR. DANENFELZER: All right. Is there anything else you would like to add for the record?

MS. MENDEZ: We deserve better than this. No, that is it. I know it is bad out here.

MR. DANENFELZER: Okay.

MS. MENDEZ: People are sick. They don't get no help from them, or nothing. It is really bad. No voucher. We just need a voucher to leave. People can't

afford to get out on their own. It is really bad out here.

MR. DANENFELZER: Cynthia, I really appreciate your comments. And, I am going to go ahead and mute you.

And then, I am going to move to the next caller. The next caller is area code is (409)692-****. And I have unmuted you.

Would you like to provide public comment on the record?

MS. GRAY: Yes. I will.

MR. DANENFELZER: And would you please, for the record, state your full name, the city and state where you live, and your intent to testify in favor or opposition of the transaction.

MS. GRAY: Hi. My name is Antoinette Gray. I live in Sandpiper Cove, Unit 144. And I am in favor of the transaction.

MR. DANENFELZER: Okay. And would you like to provide any additional comments?

MS. GRAY: Yes, sir. Okay. First, I want to start with the living conditions. Like everyone else said, the mold is absolutely ridiculous. When I complain about the mold, all they do is paint over it. Or you know, they don't do any -- take any real action to get rid of it.

And for about two months, my AC was broke, and no one -- I called every day for the whole two months, and no one came out to fix it. I have two toddlers. So, we couldn't even stay in the apartment, because it was so hot. And we were staying at my mom's house. But they still forced me to pay rent and everything on time.

On top of that, I have been here for about two years, almost three years. And since I have moved in, three weeks within me moving in, I noticed that I had an infestation of mice and rats. And I called and I called about that and they weren't taking any action.

I had to go out and try to take care of it on my own, which is really hard when you have toddlers, because there is not much you can buy, you know. The kids want to touch the sticky traps. They want to touch the pellets.

It was really hard to get rid of them. And I just recently got rid of them, probably a month ago, and I have been here two years.

Also, the environment is just horrible. There is always gun -- there is always people shooting around, and you know, I can't take my kids to the park, because they were just shooting at the park. And so, you know, we are basically forced to either stay inside or we'll go to my mom's house for a little while.

And we stay in an upstairs apartment. And the railings, like Ms. Ericka stated, the railings are always very loose. And my kids, they like to hang on them. And I have to tell them to get off, because they are so loose.

And I would tell the -- when I asked the apartment manager, could we move to a downstairs unit, so it would be safer for my kids, she said, there is nothing they can do, even though they had open units downstairs. She said there is nothing she can do. She can't move me. I basically have to stay in the apartment I am already in.

Along with the main -- no matter how many times you call the maintenance, they don't come out. I have been calling for months about my lights, my kitchen. My hot water has been out for about six months. And I have been calling every day. No one has come out to fix my hot water.

And my sink is stopped up. I have been calling for two days, and no one still came out. The lady told me there is no -- there is no maintenance people to come out to fix anything.

MR. DANENFELZER: Okay. Thank you. Antoinette, I appreciate that comment. Is there anything else you would like to add on the record? I will note that you've got less than 30 seconds.

MS. GRAY: Oh, I am not in favor of the transaction. I'm sorry. And no, that is all I would like to add.

MR. DANENFELZER: All right. Thank you very much. Before I go to the next speaker, I am going to go back to one speaker previously.

The court reporter has informed me that we didn't quite hear the name for the caller in area code (409)599-****. I am going to unmute you, and ask if you could, for the record, state your name again, so the court reporter has the correct name.

MS. LITTLEJOHN: My name is Adrienne Littlejohn.

MR. DANENFELZER: Adrienne Littlejohn.

MS. LITTLEJOHN: Yes, sir.

MR. DANENFELZER: Yes. Thank you, Adrienne. Okay.

I am going to go then -- I apologize. I am trying to go through all of the speakers in order. And the system tends to change the order after everyone speaks.

So, I am trying to keep notes. The next person I am going to unmute will be Adam Pirtle. Adam, do you have any comments for the record?

MR. PIRTLE: No. I don't have any comments for

the record. Elizabeth and Ericka summed them up.

MR. DANENFELZER: Okay. Adam, thank you. I am going to go ahead and put you back on mute. The next person I will unmute is Karen Paup.

Karen, do you have any comments for the record?

MS. PAUP: No. I do not.

MR. DANENFELZER: Thank you, Karen. Next person I will unmute will be Miranda Sprague.

Miranda, do you have any comments for the record?

MS. SPRAGUE: No. I do not. Thank you.

MR. DANENFELZER: Okay. Thank you. The next person I will unmute is Bobken Simonians.

Bobken, do you have any comments for the record?

MR. SIMONIANS: Yes, I do.

MR. DANENFELZER: Okay. Your three minutes -- would you please state your name for the record, your full name, the city and state where you live, and your intent to testify in favor or opposition of the transaction.

MR. SIMONIANS: My name is Bobken Simonians. I'm with ITEX. I live in Houston, Texas. And I would like to speak on behalf of or for the transaction.

MR. DANENFELZER: Okay.

MR. SIMONIANS: As part of the development entity, I would like to thank all the tenants and all of those who spoke against the transaction, because arguments that were made are the basis why this transaction should take place.

We are planning to spend more than $45 million to remedy most of the concerns that were raised, to make life better for everyone. We have over 7,000 units under management with deals. And we manage our projects. And we take pride in making sure that our tenants are well taken care of, and they live in safe and sanitary places.

Would we do a new construction in that location? Probably not, because of flooding issues in Galveston. All of Galveston is subject to flooding. And the problems that exist in the City of Galveston.

But this is an existing project. It provides a very, very needed affordable housing to the community. And our goal is, by spending over $45 million, to make life better, to make the place better for everybody.

And I again, thank you, everyone who spoke about their concerns and the problems that the project has, which is a very good reason why we should take care of these problems. And we are proposing to do so, as soon as the project is approved.

Thank you.

MR. DANENFELZER: Thank you, Bobken. I am going to go ahead and mute you now. Going to go ahead and unmute Chris Akbari next.

Chris, do you have any comments you would like to provide for the record?

MR. AKBARI: I do.

MR. DANENFELZER: Please go ahead and state your name, the city and state where you live, and your intent to testify in favor or opposition of the transaction.

MR. AKBARI: Okay. My name is Chris Akbari. I am the CEO of ITEX, the proposed developer for this project. I reside in Houston, Texas. I am in support of approving this project.

I believe that our team has a track record of preserving affordable housing, having worked on over 5,000 units of very similar housing throughout the state of Texas. We have had a lot of success in taking properties that have had damaged sidewalks, that have had no sidewalks, that have had mold in the units, that have been flooded, and have been able to take those units and preserve them, just as I believe we'll be very capable of doing with Sandpiper Cove.

Our budget is over 75,000 in rehabilitation per unit. This will be to take the units all the way down to

the studs and build them back. And not only do that but treat the studs and the existing materials with anything necessary to kill the mold, or bacteria that may be existing there.

We also have taken into consideration the sewage issues, and a lot of the other complaints of the tenants in developing our scope of work, and believe that we will adequately address all of those issues in the preservation of this property. Again, thank you for your time, and I appreciate it.

(Pause.)

MR. RICHARDSON: Hello? I cannot hear you, Dave.

MR. DANENFELZER: I'm sorry, user error there. Raynold, I have unmuted you. Would you like to provide comment on the public record?

MR. RICHARDSON: Yes.

MR. DANENFELZER: Would you please state for your name your -- please state for the record your full name, the city and state where you live, and your intent to testify in favor or opposition of the transaction.

MR. RICHARDSON: My name is Raynold Richardson. I live in Houston, Texas. I plan to testify in favor of the transaction.

MR. DANENFELZER: Thank you. You can go

ahead. You have three minutes.

MR. RICHARDSON: Okay. I just wanted to state for the record, I am the Vice President of J. Allen Management Company. We currently manage the site on behalf of the current ownership.

And from the inception of this -- I am part of the development team also. And from the inception of this, we did meet with the HUD office in Fort Worth, Chris Akbari and myself. And we communicated to them our plans, in order to address all of the issues at the site with regard to the physical plan and the other type issues that the residents have spoken to.

We have closed out all of the physical deficiencies, you know, previously, in the past, to TDHCA on the annual report for the owner, and the report as far physical conditions are concerned. As the management company, we are meeting with HUD biweekly on this asset to provide them updates of the physical repairs that are going on in the unit and exterior of the unit.

So, the issues are not just being overlooked. We are trying to address those issues as funding is available to address the specific need. The overall physical rehabilitation is needed. We actually ask for that.

But this is why we are applying for the tax

credits, in order to address all physical plan. I have met with the residents personally myself, several months ago. I met with Ericka.

I have tried to communicate with them every step of the way what we are attempting to do at the site. And we do have our actual residents calling us and telling us that they are in favor of this transaction happening also.

So, we are addressing those specific needs. And everything that those residents have addressed on this phone call, we will be pursuing that once the transaction is approved.

The Department of Housing and Urban Development, the local municipalities, the state rep, everybody is on board to support this transaction, in order to meet the needs of the residents, right there in Galveston. Thank you.

MR. DANENFELZER: Thank you, Raynold. Appreciate your comments. I am putting you back on mute.

I am going to go to the next speaker. And at this point, is the last speaker I have on my list. Eric McCrea.

Eric, would you like to provide comments on the public record?

MR. McCREA: Yes, sir. I would.

MR. DANENFELZER: Will you please state then, for the record, your full name, the city and state where you live, and your intent to speak in favor or opposition of the transaction.

MR. McCREA: Yes, sir. I oppose this because for one, this area is very notorious for drugs, violence, and it is really way out of hand, when they start shooting at the park, at little children. And I mean, it is very, very dangerous out here.

I am scared for my children to go out and play. I mean, I am scared to be here myself. But I mean, I can't afford, at the moment, to move anywhere else.

And as far as the people that were saying they were in favor, to that, I have -- I have been here for six years now. And we have been through quite a few different management.

And each time this particular deal happens, they get the money that they are saying that they are going to use to fix up the place with, and it sounds real nice, you know. And I mean, I am all for it, if that was to be. But from what I have been seeing, it has been six years, and I am still in the same condition.

My roof is caving in. I have two ADHD children that have special needs. And I have -- my tub was backed up for about what, two months. And when they finally came

after the two months to fix my tub, of me complaining numerous times, and putting numerous work requests in, they -- yeah.

And I pay rent. And I don't just pay rent, I pay my rent a year in advance. And they told me, when the new management came just now, that I couldn't do that. That I would have to let that deplete before I could start paying rent again.

And I am not understanding why would that be. And I mean, if I am ahead of my rent, wouldn't that be a great thing?

But at the same time, once they fixed my tub, they busted holes in my wall, and the holes are still there. All they did was put plastic tarp and taped it on my wall. And I have big giant holes, bigger than both of my feet put together.

And I have three young children in here, that, you know, I am taking care of. And what if something was to crawl out of one of those holes and bite one of my kids, you know.

And it is crazy. So, then, I have a crack in my ceiling. My roof is leaking. And my windows are -- they have been leaking since I very first moved in. And I mean, my roof has been leaking since the storm. And that has been a long time ago.

And I have been complaining on that. They still never fixed that. My plugs in my house does not work. None of my plugs in my kitchen work.

I mean, it is really out of hand. And from the looks of things, if they would just not approve the management getting the money, and approve us, instead of getting vouchers to get us a better living environment, a better living habitat. Then, I believe they could do the repairs or whatever without anyone here.

That will be a better solution for everything.

MR. DANENFELZER: Thank you, Eric. I will note, your time just expired. So, I appreciate those comments, and we will put those on the record. I am going to go ahead and mute you now.

For everyone on the call, I want to -- or in the hearing, I want you to understand that there are two names on the list, for those of you in the web meeting, J. Taylor, and Michael Wilt. They are both employees of the Texas State Affordable Housing Corporation and will not be providing any comments today.

I am going to -- because I have received a couple of notes in the chat, as well as through email from some of the participants, I am going to go through a few of the callers early who spoke, just to clarify their position. I have written down the positions I understood

that they spoke on.

But it is my understanding that others in the hearing have not quite understood whether they were in favor or opposition. So, hopefully, everyone is still on the phone. I am going to unmute Tina Harris. Tina?

MS. HARRIS: Yes.

MR. DANENFELZER: Tina, would you please clarify? My understanding is that you are in -- you are in opposition to the proposed transaction. Is that correct?

MS. HARRIS: Well, I want a voucher. I don't know exactly what that means. So, if you don't care, explain that.

MR. DANENFELZER: Right. So, if you are in favor of the transaction, that means that you would like them to move forward with the financing and fix up the apartments with the plan that they have. If you are in opposition to the transaction, then you do not want them to get the funds, and not fix up the property.

MS. HARRIS: Okay. I'm opposed, then.

MR. DANENFELZER: Okay. Thank you.

And Larry, you were also on the same line with Tina. Would you also please provide me a clarification, if you are in favor of the transaction, or are you opposed to the transaction?

MR. BROOKS: I oppose.

MR. DANENFELZER: Thank you. I am going to move to the next person. I believe this is Carli.

Carli, I understood that you were opposed to the transaction. Could you please state for the record again, though, whether you are opposed to the transaction or are you in favor of the transaction?

MS. JOHNSON: Yes, sir. My answer was right the first time. I am still opposed to it. I am not in favor.

MR. DANENFELZER: All right. Thank you very much for the clarification. I am going to mute you now.

MS. JOHNSON: Thank you.

MR. DANENFELZER: The next person I have, is, I believe, Adrienne. Adrienne, would you state clearly, are you in favor of the transaction, or are you opposed to the transaction?

MS. JOHNSON: Okay. I've got it straight, girl, I've got it straight. We oppose now. We vote now. I've got it straight. So I did oppose to it.

MR. DANENFELZER: I'm sorry. Adrienne, there was -- I had not muted the previous caller. I am going to go ahead and ask that you -- here, let me -- yes.

Would you please restate, Adrienne? Are you opposed or are you in favor of the transaction?

MS. LITTLEJOHN: I am completely opposed.

MR. DANENFELZER: Okay. Thank you very much. Appreciate that. The next person I have was Cynthia.

Cynthia, would you please clarify. Are you opposed to the transaction, or are you in favor of the transaction?

(No response.)

MR. DANENFELZER: Cynthia, I believe you are unmuted.

(No response.)

MR. DANENFELZER: I don't hear a response from Cynthia.

MS. MENDEZ: Not. We're opposed.

MR. DANENFELZER: So you do oppose the transaction?

MS. MENDEZ: Yes.

MR. DANENFELZER: Okay. Thank you. I am going to go to the next speaker, and I think it is the last one that there was some confusion on the answer. But just trying to make sure I get the right person unmuted.

Antoinette, I believe you were the last person that I had -- there was a question about. Would you please state clearly for the record, again, whether or not you are in favor of the transaction, or do you oppose the transaction?

MS. GRAY: I 100 percent oppose the transaction.

MR. DANENFELZER: Thank you very much. I believe that is everyone on my list that provided public comment. I don't know that there were other questions. I will double check the chat right now, though, and also other forms of information to make sure I get this correct.

All right. It does look like I do have it correct at this point. Hold on one second. Another message.

(Pause.)

MR. DANENFELZER: My apologies, it appears that there is another new caller on the line. And going to see if I can identify the phone numbers here. I believe the number that is new to the line is area code (409)995-****. I have unmuted your line.

Would you like to provide public comment for the record?

MS. GORDON: Yes.

MR. DANENFELZER: Okay. Would you please state your name and the city and state where you live, as well as whether you are in favor of the transaction, or are you opposed to the transaction.

MS. GORDON: Okay. Do you need first and last

name?

MR. DANENFELZER: Yes. Please.

MS. GORDON: Okay. My name is Kenya Gordon. I live in Galveston, Texas. And you said, if I am opposed?

MR. DANENFELZER: Correct. Are you opposed, or are you in favor of the transaction?

MS. GORDON: No. I am extremely opposed.

MR. DANENFELZER: Okay. Is there anything else you would like to say on the public record?

MS. GORDON: Well, for one, you know, I have a lot of issues going on, you know, with my apartment. And you know, I am not getting any help like I have asked, you know.

It is freezing outside. It is freezing in my apartment, because I told them that my heater was broke, over three or four months ago. And my heater still hasn't been fixed. Like, I have so many issues in my apartment, it is ridiculous.

Like, I am so ready to go, but I have nowhere else to go. Like, this is my only option, so I have to sit through these problems and just suck it up. Because without them, I don't have anything else.

So, I mean, the conditions are horrible. They don't care about anybody. It is awful, extremely awful.

MR. DANENFELZER: Okay. Kenya, thank you for

your comments today. I am going to go ahead and mute your line.

And it does appear one more number which I have not previously called has dialed in. I am going to go ahead and unmute that line. It is area code (409)939-****.

Would you like to provide public comment on the record?

MS. DURGIN: Hello?

MR. DANENFELZER: Hello, yes. Would you like to provide public comment today?

MS. DURGIN: Yes.

MR. DANENFELZER: And for the record, could you state your name, and the city and state where you live in?

MS. DURGIN: Yes. Betty Durgin. The city of Galveston, Texas.

MR. DANENFELZER: Okay. And, Betty, are you in favor of the transaction, or opposed to the transaction?

MS. DURGIN: I am very opposed to it, because this apartment here is falling apart.

MR. DANENFELZER: Okay. Is there anything else you would like to say in the public record?

MS. DURGIN: Yes. I just need to say that I need to get out of here. I want to move out, because there is nothing they are doing in here. I even broke my

ankle in this raggedy-ass place.

MR. DANENFELZER: Okay. Is that all that you have for the public record today?

MS. DURGIN: All I need to say is that they need to tear these apartments down, and they need to redo them, or they need to move us out of here, get us somewhere else to stay. Because this is ridiculous to live like this.

MR. DANENFELZER: All right. Okay. Well, thank you, Betty, for that public comment. I am going to go ahead and mute your line now.

I am going to make one more quick check. I don't believe any other new callers have dialed in at this time. Just give me one moment to double check, to make sure that we give everyone a chance to speak.

Yes. I have gone ahead and reviewed all the persons who are on the phone or on the web meeting. I have called on all of the participants with the exception of J. Taylor and Michael Wilt, who again, are employees of the Texas State Affordable Housing Corporation.

With that, I am going to go ahead and just let everyone know again that the record will show -- a transcript and record of this call and public hearing will be provided to the Corporation's Board, and to the Texas Attorney General. This information will be used in a

determination of an award, or not, for the project, as it moves forward through our process.

I do want to let the record show before I close, though, that there are -- I apologize -- there are 21 participants on the call or in the meeting at this time. Of the individuals who are in attendance, three are individuals who are employees -- three of the individuals in attendance are employees or representatives of the Texas State Affordable Housing Corporation.

At this time, I will declare the hearing closed, and thank everyone for coming today.

(Whereupon, at 12:28 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: Sandpiper Cove Apartments

LOCATION: via RingCentral

DATE: December 1, 2020

I do hereby certify that the foregoing pages, numbers 1 through 40, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Elizabeth Stoddard before the Texas State Affordable Housing Corporation.

DATE: December 7, 2020

/s/ Carol Bourgeois
(Transcriber)

On the Record Reporting &
Transcription, Inc.
7703 N. Lamar Blvd., Ste 515
Austin, Texas 78752

Sandpiper Cove Tenant Council
3916 Winnie Street
Galveston, TX 77550

June 19, 2020

J.Allen Management Co., Inc. at Sandpiper Cove
3916 Winnie Street
Galveston, Texas 77550
*Sent via email to: sandpiper.manager@jallenmgmt.com*

Tammy Fotinos
Director of Contract Renewal and Rent Adjustments
Attention: Contracts Department, Re: Project Number TX24M000018 and Sandpiper Cove
Southwest Housing Compliance Corporation
1124 South IH 35, Austin, TX 78704
*Sent via email to: tammyf@shccnet.org, contracts@shccnet.org*

Christopher Akbari and Miranda Sprague
The ITEX Group LLC and Galveston 3916 Winnie Street, LP
9 Greenway Plaza, Suite 1250
Houston, TX 77046
*Sent via email to: Chris.akbari@itexgrp.com, mirandasprague@itexgrp.com, apps@itexgrp.com*

Edward Pringle
Field Office Director
Houston Field Office of the U.S. Department of Housing and Urban Development
1301 Fannin Street, Suite 2200
Houston, TX 77002
*Sent via email to: Edward.L.Pringle@hud.gov*

Mary Walsh
Mutlifamily Southwest Region Regional Director
Fort Worth Regional Office of the U.S. Department of Housing and Urban Development
801 Cherry Street, Unit #45, Suite 2500
Fort Worth, TX 76102
*Sent via email to: Mary.V.Walsh@hud.gov*

Frank T. Sinito, Lee J. Felgar, and Renee Weiss
The Millenia Companies
1300 Key Tower
127 Public Square
Cleveland, Ohio 44114-1310
*Sent via email to: fsinito@mhmltd.com, lfelgar@mhmltd.com, rweiss@mhmltd.com*

*Sent via email to:*

**CC:** Kathy Barrilleaux, Senior VP, J. Allen Management Co., Inc. kathy@jallenmgmt.com
**CC:** Raynold Richardson, Senior VP, J. Allen Management Co., Inc., ray@jallenmgmt.com
**CC:** Michael Cummings, VP, Southwest Housing, michaelc@shccnet.org
**CC:** Ben Carson, HUD Secretary, ben.carson@hud.gov
**CC:** Patrick Banis, Acting Director/Enforcement Branch Chief, HUD Fair Housing and Equal Opportunity, Patrick.L.Banis@hud.gov
**CC:** Anna Maria Farías, Assistant Secretary, HUD Fair Housing and Equal Opportunity, Anna.Farias@hud.gov
**CC:** Christina Lewis, Director, HUD Houston Fair Housing and Equal Opportunity, christina.lewis@hud.gov
**CC:** Galveston Housing Authority, dhasst@ghatx.org

RE: Sandpiper Cove – Tenant Comments on Request for HUD Rent Increase (Mark Up To Market Contract Renewal)

Dear Sandpiper Cove Owners, Managers, and HUD:

We are residents representing the Tenant Council of Sandpiper Cove apartments, located at 3916 Winnie Street, Galveston, Texas. We have received notice that our homes are being sold to new owners this year and that the proposed new owner, ITEX, is asking HUD to pay more for rent at Sandpiper Cove. The May 22, 2020 "Notice to Residents of Intention to Submit a Request to HUD for Approval of an Increase in Maximum Permissible Rents" sets a 30-day period for the residents to comment on the proposed rent increases. Here we submit our comments.

We know that HUD requires the owner to certify that they complied with tenant comment procedures, including that the owner must evaluate all of our concerns listed in this letter. We expect for HUD and the owners and management to respond to our demands, questions, and concerns before any actions are taken. We as tenants need to be consulted, and our concerns need to be taken seriously, while any actions regarding Sandpiper Cove move forward.

**IMMEDIATE DEMANDS**

1. **Guarantee healthy and safe conditions immediately. We do not consent to a waiver of any health and safety concerns**.

We ask that HUD first and foremost consider the lives of tenants currently residing in Sandpiper Cove in responding to ITEX's request. As tenants at Sandpiper Cove, we have lived through years of serious problems, with continuation of issues such as open sewage leaks endangering our family members to this day. The most recent REAC inspection score that we know of at Sandpiper Cove was a 33 out of 100, which is unacceptable. J.Allen VP Raynold Richardson told us verbally that they did an internal inspection and thought the REAC score should really be an 18, showing even worse conditions exist than that last

inspection found. Scores like these require HUD to take immediate actions to protect our lives by providing vouchers and mobility assistance so we can move to a safe location *now*.

In ITEX's rent increase request documents, ITEX requests a waiver of exigent health & safety risks. Such a waiver seems to allow these deplorable conditions to endure for the remainder of 2020 and until the rehab occurs. Owners should not be able to waive a requirement to keep current residents healthy and safe just because many months in the future they plan to remove us and renovate. We are people living our lives and raising our children, day in and day out, in these conditions, and we do not consent to waiver of any health and safety concerns. A waiver would only be appropriate if no one were living at the property. A waiver should not be necessary because these concerns need to be addressed immediately, or people need to be moved off the premises.

2. **Fully explain the proposed plan for what will and won't be repaired and deadlines for the repairs.**

ITEX acknowledges the recent failing REAC inspection score and states, "we are purchasing the property to rehabilitate and *make it* safe and sanitary." This demonstrates knowledge of the unacceptable conditions that we residents are currently forced to live in. In the appraisal, on the other hand, ITEX's Ms. Sprague states to the appraiser that ITEX plans to "complete any and all immediate and necessary repairs," which seems inconsistent with the request for a waiver of health and safety concerns.

We need a full detailed listing of what specific repairs we can expect and the deadline for their completion. We need vouchers and mobility assistance immediately while these repairs take place.

3. **Offer housing vouchers to all current Sandpiper residents, using enhanced Small Area Fair Market Rents, to allow the opportunity to leave Sandpiper with sufficient rent to remain in Galveston if we choose.**

ITEX's request to raise rent amounts to HUD are based on their intention to relocate all tenants out of the complex to unknown locations, and then to rehab the buildings to market rate conditions. The deal appears to require that tenants leave the premises and live elsewhere for the time that the rehab takes place. After years of inadequate conditions we have suffered, and considering the lack of safe and decent conditions currently at Sandpiper, we demand that HUD provide either Housing Choice Vouchers or Tenant Protection Vouchers to all residents immediately. These vouchers must come with payment standards based on enhanced Small Area Fair Market Rents to give us a reasonable choice to find a new place to live, and we demand relocation assistance and mobility counseling to make this transition. The vouchers should provide the option to all tenants to permanently relocate elsewhere, or to choose to return to Sandpiper. Our children should not have their schooling interrupted; vouchers must be provided now before the school year starts.

Of course, in the meantime and for any tenants who do remain for any reason, HUD should refuse to waive exigent health and safety concerns, and instead require owners and management to ameliorate problems to the greatest extent possible immediately.

4. **Test for lead, asbestos, and other toxins in water and surfaces at Sandpiper immediately.**

Regarding water quality, the appraisal in ITEX's rent increase documents states, "All water supply will be checked to ensure no lead contamination and if necessary, water supply lines will be replaced." This is insufficient, and a full evaluation must be conducted for lead and other contaminants throughout the

property. Testing of water and surfaces must include lead, asbestos, and other contaminants. At least one child living at Sandpiper has tested for high levels of lead in their blood. The water in some units is brownish in the morning, and we have to let it run to see it become clear. We have experienced foul taste, discoloration, and other problems resulting from the water. Clean, safe water must be available at all times. All areas of the property must be confirmed safe from toxins in order for our children to play safely.

All testing, remediating or encapsulating, and inspection should be performed by people licensed inis type of work. Assure that there is adequate funding to cover treatment of any item with lead, asbestos, or other contaminants. Inspections should be performed by a licensed, independent third party inspector. Annual re-inspections and remediation of any encapsulated areas and a system of notifying residents of any findings should be agreed upon by the Tenant Council prior to proceeding with the work.

5. **Ensure meetings for Tenant Council with responsible HUD officials with power to take action, including the Regional Director, Multifamily Director, and Fair Housing and Equity Office.**

After we received ITEX's May 22 letter, we requested meetings with management and potential owners. We met on June 12, 2020 with Mr. Raynold Richardson, representing the buyer's group. He answered questions but was not able to commit to necessary repairs such as AC units, and he could not speak on behalf of HUD, which apparently is responsible for many of these matters of concern. As a part of our comments on ITEX's rent increase request to HUD, we reiterate our request to meet with HUD officials with power to take action, including the Regional Director, Multifamily Director, and Fair Housing and Equity Office, including having the opportunity to get answers in detail, to voice our concerns, and to establish a relationship moving forward. HUD officials have refused to meet with us as tenants to discuss our concerns and contemplate plans. This is unacceptable. HUD has clearly met with proposed buyers. HUD owes tenants the same consideration.

6. **Answer our outstanding questions.**

The rent increase documents from ITEX to HUD raised a number of related questions for us that we need to be answered:

- What is the detailed timeline of the proposed renovations? If HUD allows this requested rent increase, what are the full plans for tenants during the renovation?
- What will relocation assistance and counseling look like for tenants?
- How can we ensure that we have access to housing vouchers that allow us to move rather than endure the remainder of 2020 in bad conditions and the long-term relocation?
- What will be done to afford tenants relocation choice rather than being compelled to move wherever the new owner wants?
- How will tenants who wish to return after renovations be assured of the right to do so?
- How has HUD explored options to transfer Sandpiper Cove to another, better, safer location and allow tenants to move to a better location on Galveston Island?
- What are the chances of this planned renovation by ITEX happening if HUD does not approve the rent increase? Do tenants' rights change depending on whether HUD approves it?
- If the rent increase is approved but the property is not properly renovated or not renovated at all, what would be the impact on tenants? What would be the repercussions for ITEX?

**FOR THE PERMANENT SOLUTION**

7. **Rebuild Sandpiper in a different location on Galveston Island, near amenities and away from industrial zones, pollution from the port, concentrated poverty, and repeated flooding.**

Beyond the problems with the buildings themselves are life-threatening problems with the location of the property. We have been talking to Texas Housers, and they have written up a Fair Housing and site analysis that is attached as an addendum to this letter, with maps and information about some of these issues described below.

Flooding: The appraisal reports Sandpiper is in the high risk AE flood zone. Sandpiper has flooded repeatedly and will continue to do so. Many of us have experienced those floods and do not want to go through it again. The floodplain information in the appraisal says that "Any new construction or major redevelopment would have to have its ground floor lines above this known elevation. The digital map references 11' while the older source displayed 11' to 13" [sic] near Sandpiper's location." (We believe this is meant to say *11 feet to 13 feet*.) FEMA flood maps indicate that Sandpiper Cove is in Special Flood Hazard Areas classified as AE (12) and AE (13). This means that the area around Sandpiper has a 1% chance of flooding between 12 and 13 feet above the ground surface; any construction must be 12 and 13 feet off the ground where appropriate. Recent nearby development by HUD of public housing at Cedar Terrace site elevated those units 11 feet above ground. How will we be adequately protected by only elevating Sandpiper 11 inches?

Even elevating the buildings is not a solution for repeated flooding of the grounds of the property and the surrounding streets, which leave us, and our children who play outside, exposed to raw sewage from infrastructure overflows both on the property and from the surrounding areas (including potentially to toxins from the adjacent industrial sites). According to a study by Texas A&M University Planning Department, the Sandpiper site has an extremely high social vulnerability rating. Repeated street and ground flooding isolates us, because many of us do not have cars and need to be able to walk or bike to work, to the store, to school, and other places.

Industrial Area: Sandpiper Cove is currently located on the edge of a large industrial area that includes a port and is zoned for Heavy Industry. This is not a healthy area for people to live, with air pollutants and other hazards so close by. The industrial zone includes environmental hazards  site within 1 mile of the property and several others just outside that 1 mile radius.

Railroad and High Voltage Lines: Sandpiper is within 1000 feet of a large network of active railroad lines serving in the nearby industrial area and Port of Galveston. A high voltage transmission line runs along the entire south side of the property. These nearby hazards are unacceptable risks to our health.

Racial Segregation: Sandpiper Cove is located in a census tract with a population that is 53% Black (compared to 18% of overall Galveson population is Black).

Poverty Rate: Sandpiper Cove is located in a census tract with a 58.2% poverty rate, and 71% of children under age 18 living in poverty (compared to 20.8% poverty rate and 30% for children in the city overall). HUD has classified this tract and an adjacent tract as "racially and ethnically concentrated areas of poverty."

As residents of Sandpiper Cove where much of our resident population is Black, we see the exposure of Black people at Sandpiper to flooding, industrial risks, concentrated poverty, and racial segregation as an ongoing legacy of the racism that exists in Galveston. Sandpiper is on the north side of the island, north of Broadway, which is the area of historical Black settlement and concentrated poverty in Galveston, the area that has not been elevated or protected by the seawall in the wake of the hurricanes of the last century. White neighborhoods were protected by the seawall; the Black northside neighborhoods were not. It is unacceptable to continue to expose Black residents to these dangers through HUD-subsidized housing, in the long tradition of racist housing practices. We understand that HUD plans to build other replacement housing on the north side of the island, north of Broadway, in these racially segregated areas, rather than in safer, higher opportunity areas of the island. Under Civil Rights and Fair Housing laws, HUD is legally prohibited from ignoring this racism.

We are concerned that rebuilding Sandpiper in this same problematic location will cause a repeat of previous unsuccessful attempts to deal with issues here. After Hurricane Ike in 2008, the first floor of the property was rehabbed. Unfortunately, the fact that the property is located in a flood prone area with inadequate public infrastructure resulted in the property quickly returning to a substandard state following the rehabilitation after Hurricane Ike, including the quick reemergence of mold. The ITEX proposal does not even propose this previous failed degree of repairs in that the current proposal calls for existing sheetrock to be retained. We don't want to repeat that again; we are tired of these failed attempts to remedy the problems, and we think it can only be truly resolved by rebuilding in a different, less segregated, higher opportunity area of the island. Galveston is our home and we want to stay, but we cannot be subject to these conditions.

Given all of these problems that make Sandpiper an unacceptable place to live, HUD should require relocating Sandpiper to higher, safer ground, and giving residents input and choice to relocate to somewhere healthier, safer, and where we would have a better chance for success.

ITEX's proposed plan includes moving people twice, finding temporary housing somewhere, the possibility of people who call the island home being forced to move off the island, and paying for lead and asbestos inspections plus remediation. These expenses for ITEX and the hardships for tenants of moving twice could all be avoided if funds were devoted to developing a new property on higher ground near amenities with vouchers for housing choice. This would lead to a better result for the people involved, the very people who are supposed to benefit from this housing assistance.

8. **Respond thoroughly to our detailed questions about the rent increase and proposed rehabilitation. If Sandpiper is to be rebuilt in its current location, the rehabilitation must be sufficient to address all of the systemic problems in the facilities, including HVAC, plumbing, mold, electrical, and flood mitigation.**

While we demand a systemic solution involving housing vouchers and relocation of Sandpiper, we also want to state some of the many problems with the proposal used to justify the proposed rent increase. HUD must not consider any rent increase until each of these issues is addressed.

Previous insufficient efforts to refurbish Sandpiper convince us that this property can never sustainably house our residents in decent, safe, sanitary condition. At its core, the factor that has produced the disastrous living conditions here and that have produced this poorly conceived plan is one inescapable fact: We believe that the reason these conditions at Sandpiper Cove have been allowed by HUD, the property owners, and other parties is because a high proportion of the tenant population is Black. The

situation here represents ongoing racism and violation of the civil rights of tenants, as we are being pushed into racially segregated areas and substandard conditions. By virtue of our incomes and discrimination, we have no other options to live elsewhere, and we are trapped by this cycle of racism. We depend on HUD assistance to have a roof over our heads during this pandemic, but that should not remove from us the options for choice and respect for our civil and human rights. Just as racism in policing functions to take Black lives, the ongoing and unabated conditions in our HUD-assisted housing that we depend upon, and the inadequate proposed "solutions," also constitute an attack on our Black lives.

If Sandpiper is to be rebuilt in its current location, the rehabilitation must be sufficient to address all of the systemic problems in the facilities, including HVAC, plumbing, mold, electrical, and flood mitigation. The May 22, 2020 notice from J. Allen Management to residents generally describes repairs they plan for Sandpiper Cove. We have a number of questions and concerns about the information provided.

> STATEMENTS IN NOTICE FROM J. ALLEN ARE HIGHLIGHTED IN GREY:
>
> The proposed increase is needed for the following reason(s):
>
> 1. To meet all operational costs.
>
> 2. To provide social services for residents.
>
> 3. To rehabilitate the development. Site Work-replace ADA Ramps, Sidewalks, Paving, Striping, provide erosion control, grading, landscaping; install new mailbox center, replace all gutters and roofs on all 24 buildings, exterior brick repair, replace siding, replace doors and broken windows, repair stairs, landings, and railings, perimeter fence, install additional lighting; Interiors-renovate existing community building, demo all units down to sheetrock and rehab, add ADA compliant units; HVAC, Electrical, Plumbing, Hazardous Removal-replace with energy star appliances, install new service panel boxes, replace hot water boiler, lead based paint & asbestos remediation (as needed), all interior plumbing.

"1. To meet all operational costs."

Has J. Allen properly budgeted to meet the real costs of repairing and operating this property? For years, this property has operated in substandard, life-threatening condition. The description of the property in the appraisal does not begin to capture the reality of our living conditions. The appraisal says that after visiting a random sampling of 10% of the units, "All of the habitations were found to be rentable and in average condition. This includes any that were in make-ready and/or under rehab." How could "under rehab" units be deemed rentable? The appraiser reports that management makes repairs as needed and "the facility appears to have received adequate upkeep since the current ownership acquired it during 2015." We do not believe these statements reflect substandard conditions all over the Sandpiper property.

Nowhere does the appraisal describe how the sewers back up, how the electrical system has failed leaving the property without electric service for days in a row, how mold from plumbing leaks in the walls probably causes asthma and other respiratory ailments throughout the property. Photos of a bathroom in the appraisal show gleaming tile and floor as if the bathroom had been re-tiled for the camera. A trip inside Sandpiper we know would reveal the real bathrooms look nothing like these photos. Roach infestations abound throughout the property. Rats enter the apartment complex regularly, likely from the field to the north of the property by the industrial area. The area where community dumpsters are located

is too close to people's front doors, causing a strong odor and close proximity of pests to people's front doors. Stairs in several areas of Sandpiper shake and do not feel safe, with uneven step spacing, and some lack railings or have loose railings.

In HUD's most recent REAC inspection the property scored 33 out of 100 points. The appraiser does not assess or account for this fact, nor does he reconcile how a property in "average condition" can fail a REAC inspection and stand only four points away from HUD enforcement action. Members of the buyer's team told representatives of the Tenant Council, they would have given the property a REAC score of 18. We are concerned that not recognizing the extent of poor conditions here could cause important repairs to be omitted or the property to be purchased at too high a price, not leaving adequate funding for repairs.

"3. To rehabilitate the development. Site Work-replace ADA Ramps, Sidewalks, Paving, Striping, provide erosion control, grading, landscaping; install new mailbox center, replace all gutters and roofs on all 24 buildings, exterior brick repair, replace siding, replace doors and broken windows, repair stairs, landings, and railings, perimeter fence, install additional lighting; Interiors-renovate existing community building, demo all units down to sheetrock and rehab, add ADA compliant units; HVAC, Electrical, Plumbing, Hazardous Removal-replace with energy star appliances, install new service panel boxes, replace hot water boiler, lead based paint & asbestos remediation (as needed), all interior plumbing."

We have heard that this would be a down-to-the-studs rehab. But in the written material available to us, demolition is only down to the sheetrock. This is concerning because major issues like mold, flooding, and electrical systems would not necessarily be addressed. We want to understand that scope of work as it applies to the areas we are most concerned about.

We want more detail about what will be done to the property's major systems. Given that the electrical system has gone down for days in a row, we would like to see this problem acknowledged in the report to HUD and a commitment that panel boxes, rewiring and other repairs will be made to bring the electrical system to like new condition and to comply with current code.

HVAC is not included in the repairs listed above. At our June 12 meeting, where Mr. Richardson represented the buyer's team, a tenant brought up the issue of the AC not working in some apartments. He responded that management could not necessarily repair the broken ACs now and that that would have to wait. As we approach another summer at Sandpiper, the failure to include heating and AC in current and future work plans deeply concerns us.

Sewage and mold are major issues at Sandpiper Cove. Where are these in the appraisal and inspection? How will mold and sewage spills be addressed immediately and in the renovation? Mold throughout the property indicates roof leaks, plumbing leaks, or both. The appraisal simply states, "they were not having any problems with the roofs." Yet mold in the walls is an ongoing problem for residents, so a thorough roof inspection would be important to determine if roof problems are at fault for any of this. Sewer backups at multiple locations on the property indicate damaged sewer lines. Replacing the boiler will not address these problems. What is meant by "all interior plumbing" is not clear since the level of rehab only goes down to the sheetrock. Even if the rehab goes down the studs, that does not necessarily mean the hot, cold, and waste lines nor the outside sewer lines will be replaced. Again, we recommend that the remedy should be acknowledgement of the problem, replacement to like new condition, and compliance with current code.

9. **Elevate Sandpiper Cove above the FEMA 12 to 13 foot flood zone if it remains in the current location.**

As mentioned above, flooding has occurred in the past at Sandpiper and is a high risk for the future. FEMA flood maps show a chance of flooding between 12 and 13 feet above the ground surface and any construction must be 12 and 13 feet off the ground where appropriate. How will the renovation address this need, to ensure that flooding and mold are not problems here in the future? Would achieving the necessary height require a full demolition and rebuilding from the ground up, or is the height adjustment being addressed somewhere in the current plans? The plan to rehab Sandpiper to the sheetrock does not seem to address the stated need to raise the base height of living spaces. This must be addressed or future flooding is assured. A renovation that does not address this issue is completely unacceptable. Many of us have experienced past floods at Sandpiper and insist that this known risk be prevented.

10. **Ensure that all current residents can return after the property is rebuilt, either in new or current location.**

With vouchers available before and during any renovation, we want the opportunity to return to Sandpiper Cove if owners do improve conditions sufficiently that residents would like to move back. Our housing vouchers should be able to be used at Sandpiper Cove if desired.

11. **Provide responsive management and tenant services, accountable to residents' needs and desires on an ongoing basis.**

TEX's rent increase documents describe several attractive social services that would be provided by a nonprofit called Rainbow Housing Assistance Corporation. We note the proposal to regularly survey residents regarding needs and preferences for services to be provided. We would like more detail about the intended services, budget, and track record of Rainbow Housing. Would the services be provided directly by Rainbow and paid for by management, or would Rainbow/management invite others to directly provide the services? What is the budget for services and service coordinator? What is the service coordinator's job description, and what accountability will they have to residents? What control will residents have to request or choose a different provider if our needs are not met by those initially selected? Will there be a limited menu of services, or can we come up with other services that fit within the budget that best meet our needs, such as rides to the grocery store if needed?

For example, one proposed service is homework "power hour" for children. Would this be a space provided with tutoring staff to help children complete homework? What is the budget and what are qualifications or job description for staff of the power hour? What grades would be covered, K-12? This level of detail for each service would help us understand whether ITEX's proposal meets our needs.

Regarding Rainbow Housing Assistance Corporation, we'd like more information about their track record and success metrics, such as satisfaction of previous clients receiving their services. We'd like more information about how they will work with residents to ensure that their services in practice match our needs.

We believe that Mr. Raynold Richardson, a Senior VP of J.Allen Management and potentially new owner as part of Jeshurun Development, LLC, is involved in Rainbow. We'd like a full accounting of how that might affect services and whether a conflict of interest might exist, for example if we would like to see

changes in services or service provider. Depending on what services residents need, we might want to have input on choosing a service provider most aligned with what residents need.

If service provision is a part of ITEX's application and promise to HUD and other funders, then we want to ensure that these services actually help us achieve our goals and are responsive to our needs and desires in an ongoing, transparent manner.

12. **Employ different on-site personnel as management staff.**

Though a new management company, J.Allen, took charge of Sandpiper earlier this year, some of the on-site staff with a history of retaliation against tenants for pointing out health and safety concerns has remained without change. Due to the negative history with some on-site staff personnel, we need to see different people representing the new J.Allen management company for that change in management to be meaningful to us.

13. **Provide resources and support to Tenant Council from property owners and managers.**

An active and independent Tenant Council is necessary to organize tenants and ensure that conditions do not again devolve as they have in the past and present. Resources such as free meeting space and printing capability should be provided by property management to support such a group to do meaningful work and engage all residents. Owners and managers should enforce policies that prohibit retaliation against tenants for organizing, making requests, or filing complaints. Our Tenant Council allows us to speak as a group about what we need.

We demand a just and permanent solution to the tragedy at Sandpiper Cove that takes into account the interests of the tenants for a change. We demand for HUD and Sandpiper owners to provide safe, comfortable, decent housing.

Thank you in advance for addressing the concerns and questions above and for beginning a conversation about how we can, at long last, find an end to the ongoing cycle of racism that has plagued the Black residents of Sandpiper Cove for half a century. Also thank you in advance to HUD for reconsidering your earlier refusal to meet with us to hear our concerns and work together for a solution.

Please contact us with your response through our representative Ericka Bowman, Community Outreach Coordinator at Texas Housers, at ericka@texashousing.org or (713) 931-7044.

Sincerely,

Jessica Blank
Larry Brooks
Tina Harris
Cynthia Minix
Carr Lynn Smith

Members of Sandpiper Cove Tenant Council

*Attachment: Sandpiper Cove Site Standards Analysis PDF*

# Sandpiper Cove:
# Analysis of Neighborhood Risk Factors and Undesirable Site Features

## I. Background

Before the Texas Department of Housing and Community Affairs ("TDHCA") awards tax credits to developers to build or reconstruct affordable housing, they must submit a Neighborhoods Risk Factors Report in accordance with regulations in Title 10 of the Texas Administration Code. Rule §11.101 lays out neighborhood risk factors and undesirable site features that developers must submit in their applications. If TDHCA staff finds that these factors are present and unable to be mitigated, it should find the site ineligible for TDHCA assistance.

The following is an analysis of the neighborhood characteristics and undesirable site features in the area around Sandpiper Cove in Galveston, Texas. Any census data cited is from the American Community Survey 2018 5-Year Data unless otherwise noted.

## II. Basic Information

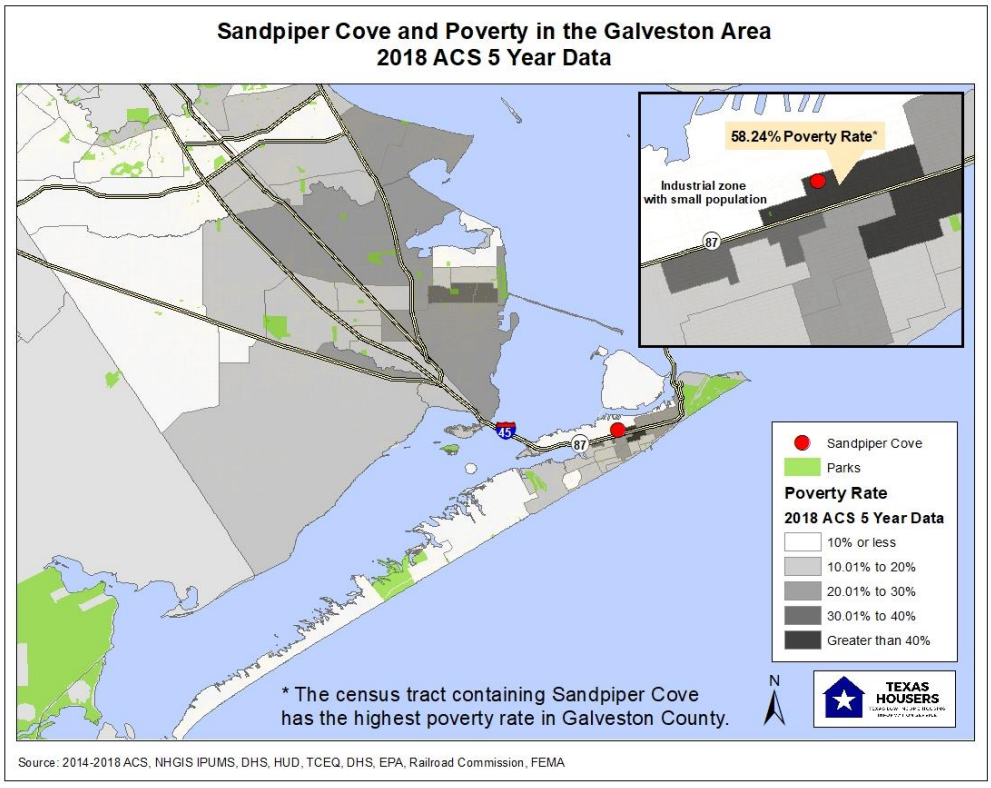
| | |
|---|---|
| Address: | 3916 Winnie St, Galveston, TX 77550 |
| Census Tract ("CT"): | Census Tract 7246 |
| Poverty Rate of CT: | 58.2% of persons are below the poverty line in this census tract<br>71% of all children (under 18) are below the poverty line |
| Poverty Rate of Galveston: | 20.8% for all persons<br>30% of all children |
| Race/Ethnicity of CT: | 53% Black, non-Hispanic<br>25% Hispanic<br>20% White, non-Hispanic |
| Race/Ethnicity of Galveston: | 18% Black, non-Hispanic<br>30% Hispanic<br>46% White, non-Hispanic |

## III. Neighborhood Risk Factors: From 10 TAC §11.101(a)(3)

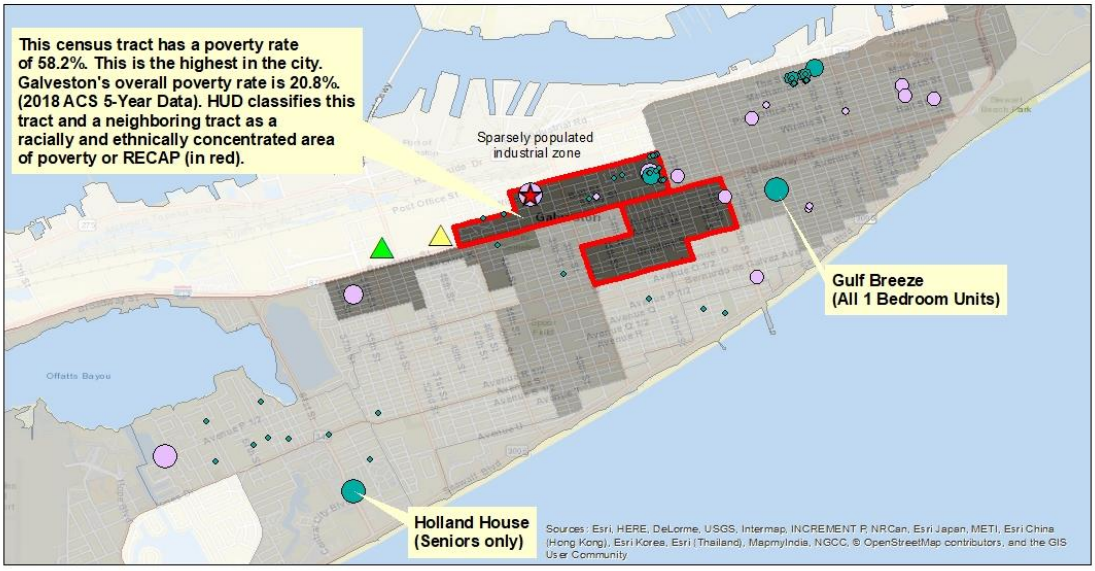
**Summary:** The following table provides a breakdown of the neighborhood risk factors required to be reported by 10 TAC §11.101(a)(3). Two of four neighborhood risk factors are present for the area surrounding Sandpiper: a poverty rate above 40% and blight. In Sandpiper Cove's census tract, 58.2% of persons are below the poverty line. The area within 1000 feet of the property can also be considered blighted. It contains abandoned or poorly maintained buildings and is next to a large industrial zone and an active railroad yard serving the Port of Galveston, a major source of pollution.

Although Rule §11.101(a)(3) does not require an analysis of racial segregation, Sandpiper Cove is in a racially segregated census tract. The tract is 53% Black, 25% Hispanic, and 20% White while the city of Galveston is 18% Black, 30% Hispanic, and 47% White. HUD classifies the tract as a racially and ethnically concentrated area of poverty or "RECAP", meaning that its nonwhite population is greater than 50% and the poverty level exceeds 40%.

| Risk Factor | Risk Factor Present? (Y/N) | Description |
|---|---|---|
| **High Poverty:** Development site is located in a census tract has poverty rate above 40% for individuals | **Yes, risk factor present** | 58.2% of persons are below the poverty line in the tract; 71% of all children (under 18) are below the poverty line. This census tract has the highest level of poverty on the Island. |
| **High Crime:** Development site is in a census tract where violent crime is greater than 18 per 1,000 persons annually | **No, but crime still high** | In a Neighborhood Scout Report from October 2019, the neighborhood has a violent crime index of 13.39 per 1,000 residents. This rate is more than double Galveston's violent crime index of 5.11 per 1,000 persons. |
| **Blight:** Development site is located within 1,000 ft. (measured from nearest boundary of the Site to the nearest boundary of blighted structure) of multiple vacant structures that have fallen into such significant disrepair, overgrowth, and/or vandalism that they would commonly be regarded as blighted or abandoned. | **Yes, blight conditions exist. Further analysis is needed.** | There are abandoned and vacant structures within 1000 feet of complex. The complex is also nearby a large industrial zone and a railroad yard serving the Port of Galveston. The TDHCA must conduct further analysis of the surrounding area before making a ruling on this risk factor. |
| **Poor School Quality**: Development site is in the attendance zone of a poor performing school. TDHCA standards requiring reporting for schools that: 1) received a D in 2019 and an "Improvement Required Rating" in 2018; 2) receive an F in 2019; 3) received a F or D in 2019 and was not rated in 2018; or 4) were not rated in 2019 and received an "Improvement Required Rating" in 2018. | **Unclear, Galveston ISD has no attendance zones** | Galveston is a "district of choice" allowing students to register to attend any campus and transportation is provided free of charge. Collegiate Academy, a middle school in Galveston, failed standards set by TDHCA and received an F from the TEA in 2019. The middle school closest to Sandpiper, Central Middle, received a C. Most schools received high ratings.<br>Link: 2019 Galveston ISD Campus Ratings<br>Link: 2018 Galveston ISD Campus Ratings |



## Sandpiper Cove, Poverty, RECAPS, and Subsidized Housing




**Total HUD Multifamily Units**
- 192 Units (Sandpiper Cove)

**Total Public Housing Units**
- 10 or fewer
- 11 to 25
- 26 to 100
- 101 or more

**Total LIHTC Units**
- 10 or fewer
- 11 to 25
- 26 to 100
- 101 or more
- Proposed Site of Oleander Rebuild
- Proposed Public Housing at GHA Headquarters

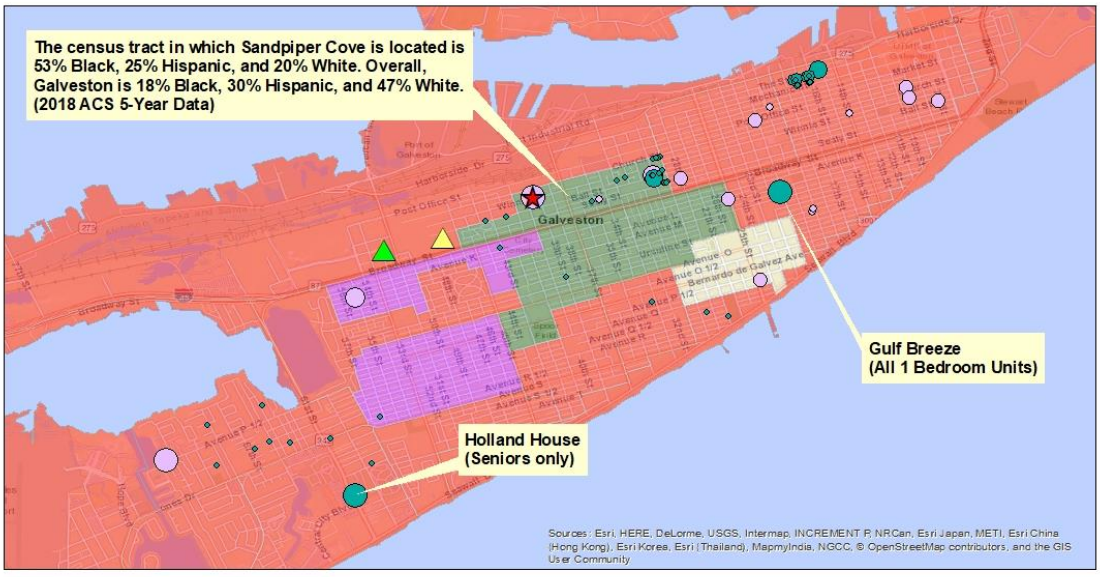
**Poverty Rate**
**2018 ACS 5 Year Data**
- Less than 10%
- 10.01% to 20%
- 20.01% to 30%
- 30.01% to 40%
- Greater than 40%
- Racially or Ethnically Concentrated Area of Poverty

N

TEXAS HOUSERS

Souce: 2014-2018 ACS; HUD (LIHTC from 7/2019); (Multifamily from 3/2019); (Public Housing from 7/2019); RECAPs from HUD; NHGIS and IPUMS

## Sandpiper Cove, Race and Ethnicity, and Subsidized Housing

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- 101 or more

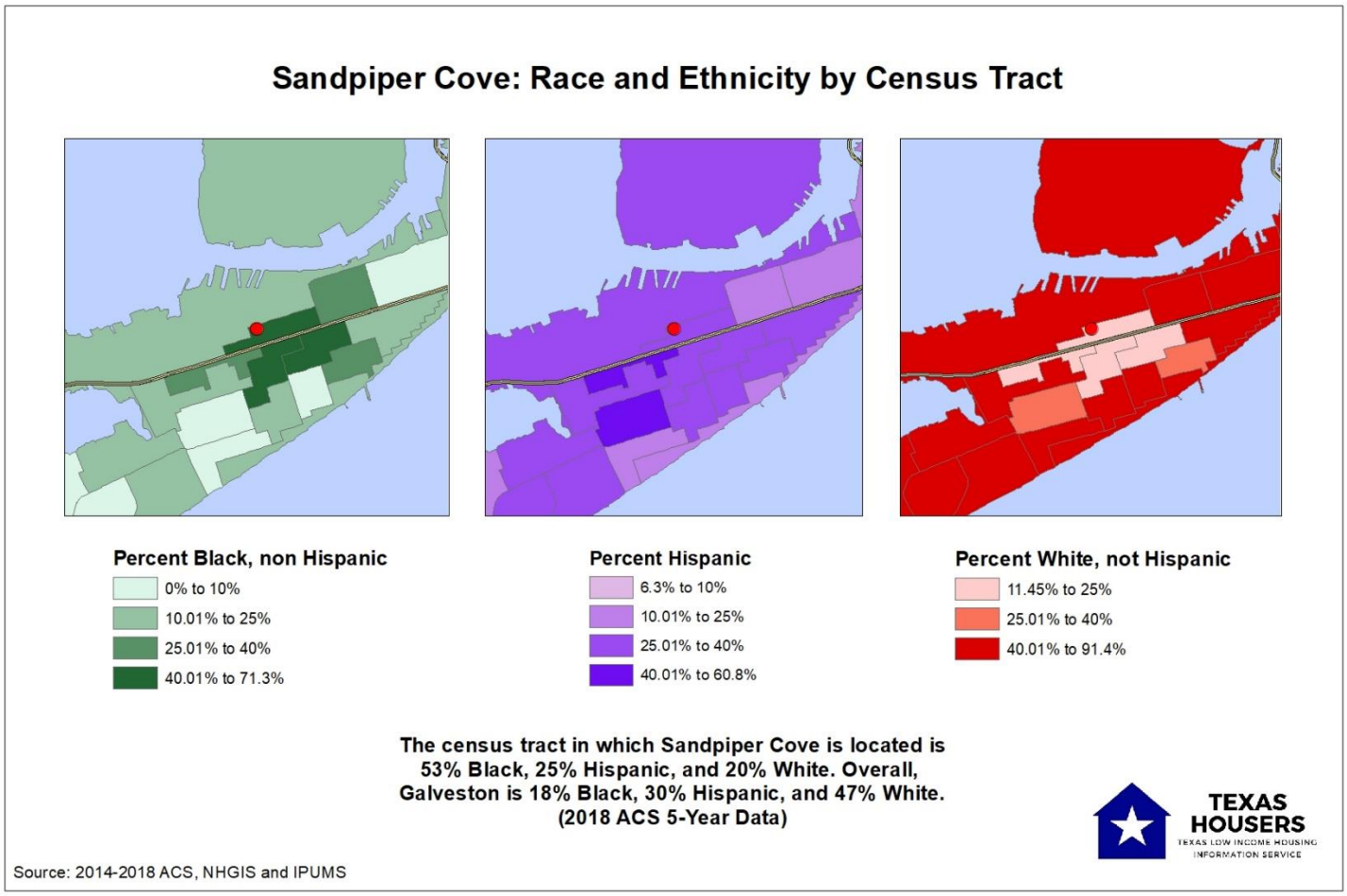
**Total LIHTC Units**
- 10 or fewer
- 11 to 25
- 26 to 100
- 101 or more
- Proposed Site of Oleander Rebuild
- Proposed Public Housing at GHA Headquarters

**Race and Ethnicity**
- 40% or more Black, not Hispanic
- 40% of more Hispanic
- 40% or more White, not Hispanic

N

TEXAS HOUSERS

Souce: 2014-2018 ACS; HUD (LIHTC from 7/2019); (Multifamily from 3/2019); (Public Housing from 7/2019); NHGIS and IPUMS



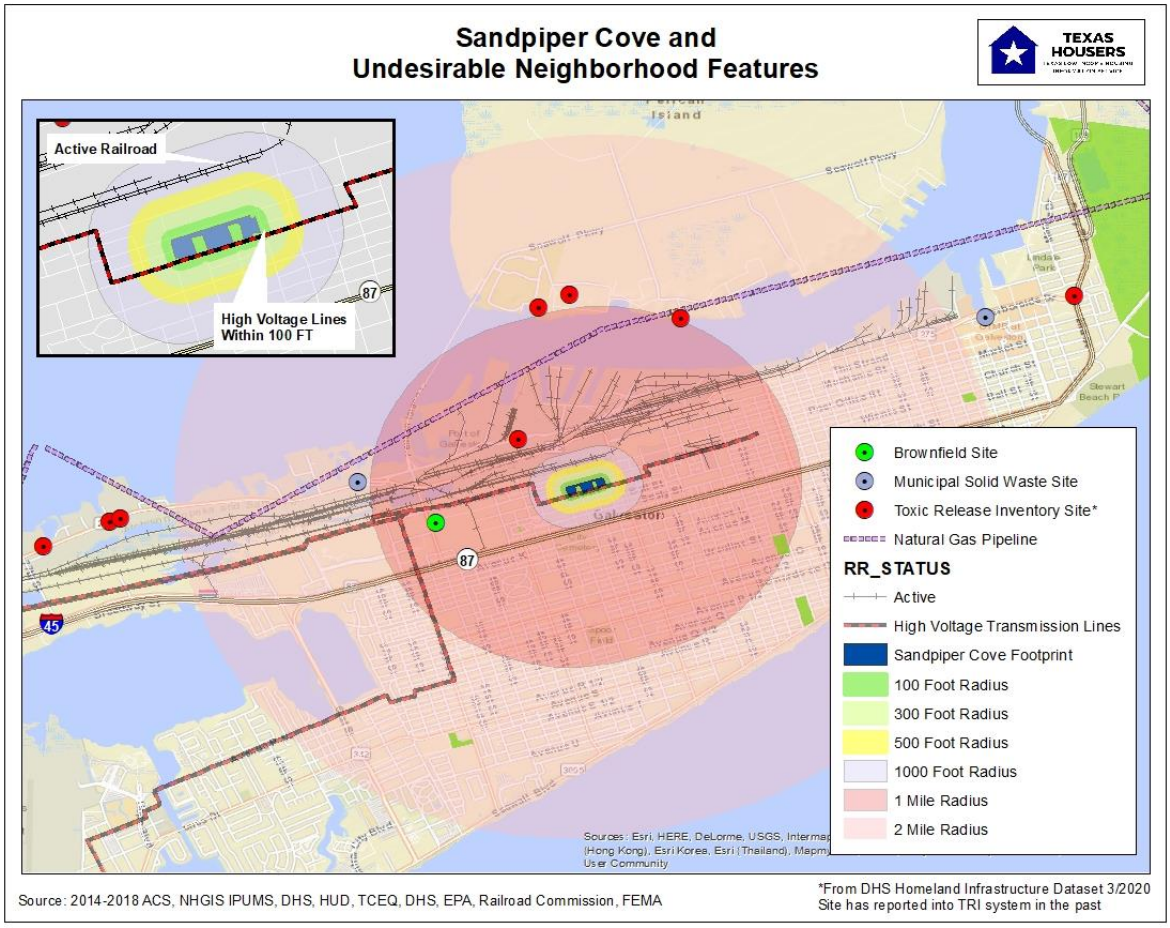

**IV. Undesirable Site Features**: From 10 TAC §11.101(a)(2)

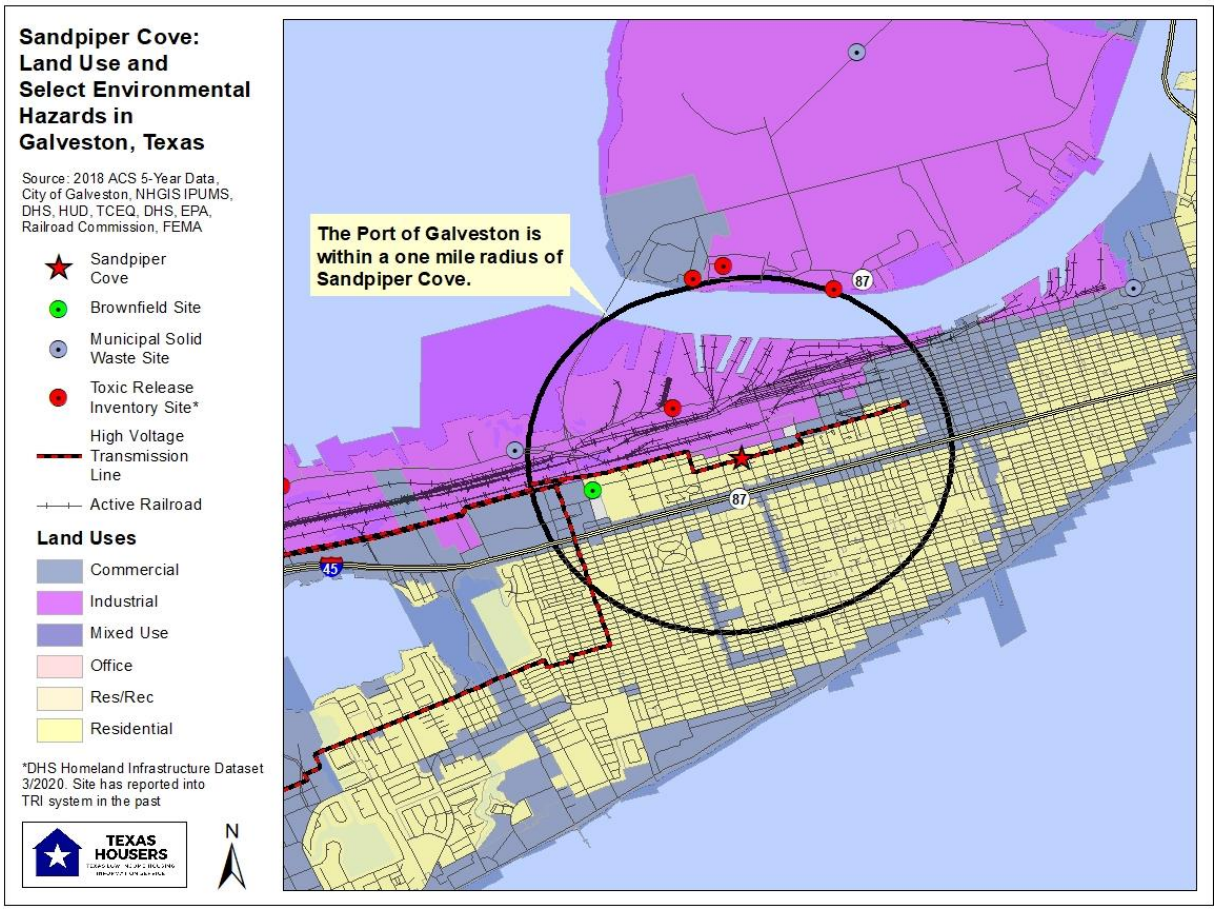
**Summary:** The table below shows the undesirable site features near Sandpiper Cove. The property is bordered by high voltage transmission lines (within 100 ft) and is within 1000 feet of a large railroad yard serving the Port of Galveston. The property borders a large industrial zone and the Port of Galveston. A map from "EJ Screen," an environmental justice tool created by the EPA, indicates that Sandpiper Cove residents face increased exposure to particulate matter pollution caused by diesel combustion and exposure to cancer causing chemicals in the air, likely due to close proximity to industrial facilities. According to the EPA, port operations are a major source of air pollution. Mobile sources at ports release pollutants including particulate matter (PM), nitrogen oxides (NOx), sulfur oxides (SOx), volatile organic compounds (VOCs) and air toxics."[1] Source of pollution include trucks, marine vessels, locomotives, and cargo handling equipment.

| Undesirable Site Feature | Feature Present (Y/N) | Description |
|---|---|---|
| **Within 300 ft of Junkyard** | **No** | No junkyard is within 300 ft |
| **Within 300 ft of Landfill:** Development Sites located within 300 feet of a solid waste facility or sanitary landfill facility or illegal dumping sites | **No** | No landfill is within 300 ft |
| **Within 300 ft of Sexually-Oriented Business** | **No** | No sexually-oriented businesses within 300 ft |

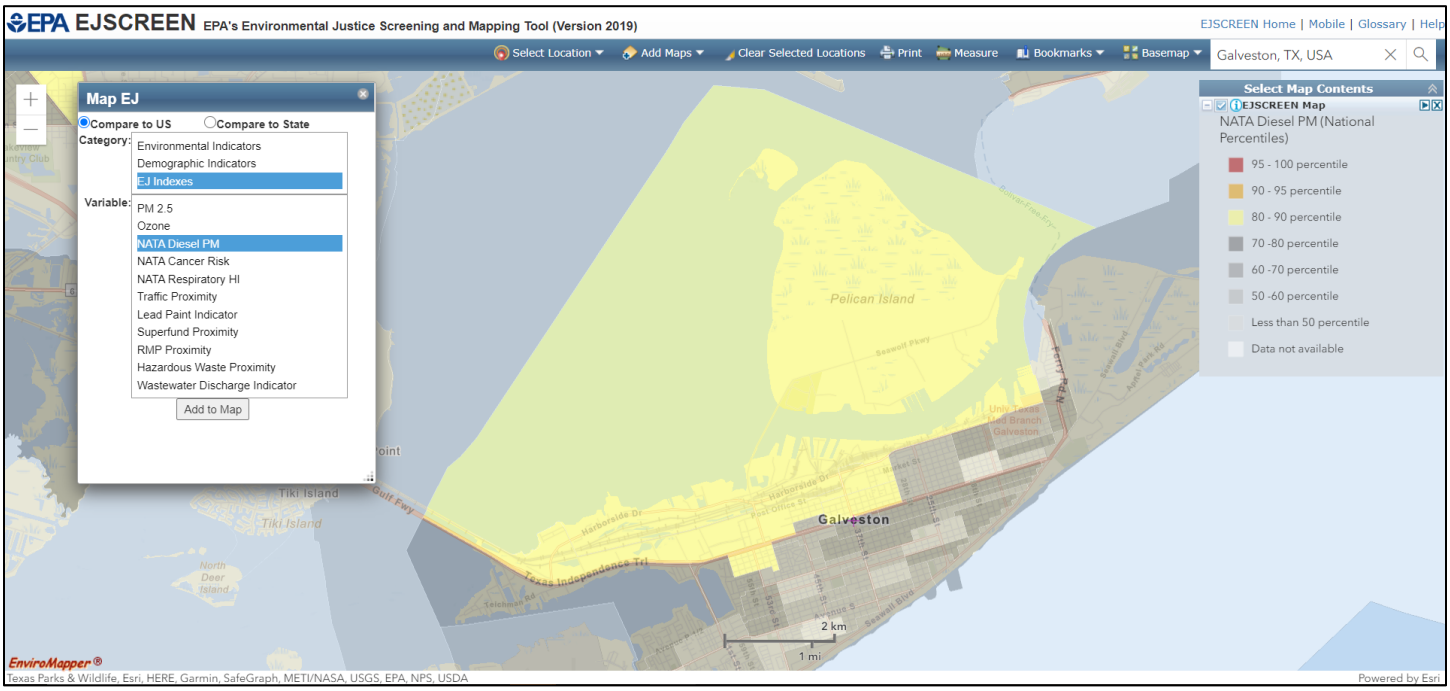
[1] Environmental Protect Agency, "Ports Primer: Environmental Impacts," Updated March 23, 2020. Retrieved from: https://www.epa.gov/community-port-collaboration/ports-primer-71-environmental-impacts#:~:text=Exposure%20to%20air%20pollution%20associated,children%2C%20the%20elderly%2C%20outdoor%20workers

| | | |
|---|---|---|
| **Within 100 ft of High Voltage Transmission Lines or Infrastructure** | **Yes** | High voltage transmission lines run along Winnie Street to the south of the property |
| **500 ft of active railroad tracks** that are not light/commuter rail, mitigated in accordance with HUD standards, or part of Railroad Quiet Zone | **No** | Although there are no active tracks within 500 feet, a large railroad yard serving the port is within 1000 feet. |
| **Within 500 feet of heavy industry** (i.e. facilities that require extensive use of land and machinery, produce high levels of external noise such as manufacturing plants, or maintains fuel storage facilities) | **No** | No heavy industry is within 500 ft |
| **Within 10 miles of nuclear plant** | **No** | Closest nuclear power plant 95 miles away |
| **Within accident potential zones or runway clearance zones of airport** | **No** | Galveston Airport 4.5 miles away |
| **Sites contains a pipeline containing highly volatile liquid above or underground** | **No** | A natural gas pipeline is within 2 miles |
| **Within 2 miles of refineries capable of refining more than 100,000 barrels of oil daily** | **No** | No refineries are within 2 miles |
| **Close to other hazardous risk factors that could adversely affect the health and safety of residents** | **Yes** | The property is within two miles of toxic release inventory sites and other environmental hazards at the Port of Galveston. Residents face increased exposure to particulate matter pollution caused by diesel combustion. According to the EPA, the tract's "EJ Index" for Diesel PM in the air is 81%, meaning that levels are higher than 81% of all other areas. The EJ Index percentile of Air Toxics Cancer is 85%. |



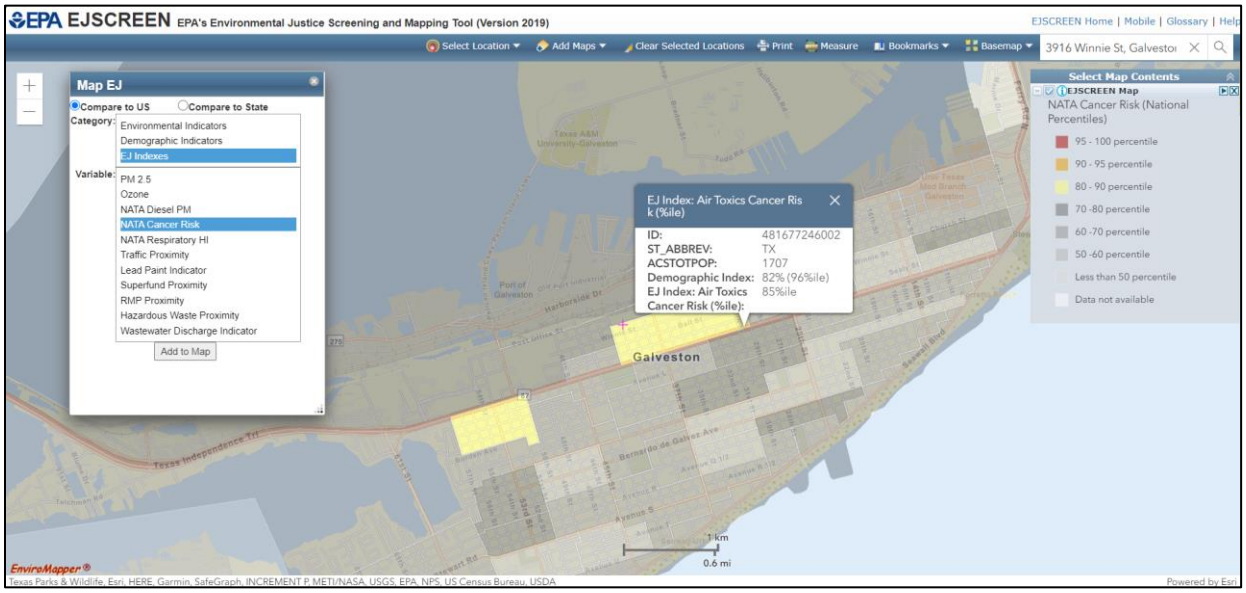



**EJ Screen: EJ Index Diesel PM (National Percentiles)**




See: Environmental Protection Agency, "EJ Screen," 2019. Retrieved from: https://ejscreen.epa.gov/mapper/

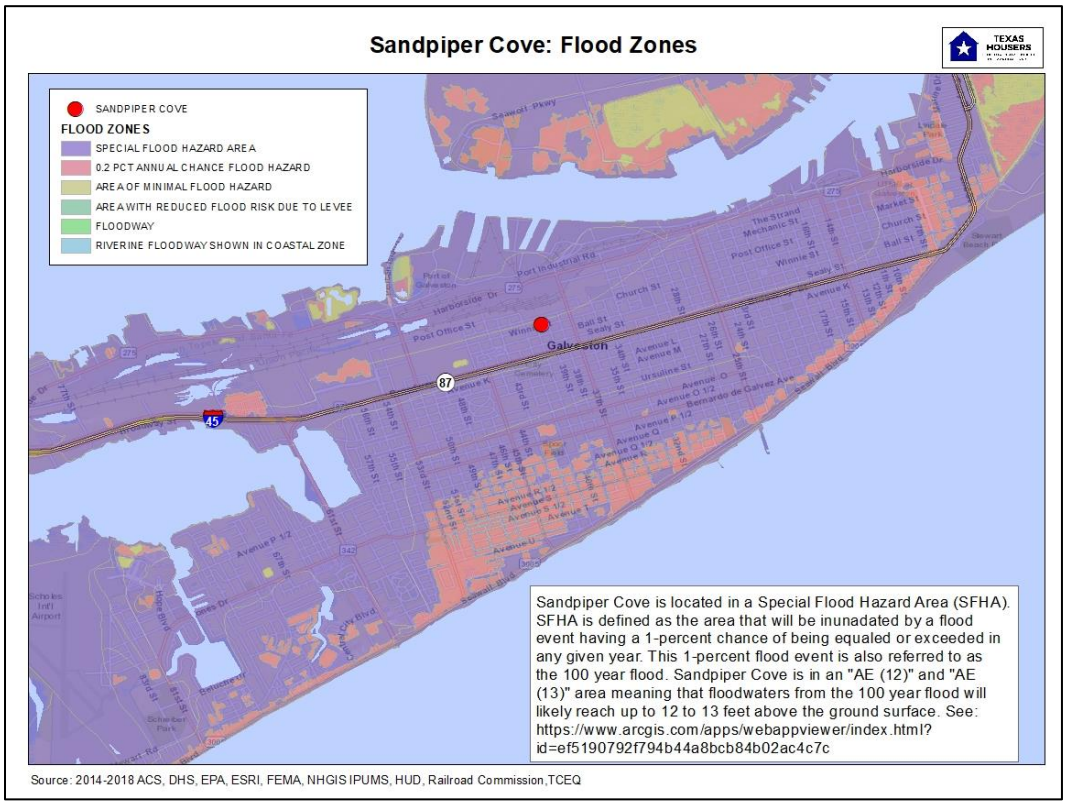
**EJ Screen: EJ Index Cancer Risk (National Percentiles)**

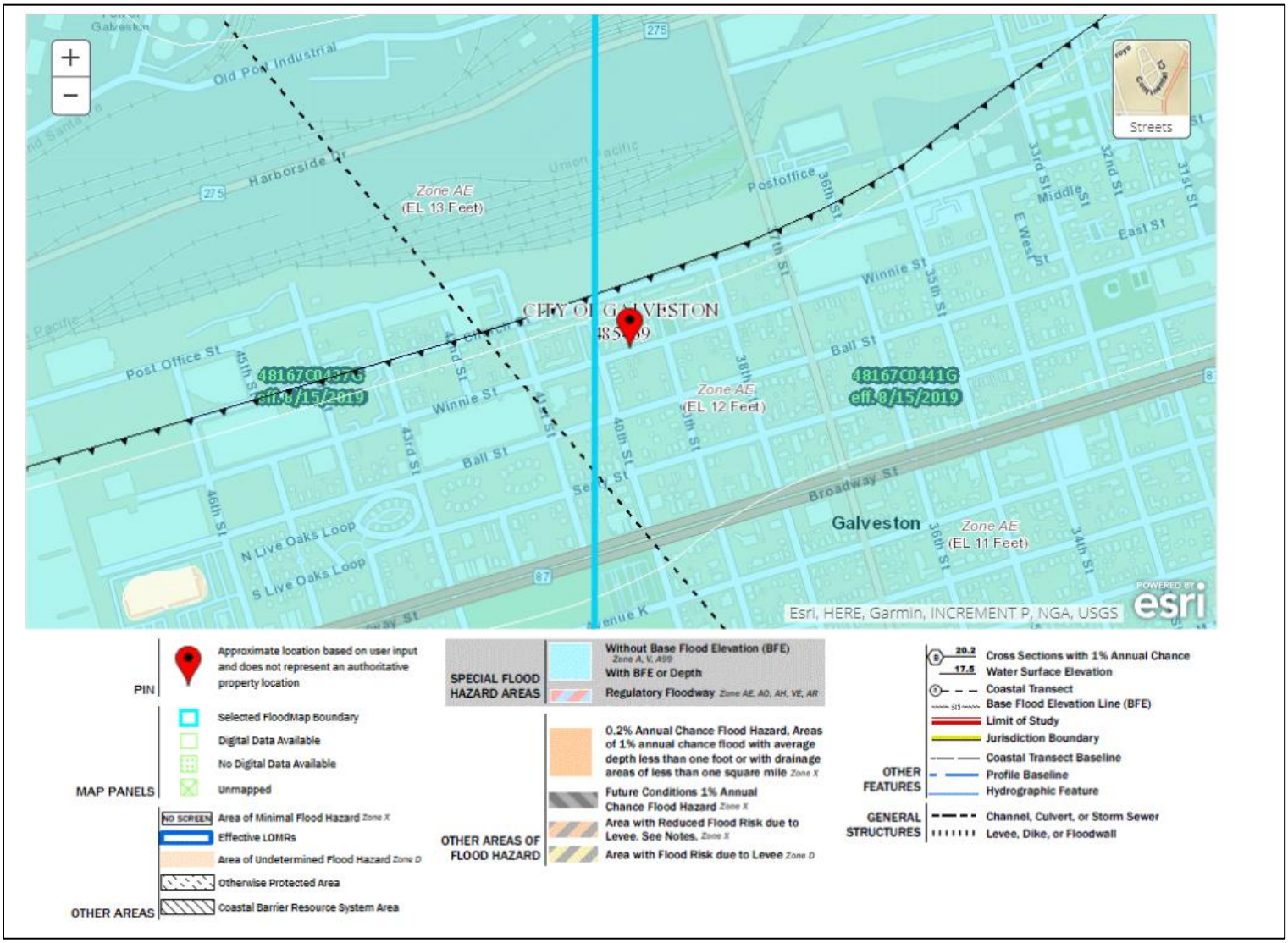



See: Environmental Protection Agency, "EJ Screen," 2019. Retrieved from: https://ejscreen.epa.gov/mapper/

**V. <u>Site in 100-year floodplain and "Special Flood Hazard Area"</u>:** From 10 TAC §11.101(a)(1)

Because the site is in a floodplain, Rule §11.101(a)(1) states that "the Site must be developed so that all finished ground floor elevations are at least one foot above the floodplain and parking and drive areas are no lower than six inches below the floodplain." Sandpiper Cove is in a Special Flood Hazard Area (SFHA). A SFHA is the area has a 1% percent change of being inundated by a flood event in any given year. This area is also known as the 100-year floodplain. Homes located in the SCHA have a 26% chance of suffering flood damage during a standard 30-year mortgage. Sandpiper Cove is in an "AE (12)" and "AE (13)" area meaning that floodwaters from the 100-year flood will likely reach up to 12 to 13 feet above the ground surface.






See: https://www.arcgis.com/apps/webappviewer/index.html?id=ef5190792f794b44a8bcb84b02ac4c7c

Tab II. Letter from Developer on 7.12.21

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3700 Buffalo Speedway, Suite 1010
Houston, TX 77098
**P:** 713.963.8660 **F:** 713.963.8164

July 12, 2021

Texas State Affordable Housing Corporation
Attn: Dave Danenfelzer, Senior Director, Development Finance
Via email: ddanenfelzer@tsahc.org
6701 Shirley Avenue
Austin, Texas 78752

Re: Compass Pointe Apartments (AKA Sandpiper Cove) Rehabilitation

Dear Mr. Danenfelzer,

First, ITEX wants to thank the TSAHC staff and board for their continued review and discussions of Compass Pointe Apartments (AKA Sandpiper Cove) (the "Development"). This letter is to provide further information and clarification.

We completely agree with Board of Director Lemuel Williams' statement at the June 9th board meeting, that the residents of the Development are in-fact the assets within the rehabilitation, and they come *first*. Our endeavor to secure the necessary financing for the Development revolves around the residents obtaining a better living situation than the one they currently face to allow them to thrive. Our goal with the rehabilitation is to preserve the sole Project-Based Rental Assistance development on Galveston Island in order for the residents the continued affordability and ability to remain on the Island. The loss of the Development would be a loss to the residents due to the lack of low-income housing on Galveston Island to support the loss of the units the residents currently live in.

**Residents Come First**

The residents deserve this long-awaited proposed rehabilitation. ITEX is the first to argue the Development needs a complete undertaking and overhaul to make this a great place for residents to live. This not only includes the rehabilitation of the site and buildings, but also includes fundamental programs afforded to the residents to change their lives for the better. Providing a safe, decent and sanitary place to live is one aspect that we fully intend to address, but the other aspect will be to provide programs that allow the residents to further better themselves within the community in which they live. ITEX has created a strong supportive services department that will provide these needed programs to the Development for the residents to utilize. Please see **Exhibit A** in regard to ITEX's supportive services and what has been accomplished thus far at our properties.

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On June 7th Loia Wilkerson, Director of Social Services at ITEX, met with 15 residents at the Development. After listening to the residents and observing the property, she determined the areas of highest priority would be nutrition, health, employment resources and safety.

Nutritional needs for the children will be met through federal feeding programs for children. Directly across the street on the west side of the Development is the Wright Cuney Community Center. The community center has a children's feeding program. ITEX staff met with the director of the center and confirmed they are willing to provide a feeding program for the Development. The community center's summer programs will be free to the Development's children Monday through Saturday 8 am to 5 pm. The community center provides free childcare, a structured play program and an arts and crafts program.

The seniors' nutritional needs would be met by not only Meals on Wheels but through senior food boxes provided through the Galveston County Food Bank. Seniors also have an option to attend the Seniors Services program through Parks & Cultural Services. Senior services can also provide planned trips to grocery stores and post office.

The health of the Development's residents remains a concern for Supportive Services. A partnership will be made with University of Texas Medical Branch - Galveston (UTMB) to provide monthly mobile medical units to allow the residents to receive their maintenance medications as well as treat minor health problems and make referrals to specialists or home health agencies as needed. Supportive Services would provide mobile COVID vaccinations as needed. Also, annual health fairs would be held so residents can be provided with the latest health education and resources.

Employment resources can begin immediately through ITEX's Aztec Software Program. Aztec Life Skills Programs allows a resident access with the community building's business center computers, as well as their home computers, laptops and handheld devices. Resume writing, interview skills, how to dress for an interview are a few of the class modules available on Aztec Software. Aztec is also a self-paced GED program with a 93% national passing rate. The residents would be able to work on their GED classes from their home as well. ITEX also partners with Texas Workforce Commission and can hold job fairs and seminars for the Development's residents.

Safety for the residents remains a matter which supportive services would need to partner with local law enforcement. Efforts have already begun to establish a police substation at the Development. This substation would encourage community policing and form grassroots relationships between the residents and law enforcement. Studies have shown community policing to be successful in high crime areas to deter crimes against persons and property.

ITEX strives to be forward-thinking in order to provide the best added benefits to the residents. Supportive Services goals are to have Diversity, Equity and Inclusivity. ITEX supportive service programs reflect this goal and will continue to *put Sandpiper Cove residents first.*

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**Real World Example**

A great example of what a major rehabilitation can do to elevate residents to a better standard of living is our Villa Americana development located at 5901 Selinsky Street in Houston, Texas. This was a crime ridden dilapidated 258-unit Project-Based Voucher development built in 1972. An ITEX affiliated entity acquired this development and rehabilitated it with over a $52M budget which was funded through tax exempt bonds and Low-Income Housing Tax Credits (LIHTC). Since the completion of the rehab in 2020, we've seen positive momentum with the residents, which is due in part to the rehab but also the supportive services aspect that has been implemented. The property has been providing the children lunches on a daily basis, and has partnered with the Boys and Girls Club, and approximately 30 to 40 children attend. There is a mentoring and tutoring program provided to the residents to help them obtain their GED. A religious group makes weekly visits to provide food to the seniors through its partnership with WalMart. Also, this group partners with Texas A&M to teach urban gardening to the residents. Security cameras have been installed, and off-duty police officers provide security on nights and weekend, all of which has allowed for a steady decline in the crime.

**Development Costs per Unit**

The Development's previous application to the Texas Department of Housing and Community Affairs (TDHCA) had a total cost of $13,074,164 for the site work and building cost of the rehabilitation, additionally there was $1,308,416 of hard cost contingency that was built-in for unforeseeable costs during the course of rehabilitation. The total of actual hard costs of rehabilitation in the TDHCA application was $14,382,580, or $74,909 a unit.

Due to not closing in April 2021 as previously planned, ITEX has utilized this additional time by continuing to investigate the Development in order to further fine-tune the scope of work and construction budget, as well as obtain hard bids from subcontractors. Some of the additional items that have been added include ensuring stair safety by providing proper handrails and enclosing the stair treads, scoping the underground utility lines which confirmed the need to replace the clay and cast-iron pipes, and incorporating AstroTurf in areas of the development that currently have asphalt to allow for more green areas.

Currently the hard cost scope of work, without the contractor's profit, overhead and general conditions, is $16,271,525, or $84,747 a unit. Of the hard cost total, $1,330,120, or $6,928 a unit, is for the flood wall. The total hard cost per unit without the flood wall is $77,819.

The current schedule of values can be found as **Exhibit B**. If TSAHC approves the new bond allocation for the Development, we'll be updating our previous application to TDHCA with their 2021 forms and will be including the increased costs for their approval.

Attached as **Exhibit C** is our current financial model, we respectfully ask that TSAHC staff utilize this information when updating their underwriting.

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**Relocation**

To date, the residents have received a General Information Notice (GIN) advising them of their rights if relocated. Several calls have been fielded from residents to explain the cost of relocation would be covered by the Development. If TSAHC's board was to approve our request for a new bond allocation, our next steps would be to hold a resident relocation meeting to provide additional information including our timeline to close and start rehabilitation, the construction phasing schedule, locations of where temporary relocation would be, confirmation the Development would cover the costs of relocation, and answer any other questions.

During the rehabilitation, the plan is to have three phases, each with two sub phases. Most residents at the Development will need to temporarily relocate off-site, whereas some residents may only need to move once into a newly rehabilitated unit. The number of residents that may only need to move into a newly rehabilitated unit will depend on how many vacant units construction will begin with. The vacant units will be based on the numbers of units J. Allen Property Management can be gained through attrition.

For the residents needing to temporary relocate off-site, the goal is to first utilize available housing within close proximity to the Development in order to disrupt the residents lives as little as possible. ITEX and our partners continue to review temporary relocation options within the vicinity of the Development. To secure specific locations, a closing date is needed to confirm availability within the surrounding areas and secure the units for the residents.

The temporary relocation of the residents will be in accordance with URA federal rules and regulations, as well as following all CDC, state and local prescribed rules and guidelines as they pertain to the COVID-19 Pandemic. This includes making sure all residents receive a 30-day notice, necessary packing materials, assistance packing when requested, a moving company to move them from the Development and back, along with paying for any necessary utility connection fees. The Development has a budget of $775,000 within the soft costs for these relocation expenses. We have hired a URA consultant, Development Resource Partners, who will be available for all the residents to consult with before, during, and after relocation.

The legal counsel for Texas Houser's on June 9th stated to the board they have identified locations where residents could move to if provided Housing Choice Vouchers. To ITEX's knowledge the availability of comparable units on Galveston Island is sparse and the funding for the relocation of the residents would be their own responsibility as we are not aware of any funding for relocation costs, which would be burdensome on low-income residents. If the TSAHC board approves the new bond allocation, the Development would cover the costs for the residents to temporarily relocate, and then permanently relocate into a rehabilitated unit at the Development.

Our goal is to make sure the temporary relocation is as minimally disruptive to the residents as possible.

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**Flood Wall**

It is worth noting that the Development sits four to five feet higher, depending on the location within the site, than the public streets that border the Development. Due to this, the streets flood long before the Development itself floods. A great example is Hurricane Harvey which resulted in no flood damage to the Development.

Attached as **Exhibit D** is a previously provided letter from Diamond Development Group, the architect, describing the flood mitigation along with their architectural drawing of the flood wall. This same drawing was submitted in our historic amendment to the State Historic Preservation Office (SHPO) to request their approval of the flood wall. On June 6, 2021 SHPO approved the amendment, inclusive of the flood wall, with no concerns or conditions. Please see **Exhibit E** for SHPO's approval. Currently the same amendment is with the National Park Service (NPS) for their review and approval. We expect to hear from NPS the week of July 9th.

Additionally, as part of a condition with TDHCA, the Development has certified it will be providing flood insurance coverage for the buildings and for the residents' personal property as long as the buildings remain in the floodplain.

**Historic Approval**

We have received confirmation from SHPO that the Development's National Register Nomination will be reviewed at the September State Review Board hearing, which is scheduled for September 18, 2021.

**Low Housing Inventory**

The award of Oleander Homes is great for Galveston Island and low-income residents, but it does not fulfill the dire needs of the Island. On June 8th, Mr. Raynold Richardson with Jeshurun Development spoke to Mr. Phillips, Intake Department at Galveston Housing Authority (GHA), and confirmed there are three large waiting lists for affordable housing totaling 3,852 units, below you will find the breakdown of each. Oleander Homes plans to accept Tenant Vouchers for 174 units, but this will not cover the 1,309 person Tenant Voucher Waiting list. The need for the Development's rehabilitation is still very much needed, to ensure the residents continue to have an affordable place to live on the Island.

1. Public Housing Waiting List – 1,583 individuals on this list.

2. Section 8 Project Based Waiting List (GHA only has 100 in their inventory) - 960 individuals on this list.

3. Section 8 Tenant Voucher Waiting List – 1,309 individuals on this list.

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**Relocating 15 PBRA units**

We have previously discussed with the advocacy groups and other community stakeholders the utilization of the HUD 8bb Program to reduce the number of PBRA contract units at the Development and relocate them within the City of Galveston. This is challenging due to the low housing stock, especially due to the size of the units, there are many 3, 4 and 5 bedroom units at the Development. We have done extensive research in regard to moving some of the units, even to our owned or affiliated properties within our development team, but none of the options have large 3, 4 and 5 bedroom units.

We believe a viable option is to have 15 units moved to other developments, including our affiliated developments, through the HUD 8bb Program. We, as the buyer, believe this is an amicable concession for the residents looking to relocate. Once rehabilitated, we know we will have a great asset, however in the interim this would also give more availability to units during our first phase of rehabilitation for construction to begin.

**Litigation**

HUD and Nixon Peabody, a well-known HUD attorney, on multiple phone conferences and letters have addressed the litigation and demonstrated that the lawsuit is not considered to have a negative impact on the financing of the Development or reason for court determination. Furthermore, HUD plans to respond in an additional letter that is forthcoming.

**Closing Timeline**

Assuming the bond allocation is approved by the TSAHC board on July 21, 2021, we plan to purchase the Development by August 13, 2021, ahead the financial closing. We expect the financial closing to occur within 90 days but no later than 180 days of the July Board meeting.

**Outcome without Funding**

The sad truth is if we are unable to obtain the bond allocation, and move forward with the financial closing of the rehabilitation, then the residents will be forced to remain in their current living conditions. The owner meets HUD's Housing Quality Standards (HQS). Although the owner may change, if there is no financing, then they'll resort to repairing the bare minimum to maintain the HQS to receive funding from HUD for the PBRA units. We do not want to see this happen, we want the residents to have a better and healthier living environment to allow them to enjoy living at the Development, which is what they deserve.

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Thank you for continuing to discuss Sandpiper Cove's rehabilitation with us. If you have any further questions or concerns, please do not hesitate to reach me at chris.akbari@itexgrp.com or at (409) 543-4465.

Sincerely,

DocuSigned by:
Christopher A. Akbari
CA72646D23AF4DF...

Christopher A. Akbari
CEO/President

Exhibit A

## Supportive Services

ITEX strives to provide superior supportive services to the residents who reside on all ITEX properties. Once residents' needs have been identified, the Supportive Services Department goes to work to create programs by searching local, state and federal resources to meet those needs. Supportive Services focuses on the following areas:

- Nutrition
- Health
- Social
- Employment Resources
- Education/GED Program
- After School Programs
- Teen Mentoring
- Safety
- Financial Planning

## Nutrition

Part of the Nutritional Programming is provided by USDA federal feeding programs. All ITEX properties have much needed feeding programs for children and seniors. During the school year, the children receive an afternoon snack as well as a dinner, juice and milk daily. During the summer months, the children receive a lunch and afternoon snack, juice and milk for the day. During the pandemic, ITEX has had ongoing feeding programs for all ITEX properties for the children.

Senior Properties nutritional needs are met through partnerships with Meals on Wheels, Momma's Meals, Senior Food Boxes from the local food banks, HEB Community Feeding Program and ITEX sponsored dinners and social events. At the height of the pandemic last summer, ITEX was feeding approximately 9,000 meals a week. Once the children returned to school, ITEX provided 14,500 meals during the spring school semester.

Every Thanksgiving, ITEX provides full Thanksgiving home cooked meals to every senior on ITEX senior properties. Although the COVID-19 pandemic was still

effecting our country in November 2020, ITEX provided 1,189 Thanksgiving Meals to ITEX seniors.

ITEX was also able to partner with HEB and provide 814 additional Thanksgiving meals and 814 Christmas Dinners to our senior residents on ITEX properties.

ITEX has partnered with Texas A&M AgriLife to teach gardening and nutritional food preparation. ITEX is growing this relationship and beginning in July 2021, ITEX and Texas A&M AgriLife will begin hosting "Family Chopped" Competitions. Families enter to participate. All families are given the same ingredients and encouraged to make a healthy family meal. Winners are awarded prizes purchased by ITEX. All equipment and food is supplied by Texas A&M AgriLife.

## Health

ITEX believes in providing our residents with the best educational health information as possible. One of ITEX partners include Riceland Health. In August of 2020, ITEX and Riceland partnered to provide Mobile COVID testing units which would came to ITEX properties to test residents and staff to help stop the spread of COVID-19. ITEX realized a vaccine was impending, and again partnered with Riceland Health in February 2021 to create Mobile COVID Vaccination units which came to ITEX properties to administer the vaccine to ITEX residents and staff. ITEX added an additional Mobile COVID Vaccination partner, Gulfcoast Health once vaccines were more readily available. To date, the Mobile COVID vaccinations units created by ITEX has provided vaccinations for 1,119 residents and staff.

ITEX has continued to partner with Riceland Health and Gulfcoast Health to provide Mobile Medical Units to ITEX Senior Properties. Our senior residents can receive their monthly maintenance medications by having their medical appointments on their chosen ITEX property. The assigned medical staff also performs house calls for those seniors who are homebound. ITEX will continue to grow this program and provide this service to our affordable family properties.

ITEX partners with all major health care companies such as Blue Cross Blue Shield, United Health Care, Cigna and Health Spring. These companies visit ITEX properties monthly and provide not only educational information regarding their health care

policies but the companies provide social activities such as bingo, ice cream socials and lunches.

ITEX also has Annual Health fairs in which ITEX invites local physician's offices, pharmacies, health care, home health and hospice companies to the properties to provide educational information. The residents also enjoy free giveaways and merchandise from the agencies which participate.

During the pandemic, ITEX recognized the need for mental health resources and partnered with United Health Care and OPTUM Health to create a hotline for residents to discuss any mental health issues they may be having. The hotline is still active and is available 24 hours a day for ITEX residents to access.

## Social

ITEX is a firm believer in creating a positive familial community on all ITEX properties. This is achieved through social events held in the community rooms on the properties. Some of the events the ITEX sponsors are monthly birthday parties for residents who have a birthday during that month, potluck dinners, new resident meet and greets, game days, holiday movie days and ice cream socials. ITEX sponsors holiday food events and encourage residents to participate.

## Employment Resources

ITEX has a partnership with the Texas Workforce Commission (TWC). TWC will come to ITEX properties and hold educational workshops on how to create a resume, how to job search online and have job fairs with employers searching to hire employees.

ITEX has also purchased Aztec Software. Aztec Software has Life Skills modules in which the residents can access through their home computers, laptops, computer centers on the property as well as their hand held devices.

## Educational/GED Programs

The Aztec Software also has a self-paced GED program the residents can participate in at no cost. The program has a national passing rate of 93% for those who participate in the program and pass the practice test. ITEX encourages all residents who need to obtain their GED to enroll in the program.

ITEX is proud every year to provide backpacks with grade appropriate school supplies to all children who reside on an ITEX property. This tradition was started by our founder, K.T. "Ike" Akbari. Ike was a supporter of education and hoped to encourage a child to pursue higher education. Last year ITEX provided 1,100 backpacks filled with supplies to the children residing on ITEX properties. This year Supportive Services estimates providing 1,500 backpacks to children.

## After School Programs

ITEX has targeted properties which are located in high crime areas and developed after school programs. One of the partnerships ITEX formed was with the Boys and Girls Club of Houston Morefield location. The Boys and Girls Club of Houston waived the membership fees for children residing on ITEX properties. The children can play, eat and receive tutoring in a safe environment at no cost to the families.

Two very successful after school programs are located at Garden at Cobb Park and Valley at Cobb Park in Fort Worth, Texas. The children are engaged from the time they get off the bus. They receive healthy food, tutoring, arts and crafts, social skills and proper supervision before they go to their homes. The program brings in Fire Fighters, Police Officers and EMT's to engage the children and encourage those relationships. The population at Garden and Valley are similar to the families residing at Sandpiper Cove. ITEX believes a successful after school program can be created and would be crucial to the well-being of the children residing there.

## ITEX Teen Mentoring Program

ITEX has hired David S. Yeager, PhD. Associate Professor University of Texas, to help ITEX design and implement a successful mentoring program for the teens who reside on ITEX properties. Dr. Yeager focuses on developmental, social, personality

and educational psychology. His interests are in understanding the processes shaping adolescent development, especially how differences in adolescents' social cognitions–their interpretations of social events and the beliefs that underlie these–can contribute to positive or negative trajectories for youth.

ITEX believes a successful teen mentoring program can help defeat generational poverty, promote educational excellence and encourage a child to find and follow their life's passion.

## Safety

ITEX recognizes the need for its residents to live and grow their families in a safe environment. ITEX has formed partnerships with local law enforcement agencies to develop neighborhood watch programs as well as community policing programs. At Canaan Village, ITEX has a newly created Police Hub where roll call is performed during the day. There are also bicycle officers which are assigned to hub which provide a friendly method to police the property and community at large. This hub was achieved through a grant received from the Department of Justice. Part of the grant was for the creation of the hub as well as a state of the art media room for the residents. Additional element of the grant was for security cameras to be placed in high crime areas in the Allendale area of Shreveport, Louisiana. The cameras are monitored by the hub located at Canaan Village. The hub opened in February 2021 and ITEX is waiting for the community crime quarterly statistics for the area for comparison to previous quarters to determine the hub's effectiveness.

ITEX believes it is essential to have partnerships with local law enforcements to provide the safety possible environment for its residents.

## Financial Planning

ITEX partners with local banking institutions, financial planners and tax specialists to provide financial planning and counseling for our residents. Some of the curriculum includes how credit works, how to buy a home, how to open a bank account and how to create and maintain a monthly budget. ITEX feels it is important to offer financial education to residents to overcome generational

poverty, to encourage financial independence from entitlements and change a resident's perception of their own personal finances.

## Senior Community Service Employment Program (SCSEP) through National Institute on Aging

The SCSEP is a new program to ITEX. The SCSEP is a work training program for seniors 55 and up. This program allows seniors to work and earn an income while learning valuable work skills. Participants in the program are allowed to work part time and earn minimum wage. The earned wage is not counted as income as it is a work training program and does not affect their social security or other benefits. The seniors learn computer skills, marketing and event planning. ITEX will continue to grow this program and recruit seniors from Affordable properties as well as Senior properties.

## Summary

In conclusion, ITEX's expectation of providing forward-thinking supportive services has helped offer our residents a safe, healthy and happy community environment. ITEX Supportive Services continues to welcome daily challenges to create the innovated programs for its residents. Supportive Services is solidly encouraged by ITEX executive team to have the best programming for ITEX residents which is demonstrated by its financial support of the programs. ITEX Supportive Services is proud to continue to be inventive and provide state-of-the-art programs for ITEX residents.

Exhibit B

**Sandpiper Cove Apartment Renovations**
**The ITEX Group LLC | 9 Greenway Plaza, Suite 1250 | Houston, Texas 77046**

| | | | |
|---|---|---|---|
| **166,694** | sf | **482** | **Bedrooms** |
| **192** | units ea | **192** | **Bathrooms** |
| | parks | **181** | **Regular Units** |
| **7.8** | acres | **11** | **ADA Units** |

| | | | | |
|---|---|---|---|---|
| | **PROJECT TOTAL** | | **$** | **19,061,447** |
| | | | | **Notes** |
| **DIVISION 2** | **DIRECT LABOR & DEMO COSTS** | | | |
| 01 7423 | Final Cleaning | | $ 58,343 | |
| 02 4200 | Removal & Recycling of Materials | | $ 150,000 | |
| 02 4119 | Selective Demolition & Make Ready | | $ 161,185 | |
| 02 8213 | Mold-Lead-Asbestos Removal | | $ 789,354 | |
| **DIVISION 31 0000 EARTHWORK** | | | | |
| 31 3116 | Termite Control | | $ 17,560 | |
| | Polution Prevention Plan | | $ 12,000 | |
| **DIVISION 32 0000 EXTERIOR IMPROVEMENTS** | | | | |
| 32 3300 | Site Furnishings - Rec Equipment | | $ 48,420 | |
| 32 1219 | Asphalt Overlay | | $ 214,901 | |
| 32 1723 | Paving Markings | | $ 15,333 | |
| 32 8001 | Irrigation Sleeving | | $ - | Included in 32 9000 |
| 32 8000 | Irrigation | | $ - | Included in 32 9000 |
| 32 9000 | Landscape & Irrigation | | $ 279,760 | |
| 32 3000 | Site Fencing & Gates | | $ 161,037 | |
| 32 3200 | Flood Wall | | $ 1,330,120 | |
| | Grass Turf | | $ 50,000 | |
| **DIVISION 33 0000 UTILITIES** | | | | |
| 33 1100 | Site Utilities | | $ 610,260 | |
| **DIVISION 03 3000 CONCRETE** | | | | |
| 32 1313 | Site Concrete with CIP Below | | $ - | Included in 03 3000 |
| 03 3000 | Cast-in-Place Concrete | | $ 269,000 | |
| | Dumpster Enclosures | | $ 65,971 | |
| **DIVISION 4 MASONRY** | | | | |
| 04 2000 | Unit Masonry | | $ 108,632 | |
| **DIVISION 5 STRUCTURAL & MISC METALS** | | | | |
| 05 1200 | Structural Steel | | $ 53,800 | |
| 05 5000 | Metal Fabrications | | $ - | Included in 05 5100 |
| 05 5100 | Steel Stairs | | $ 247,500 | |
| 05 5214 | Metal Handrails & Railings | inc. in Steel Stairs | $ - | Included in 05 5100 |
| 05 5500 | Steel Erection (with 05 1200) | | $ - | Included in 05 5100 |
| **DIVISION 6 - WOOD & PLASTIC** | | | | |
| 06 1000 | Rough Carpentry, Framing Materials | | $ 351,504 | |
| 06 1001 | Rough Carpentry, Framing Labor | | $ - | Included in 06 1000 |
| 06 1753 | Wood Trusses & Glue lams | | $ - | Included in 06 1000 |
| 06 2200 | Trim Carpentry & Archt Woodwork | | $ 237,581 | |

| | | | | | |
|---|---|---|---|---|---|
| **DIVISION 7 MOISTURE PROTECTION** | | | | | |
| 07 1300 | Waterproofing | | $ | 16,140 | |
| 07 9000 | Flood Proofing | | $ | 150,000 | |
| 07 2100 | Building Insulation | | $ | 76,934 | |
| 07 3100 | Roofing - TPO | | $ | 762,809 | |
| 07 6200 | Sheetmetal Flashing | | $ | - | Included in 07 3100 |
| 07 7200 | Roof Specialties & Accessories | | $ | - | Included in 07 3100 |
| 07 4243 | Cementicious Flat Panels System | | $ | 161,400 | |
| 07 4747 | Fiber Cement Siding | | $ | - | Included in 07 4243 |
| 07 1230 | Gutters & Downspouts | | $ | 58,642 | |
| **DIVISION 8 DOORS, WINDOWS AND GLASS** | | | | | |
| 08 1410 | Doors & Frames | | $ | 408,880 | |
| 08 7100 | Hardware | | $ | 287,817 | |
| 08 5000 | Vinyl Windows | | $ | 16,140 | |
| 08 4110 | Glass Storefront & Glazing | | $ | 38,195 | |
| 08 4100 | Re-Glazing | | $ | 10,000 | |
| 08 8300 | Mirrors w/glass storefront above | | $ | 23,001 | |
| | Knox Box Allowance - $500/ea installed | | $ | 1,500 | |
| **DIVISION 9 FINISHES** | | | | | |
| 09 2000 | Drywall - Gypsum Board | | $ | 800,544 | |
| 09 3000 | Ceramic Tiling | | $ | 101,338 | |
| 09 6000 | Resilient Flooring | | $ | 573,508 | |
| 09 6800 | Carpeting | | $ | - | No carpet shown on plans in units |
| 09 9000 | Painting-Interior | | $ | 516,480 | |
| 09 9000 | Painting-Exterior | | $ | 140,738 | |
| **DIVISION 10 SPECIALITIES** | | | | | |
| 10 2000 | Toilet Partitions/ Toilet Accessories | | $ | 15,064 | |
| 10 1400 | Signage | | $ | 22,855 | |
| 10 5220 | Fire protection Specials | | $ | 538 | |
| 10 5500 | Mailboxes | | $ | 24,000 | |
| 10 7000 | Wire closet shelving | | $ | - | Included in 06 2200 |
| **DIVISION 11 EQUIPMENT** | | | | | |
| 11 4510 | Residential Appliances | | $ | 420,320 | |
| 11 6000 | Athletic & Recreational Equipment | | $ | - | |
| **DIVISION 12 FURNISHINGS** | | | | | |
| 12 3560 | Residential Casework | | $ | 422,352 | |
| 12 3640 | Stone Countertops | | $ | 385,148 | |
| 12 4910 | Window Treatments | | $ | 37,660 | |
| **DIVISION 21 Fire Suppression** | | | | | |
| 21 1000 | Fire Sprinkler System | | $ | 993,751 | |
| **DIVISION 22 PLUMBING** | | | | | |
| 22 0000 | Plumbing | | $ | 987,230 | |
| | Cast Iron | $ 525,000.00 | $ | 577,500 | |
| | Clay Pipe | | $ | 79,200 | |
| | Scoping of Pipe | | $ | 20,000 | |
| **DIVISION 23 HVAC & HEATING** | | | | | |
| 23 0000 | HVAC | | $ | 852,747 | Hard Number |
| **DIVISION 26 ELECTRICAL** | | | | | |
| 26 0000 | Electrical | | $ | 1,458,488 | |
| 26 5100 | Lighting Fixtures | | $ | - | Included in 26 0000 |

| | | | | |
|---|---|---|---|---|
| **DIVISION 27 COMMUNICATIONS** | | | | |
| | with electrical | | | Included in 26 0000 |
| | | | | |
| **DIVISION 28 ELECTRONIC SAFETY & SECURITY** | | | | |
| 27 1000 | Low Voltage - Telecom Only incl in electrical | $ | - | Included in 28 2000 |
| 28 2000 | Electronic Surveillance - Cameras/Recorder | $ | 75,000 | |
| 28 4000 | Access Control | $ | - | Included in 28 2000 |
| 28 8000 | Secuity/Automation Systems - Clubhouse Only | $ | - | Included in 28 2000 |
| 28 3100 | Fire Alarm System | $ | 278,000 | |
| | | | | |
| **OFFICE/CLUBHOUSE** | | | | |
| | Office/Clubhouse Renovation | $ | 245,345 | |
| | | | | |
| | | | | |
| **RAW SUBTOTAL - COST** | | **$** | **16,271,525** | |
| 6% | Profit | $ | 976,292 | |
| 2% | Overhead | $ | 325,431 | |
| 6% | General Conditions | $ | 976,292 | |
| **SUBTOTAL** | | **$** | **18,549,539** | |
| Development | Building Permit | $ | - | |
| Development | Impact Fees | $ | - | |
| Development | With Plumber - City Tap Fees | $ | - | |
| Development | NONE - City Meter Fees | $ | - | |
| Development | Power Company Fees | $ | - | |
| | Textura Cloud Services | $ | 56,386 | |
| | | | | |
| Development | Builder's Risk Insurance (at $10.40/1000) | $ | 192,915 | |
| | General Liability Insurance (at $6.50/1000) | $ | 120,572 | |
| | Bonding | $ | 142,035 | |
| | | | | |
| | Contingency | $ | - | |
| | | | | |
| **PROJECT TOTAL COST** | | **$** | **19,061,447** | |

Exhibit C

**Development Schedule**

**Sandpiper Cove**
**0**

**Galveston 3916 Winnie Street, LP**
7/7/2021
2:40:02 PM

Project Summary 2:40:02 PM

| Project Information | | | | Site Breakdown | | Project Schedule | |
|---|---|---|---|---|---|---|---|
| Property Name | Sandpiper Cove | | | Unit Per acre | 95.00 | Closing Date | 10/31/2021 |
| Location | | | | Commercial % | | Const. Start | 10/31/2021 |
| Census Tract | 135.21 | | | Number of Units | 192.00 | Const. Term | 12.00 |
| County | Texas | High Cost Area Adjustment | YES | Number of Floors | 3.00 | Const. Completion | 10/31/2022 |
| Owner | Galveston 3916 Winnie Street, LP | | | Rentable Sqft | 157,552 | Stabilization Term | 3.00 |
| GP | Galveston 3916 Winnie Street GP, LLC | | | Comm+Office Sqft | | Unit Cert Start Date | 10/31/2022 |
| Developer | Galveston 3916 Winnie Street Developer, LLC | | | Non-Rentable sqft | 31,510 | Stabilization Date | 1/31/2023 |
| Property Size | 6.00 //Acres | | | Total Sqft | 189,062 | Hold | 15 Years |
| Total Developmer | 16,728,500 | $ 87,128 per unit | 106.18 | per sqft | | | |

| Unit Type | MF Direct Loan Units (HOME Rent/Inc) | State HTF Units | Unit Type | Other/ Subsidy | # of Units | # of Bed-rooms | # of Baths | Unit Size (Net Rentable Sq. Ft.) | Total Net Rentable Sq. Ft. | Program Rent Limit | Tenant Paid Utility Allow. | Rent Collected /Unit | Total Monthly Rent |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TC 60% | | | | HAP | 9.00 | 1 | | 576.00 | 5,184 | 999 | 84 | 915 | 8,235 |
| TC 60% | | | | HAP | 1.00 | 1 | | 675.00 | 675 | 999 | 84 | 915 | 915 |
| TC 60% | | | | HAP | 87.00 | 2 | | 720.00 | 62,640 | 1,242 | 122 | 1,120 | 97,440 |
| TC 60% | | | | HAP | 5.00 | 2 | | 742.00 | 3,710 | 1,242 | 122 | 1,120 | 5,600 |
| TC 60% | | | | HAP | 61.00 | 3 | | 904.00 | 55,144 | 1,510 | 120 | 1,390 | 84,790 |
| TC 60% | | | | HAP | 3.00 | 3 | | 943.00 | 2,829 | 1,510 | 120 | 1,390 | 4,170 |
| TC 60% | | | | HAP | 23.00 | 4 | | 1,038.00 | 23,874 | 1,745 | 170 | 1,575 | 36,225 |
| TC 60% | | | | HAP | 1.00 | 4 | | 1,140.00 | 1,140 | 1,745 | 170 | 1,575 | 1,575 |
| TC 60% | | | | HAP | 1.00 | 5 | | 1,129.00 | 1,129 | 1,900 | 200 | 1,700 | 1,700 |
| TC 60% | | | | HAP | 1.00 | 5 | | 1,227.00 | 1,227 | 1,900 | 200 | 1,700 | 1,700 |
| | | | TOTAL | | 192 | | | | 157,552.00 | $ 1,262.24 | | | 242,350 |

| | | | | |
|---|---|---|---|---|
| Non Rental Income | $20.00 | per unit/month for: | | 3,840 |
| Non Rental Income | $0.00 | per unit/month for: | | |
| Non Rental Income | $0.00 | per unit/month for: | | |
| + TOTAL NONRENTAL INCOME | $20.00 | per unit/month | | 3,840 |
| = POTENTIAL GROSS MONTHLY INCOME | | | | 246,190 |
| - Provision for Vacancy & Collection Loss | | | % of Potential Gross Income: 7.50% | 18,464 |
| - Rental Concessions | | | | |
| = EFFECTIVE GROSS MONTHLY INCOME | | | | 227,726 |
| x 12 = EFFECTIVE GROSS ANNUAL INCOME | | | | 2,732,709 |

**Development Cost Summary** **Units:** **192.00**

**Project: Sandpiper Cove**

Gross Square Feet 189,062 **7/7/2021**

| | | Total Cost | Depreciable Cost | Qualified Basis HTC | Cost Per Unit | Cost Per SqFt |
|---|---|---|---|---|---|---|
| **ACQUISITION** | | | | | | |
| Site acquisition cost | | $ 1,960,924 | | | $ 10,213.15 | $ 12.45 |
| Existing building acquisition cost | | $ 14,174,061 | $ 14,174,061 | | $ 73,823 | $ 90 |
| **Subtotal Acquisition Cost** | | **$ 16,134,985** | **$ 14,174,061** | | **$ 84,036** | **$ 102.41** |
| **OFF-SITES** | | | | | | |
| **Subtotal Off-Sites Cost** | | **$ -** | **$ -** | | **$ -** | **$ -** |
| **SITE WORK** | | | | | | |
| **Subtotal Site Work Cost** | | **$ -** | **$ -** | | **$ -** | **$ -** |
| **SITE AMENITIES** | | | | | | |
| **Subtotal Site Amenities Cost** | | **$ -** | **$ -** | | **$ -** | **$ -** |
| **BUILDING COSTS*:** | | | | | | |
| Off-Site work | | $ 10,000 | | | $ 52 | $ 0.06 |
| Site Work | | $ 1,871,895 | $ 1,871,895 | $ 1,497,516 | $ 9,749 | $ 11.88 |
| Site Amenities | | $ 539,825 | $ 539,825 | $ 431,860 | $ 2,812 | $ 3.43 |
| flood wall version | | $ 1,300,000 | $ 1,300,000 | $ 1,040,000 | $ 6,771 | $ 8.25 |
| ICON Construction Budget | | $ 12,549,805 | $ 12,549,805 | $ 10,039,844 | $ 65,364 | $ 79.66 |
| **Subtotal Building Costs** | | **$ 16,271,525** | **$ 16,261,525** | **$ 13,009,220** | **$ 84,748** | **$ 103.28** |
| **TOTAL BUILDING COSTS & SITE WORK** | | **$ 16,271,525** | **$ 16,261,525** | **$ 13,009,220** | **$ 84,748** | **$ 103.28** |
| **OTHER CONSTRUCTION COSTS** | | | | | | |
| Hard Cost Contingency | | $ 1,627,153 | $ 1,627,153 | $ 1,627,153 | $ 8,475 | $ 8.61 |
| General requirements (<6%) | 6.00% | $ 1,073,920 | $ 871,839 | $ 878,182 | $ 5,593.33 | $ 5.68 |
| Contractor overhead (<2%) | 2.00% | $ 357,973 | $ 290,613 | $ 292,727 | $ 1,864.44 | $ 1.89 |
| Contractor profit (<6%) | 6.00% | $ 1,073,920 | $ 871,839 | $ 878,182 | $ 5,593.33 | $ 5.68 |
| **Total Contract Fees** | | **$ 4,132,966** | **$ 3,661,444** | **$ 3,676,245** | **$ 21,525.86** | **$ 13.25** |
| **TOTAL CONSTRUCTION CONTRACT** | | $ 20,404,491 | $ 16,564,952 | $ 16,685,465 | $ 106,273 | $ 116.53 |
| | | | $ 105.14 | | | |
| **INDIRECT CONSTRUCTION COSTS** | | | | | | |
| Architectural - Design fees | | $ 134,200 | $ 134,200 | $ 107,360 | $ 699 | $ 0.71 |
| Architectural - Supervision fees | | $ 75,000 | $ 75,000 | $ 60,000 | $ 391 | $ 0.40 |
| Civil Engineering | | $ 20,000 | $ 20,000 | $ 16,000 | $ 104 | $ 0.11 |
| Tenant Relocation | | $ 775,000 | | | $ 4,036 | $ 4.10 |
| Interior Design | | $ 15,000 | $ 15,000 | $ 12,000 | $ 78 | $ 0.08 |
| Real estate attorney/other legal fees | | $ 120,000 | $ 120,000 | $ 96,000 | $ 625 | $ 0.63 |
| Accounting | | $ 45,000 | $ 45,000 | $ 36,000 | $ 234 | $ 0.24 |
| Impact Fees | | $ 55,000 | $ 55,000 | $ 44,000 | $ 286 | $ 0.29 |
| Building permits & related costs | | $ 30,000 | $ 30,000 | $ 24,000 | $ 156 | $ 0.16 |
| Appraisal | | $ 4,000 | $ 4,000 | $ 3,200 | $ 21 | $ 0.02 |
| Market analysis | | $ 3,500 | $ 3,500 | $ 2,800 | $ 18 | $ 0.02 |
| Environmental assessment | | $ 9,500 | $ 9,500 | $ 7,600 | $ 49 | $ 0.05 |
| Soils report | | $ 6,500 | $ 6,500 | $ 5,200 | $ 34 | $ 0.03 |
| Asbestos Survey & LBP Report Lead in Water, Mold & O&M | | $ 46,000 | $ 46,000 | $ 36,800 | $ 240 | $ 0.24 |
| Survey & Other Relating Things | | $ 50,000 | $ 50,000 | $ 40,000 | $ 260 | $ 0.26 |
| Construction Materials Testing | | $ 10,000 | $ 10,000 | $ 8,000 | $ 52 | $ 0.05 |
| Marketing | | $ 10,000 | | | $ 52 | $ 0.05 |
| Course of construction insurance | | $ 102,022 | $ 102,022 | $ 81,618 | $ 531 | $ 0.54 |
| Hazard & liability insurance | | $ 204,045 | $ 204,045 | $ 163,236 | $ 1,063 | $ 1.08 |
| Real property taxes | | $ 215,514 | $ 215,514 | $ 172,411 | $ 1,122 | $ 1.14 |
| FF&E | | $ 80,000 | $ 80,000 | $ 64,000 | $ 417 | $ 0.42 |
| PCA | | $ 2,550 | $ 2,550 | $ 2,040 | $ 13 | $ 0.01 |
| Historic Consultant | | $ 82,000 | $ 82,000 | $ 65,600 | $ 427 | $ 0.43 |
| Accessibility review | | $ 6,000 | $ 6,000 | $ 4,800 | $ 31 | $ 0.03 |
| Pre-con Work | | $ 17,200 | $ 17,200 | $ 13,760 | $ 90 | $ 0.09 |
| RCS | | $ 7,500 | $ 7,500 | $ 6,000 | $ 39 | $ 0.04 |
| Consultant | | $ 2,000 | $ 2,000 | $ 1,600 | $ 10 | $ 0.01 |
| Enity Formation | | $ 1,100 | $ 1,100 | $ 880 | $ 6 | $ 0.01 |
| Environmental Remediation | | $ 250,000 | $ 250,000 | $ 200,000 | $ 1,302 | $ 1.32 |
| Soft Cost Contingency | | $ 71,359 | $ 71,359 | $ 57,087 | $ 372 | $ 0.38 |
| **Subtotal Indirect Const. Cost** | | **$ 2,449,990** | **$ 1,664,990** | **$ 1,331,992** | **$ 12,760.37** | **$ 164.60** |

**Development Cost Summary** **Units:** **192.00**

**Project: Sandpiper Cove**

Gross Square Feet 189,062 **7/7/2021**

| | | Total Cost | Depreciable Cost | Qualified Basis HTC | Cost Per Unit | Cost Per SqFt |
|---|---|---|---|---|---|---|
| **DEVELOPER FEES** | | | | | | |
| Consultant | | $ 50,000.00 | $ 50,000.00 | $ 50,000 | $ 260.42 | $ 0.26 |
| Dev Fee for Acquisition Eligible Basis | | $ - | $ 2,076,109 | $ 2,076,109 | $ - | $ - |
| Developer Profit | 15.00% | $ 5,217,148 | $ 3,141,039 | $ 3,141,039 | $ 27,173 | $ 27.59 |
| **Subtotal Developer's Fees** | | **$ 5,267,148** | **$ 5,267,148** | **$ 5,267,148** | **$ 27,433** | **$ 27.86** |
| **FINANCING:** | | | | | | |
| **CONSTRUCTION LOAN** | | | | | | |
| Interest | | $ 1,661,258 | $ 1,661,258 | $ 1,661,258 | $ 8,652 | $ 8.79 |
| Construction Loan Origination Fee | | $ 361,000 | $ 361,000 | $ 361,000 | $ 1,880 | $ 1.91 |
| Title & recording fees | | $ 120,000 | $ 120,000 | $ 120,000 | $ 625 | $ 0.63 |
| Closing Costs | | $ 50,000 | $ 50,000 | $ 50,000 | $ 260 | $ 0.26 |
| Bank Legal Fees | | $ 60,000 | $ 60,000 | $ 60,000 | $ 313 | $ 0.32 |
| Inspection fees | | $ 30,000 | $ 30,000 | $ 30,000 | $ 156 | $ 0.16 |
| Bond Underwriter | | $ 54,300 | | | $ 283 | $ 0.29 |
| Trustee Fee | | $ 10,000 | | | $ 52 | $ 0.05 |
| Trustee Legal Fee | | $ 6,000 | | | $ 31 | $ 0.03 |
| Bond Fee | | $ 14,500 | | | $ 76 | $ 0.08 |
| Bond App Fee | | $ 9,000 | | | $ 47 | $ 0.05 |
| Performance bonds | | $ 255,056 | $ 255,056 | $ 255,056 | $ 1,328 | $ 1.35 |
| Down Date Endorsement | | $ 48,000 | $ 48,000 | $ 48,000 | $ 250 | $ 0.25 |
| Bond Council | | $ 125,000 | $ 125,000 | $ 125,000 | $ 651 | $ 0.66 |
| **PERMANENT LOAN(S)** | | | | | | |
| Loan origination fees | | $ 213,000 | | | $ 1,109 | $ 1.13 |
| Title & recording fees | | $ 15,000 | | | $ 78 | $ 0.08 |
| Application Fee | | $ 76,000 | | | $ 396 | $ 0.40 |
| Closing costs | | $ 15,000 | | | $ 78 | $ 0.08 |
| **OTHER FINANCING COSTS** | | | | | | |
| Tax credit fees (in so many dollars/unit) | | $ 65,000 | | | $ 339 | $ 0.34 |
| Bridge Loan Fees and Interest | | $ 197,767 | | | $ 1,030 | $ 1.05 |
| Tax Credit Investor Counsel | | $ 75,000 | | | $ 391 | $ 0.40 |
| TSAHC Financial Advisor | | $ 82,400 | | | $ 429 | $ 0.44 |
| Issuers Fee | | $ 76,250 | | | $ 397 | $ 0.40 |
| Issuers Counsel | | $ 30,000 | | | $ 156 | $ 0.16 |
| **Subtotal Financing Cost** | | **$ 3,649,532** | **$ 2,710,314** | **$ 2,710,314** | **$ 19,008** | **$ 19.30** |
| **RESERVES** | | | | | | |
| Rent-up | 1.00% | $ 200,000 | | | $ 1,042 | $ 1.06 |
| Operating | | $ 1,284,000 | | | $ 6,688 | $ 6.79 |
| **Subtotal Reserves** | | **$ 1,484,000** | **$ -** | **$ -** | **$ 7,729** | **$ 7.85** |
| **TOTAL HOUSING DEVELOPMENT COSTS** | | **$ 49,390,146** | **$ 40,381,466** | **$ 25,994,919** | **$ 257,240** | **$ 438.56** |

| Project: Sandpiper Cove | | | | UNITS 192 | | | |
|---|---|---|---|---|---|---|---|
| **Year 1 Annual Operating Expenses** | | | | Profroma | | | **Analysis Notes** |
| **General & Administrative Expenses** | | | | | | | |
| 1.00 | Accounting | | | $ | 10,000 | | |
| 2.00 | Advertising | | | $ | 5,243 | | |
| 3.00 | Legal fees | | | $ | 10,543 | | |
| 4.00 | Leased Equipment | | | $ | 1,500 | | |
| 5.00 | Postage & office supplies | | | $ | 10,187 | | |
| 6.00 | Telephone | | | $ | 10,527 | | |
| 7.00 | Other | Consulting, Contract Services, Membersheep Fees | | $ | | | |
| **Total General & Administrative Expenses:** | | | | | | **$ 48,000** | |
| 9 | Management Fee: | | | | 5.000% | 136,635 | |
| **Payroll, Payroll Tax & Employee Benefits** | | | | | | | |
| 10.00 | Management | | | $ | 91,952 | | Per Onsite Management |
| 11.00 | Maintenance | | | $ | 93,402 | | Per Onsite Management |
| 12.00 | Other | | 30.00% | $ | 23,586 | | Per Onsite Management |
| **Total Payroll, Payroll Tax & Employee Benefits:** | | | | | | **$ 208,940** | |
| **Repairs & Maintenance** | | | | | | | |
| 13.00 | Elevator | | | $ | - | | |
| 14.00 | Exterminating | | | $ | 5,135 | | |
| 15.00 | Grounds | | | $ | 18,926 | | |
| 16.00 | Make-ready | | | $ | 16,000 | | |
| 17.00 | Repairs | | | $ | 100,000 | | |
| 18.00 | Pool & Pond | | | $ | | | |
| 19.00 | Other | | | | | | |
| **Total Repairs & Maintenance:** | | | | | | **$ 140,061** | |
| **Utilities** | | | | | | | |
| 20.00 | Electric | | | $ | 29,115 | | |
| 21.00 | Natural gas | | | $ | 25,147 | **54,262** | |
| 22.00 | Trash | | | $ | 53,464 | | |
| 23.00 | Water & sewer | | | $ | 132,385 | | |
| 24.00 | Other | | | $ | - | | |
| **Total Utilities:** | | | | | | **$ 185,849** | |
| 25 | Annual Property Insurance: | | Rate per $100 value: | $ | 1.21 | 191,094 | |
| **Property Taxes:** | | | | | | | |
| | **Published Capitalization Ra** | **12.00%** | **Source:** | | **Mill Rate** | **$ 2.40** | |
| 26.00 | Annual Property Taxes: | | | $ | 215,514.08 | | |
| 27.00 | Payments in Lieu of Taxes: | | | $ | | | |
| 28.00 | Other Taxes | Describe | Franchise Tax | $ | | | |
| **Total Property Taxes:** | | | | | | **$ 215,514** | |
| Reserve for Replacements: | | | Annual reserves per unit: | $ | $ 300.00 | 57,600 | |
| **Other Expenses** | | | | | | | |
| 29.00 | TSAHC Issue Admin Fee | | | $ | 36,900 | | |
| 30.00 | TSAHC Fees | | | | 8,640 | | |
| 31.00 | Supportive service contract fees | | | $ | 5,000 | | |
| 32.00 | Compliance fees | | | $ | 7,680 | | |
| 33.00 | Security | | | $ | 55,288 | | |
| 34.00 | Other: Bond Trustee Fee | | | $ | 5,000 | | |
| | **Total Other Expenses:** | | | | | **$ 118,508** | |
| **TOTAL ANNUAL EXPENSES** | | 50% | **Expense per uni** | **$** | **7,065** | **1,356,466** | |
| **NET OPERATING INCOME (before debt service)** | | | | | | **1,376,243** | |
| **Annual Debt Service** | | | | | | | |
| | 1st | | | $ | 1,195,491.80 | | |
| | 2nd | | | $ | | | |
| | 3rd | | | $ | | | |
| **TOTAL ANNUAL DEBT SERVICE** | | | **Debt Coverage Rati** | | **1.15** | **1,195,492** | |
| **NET CASH FLOW** | | | | | | **180,751** | |

**Pro-Forma**

| Project: Sandpiper Cove | | | 2023 Year 1 | 2024 Year 2 | 2025 Year 3 | 2026 Year 4 | 2027 Year 5 | 2028 Year 6 | 2029 Year 7 | 2030 Year 8 | 2031 Year 9 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Proforma Market Rent Growth | | | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| **INCOME** | | | | | | | | | | | |
| POTENTIAL GROSS ANNUAL RENTAL INCOME | | | 2,908,200 | 2,966,364 | 3,025,691 | 3,086,205 | 3,147,929 | 3,210,888 | 3,275,106 | 3,340,608 | 3,407,420 |
| Secondary Income | | | 46,080 | 47,002 | 47,942 | 48,900 | 49,878 | 50,876 | 51,894 | 52,931 | 53,990 |
| POTENTIAL GROSS ANNUAL INCOME | | | **2,954,280** | **3,013,366** | **3,073,633** | **3,135,106** | **3,197,808** | **3,261,764** | **3,326,999** | **3,393,539** | **3,461,410** |
| Provision for Vacancy & Collection Loss | | 7.50% | (221,571) | (226,002) | (230,522) | (235,133) | (239,836) | (244,632) | (249,525) | (254,515) | (259,606) |
| Rental Conessions | | | | | | | | | | | |
| EFFECTIVE GROSS ANNUAL INCOME | | | **2,732,709** | **2,787,363** | **2,843,110** | **2,899,973** | **2,957,972** | **3,017,132** | **3,077,474** | **3,139,024** | **3,201,804** |
| **EXPENSES** | | | | | | | | | | | |
| General & Administrative Expenses | % | 3.00% | 63,429 | 65,332 | 67,292 | 69,311 | 71,390 | 73,532 | 75,738 | 78,010 | 80,350 |
| Management Fee | % | 5.00% | 136,635 | 139,368 | 142,156 | 144,999 | 147,899 | 150,857 | 153,874 | 156,951 | 160,090 |
| Payroll, Payroll Tax & Employee Benefits | % | 3.00% | 208,940 | 215,208 | 221,664 | 228,314 | 235,164 | 242,219 | 249,485 | 256,970 | 264,679 |
| Repairs & Maintenance | % | 3.00% | 140,061 | 144,263 | 148,591 | 153,048 | 157,640 | 162,369 | 167,240 | 172,257 | 177,425 |
| Electric & Gas Utilities | % | 3.00% | 54,262 | 55,890 | 57,567 | 59,294 | 61,072 | 62,905 | 64,792 | 66,735 | 68,737 |
| Water, Sewer & Trash Utilities | % | 3.00% | 185,849 | 191,424 | 197,167 | 203,082 | 209,175 | 215,450 | 221,913 | 228,571 | 235,428 |
| Annual Property Insurance Premiums | % | 3.00% | 191,094 | 196,827 | 202,732 | 208,814 | 215,078 | 221,530 | 228,176 | 235,022 | 242,072 |
| Property Tax | % | 3.00% | 215,514 | 221,979 | 228,639 | 235,498 | 242,563 | 249,840 | 257,335 | 265,055 | 273,007 |
| Reserve for Replacements | % | 3.00% | 57,600 | 59,328 | 61,108 | 62,941 | 64,829 | 66,774 | 68,777 | 70,841 | 72,966 |
| Other Expenses: | % | 3.00% | 118,508 | 122,063 | 125,725 | 129,497 | 133,382 | 137,383 | 141,505 | 145,750 | 150,122 |
| TOTAL ANNUAL EXPENSES | | | **1,371,893** | **1,411,683** | **1,452,640** | **1,494,798** | **1,538,192** | **1,582,859** | **1,628,836** | **1,676,162** | **1,724,877** |
| TOTAL NET OPERATING INCOME | | | **1,360,816** | **1,375,680** | **1,390,470** | **1,405,175** | **1,419,780** | **1,434,273** | **1,448,638** | **1,462,862** | **1,476,927** |
| **DEBT SERVICE** | | | | | | | | | | | |
| **1st Mortgage** | | | | | | | | | | | |
| Annual Loan Payment | | | 1,195,492 | 1,195,492 | 1,195,492 | 1,195,492 | 1,195,492 | 1,195,492 | 1,195,492 | 1,195,492 | 1,195,492 |
| First Deed of Trust Coverage Ratio | | | 1.14 | 1.15 | 1.16 | 1.18 | 1.19 | 1.20 | 1.21 | 1.22 | 1.24 |
| Cash Flow Remamining | | | 165,324 | 180,188 | 194,978 | 209,683 | 224,289 | 238,781 | 253,147 | 267,370 | 281,435 |
| **Deffered Developer Fee Payable** | | | | | | | | | | | |
| Beginning Balance DDF | | | **2,338,021** | 2,172,697 | 1,992,509 | 1,797,531 | 1,587,848 | 1,363,559 | 1,124,778 | 871,631 | 604,262 |
| Paid DDF | | | 165,324 | 180,188 | 194,978 | 209,683 | 224,289 | 238,781 | 253,147 | 267,370 | 281,435 |
| Ending Balance DDF | | | 2,172,697 | 1,992,509 | 1,797,531 | 1,587,848 | 1,363,559 | 1,124,778 | 871,631 | 604,262 | 322,827 |
| Cash Flow After Deffered Developer Fee's | | | - | - | - | - | - | - | - | - | - |

**Pro-Forma**

| Project: Sandpiper Cove | 2032<br>Year 10 | 2033<br>Year 11 | 2034<br>Year 12 | 2035<br>Year 13 | 2036<br>Year 14 | 2037<br>Year 15 |
|---|---|---|---|---|---|---|
| Proforma Market Rent Growth | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| **INCOME** | | | | | | |
| POTENTIAL GROSS ANNUAL RENTAL INCOI | 3,475,568 | 3,545,080 | 3,615,981 | 3,688,301 | 3,762,067 | 3,837,308 |
| Secondary Income | 55,070 | 56,171 | 57,295 | 58,441 | 59,609 | 60,802 |
| POTENTIAL GROSS ANNUAL INCOME | **3,530,638** | **3,601,251** | **3,673,276** | **3,746,741** | **3,821,676** | **3,898,110** |
| Provision for Vacancy & Collection Loss | (264,798) | (270,094) | (275,496) | (281,006) | (286,626) | (292,358) |
| Rental Conessions | | | | | | |
| EFFECTIVE GROSS ANNUAL INCOME | **3,265,840** | **3,331,157** | **3,397,780** | **3,465,736** | **3,535,050** | **3,605,751** |
| | | | | | | |
| **EXPENSES** | | | | | | |
| General & Administrative Expenses | 82,761 | 85,244 | 87,801 | 90,435 | 93,148 | 95,943 |
| Management Fee | 163,292 | 166,558 | 169,889 | 173,287 | 176,753 | 180,288 |
| Payroll, Payroll Tax & Employee Benefits | 272,619 | 280,798 | 289,222 | 297,898 | 306,835 | 316,040 |
| Repairs & Maintenance | 182,748 | 188,230 | 193,877 | 199,693 | 205,684 | 211,855 |
| Electric & Gas Utilities | 70,800 | 72,924 | 75,111 | 77,365 | 79,686 | 82,076 |
| Water, Sewer & Trash Utilities | 242,491 | 249,766 | 257,258 | 264,976 | 272,926 | 281,113 |
| Annual Property Insurance Premiums | 249,334 | 256,814 | 264,519 | 272,454 | 280,628 | 289,047 |
| Property Tax | 281,197 | 289,633 | 298,322 | 307,272 | 316,490 | 325,984 |
| Reserve for Replacements | 75,155 | 77,410 | 79,732 | 82,124 | 84,588 | 87,125 |
| Other Expenses: | 154,626 | 159,265 | 164,043 | 168,964 | 174,033 | 179,254 |
| TOTAL ANNUAL EXPENSES | **1,775,023** | **1,826,641** | **1,879,774** | **1,934,469** | **1,990,770** | **2,048,725** |
| TOTAL NET OPERATING INCOME | **1,490,817** | **1,504,516** | **1,518,006** | **1,531,267** | **1,544,281** | **1,557,026** |
| **DEBT SERVICE** | | | | | | |
| **1st Mortgage** | | | | | | |
| Annual Loan Payment | 1,195,492 | 1,195,492 | 1,195,492 | 1,195,492 | 1,195,492 | 1,195,492 |
| First Deed of Trust Coverage Ratio | 1.25 | 1.26 | 1.27 | 1.28 | 1.29 | 1.30 |
| Cash Flow Remamining | 295,326 | 309,025 | 322,514 | 335,775 | 348,789 | 361,534 |
| | | | | | | |
| **Deffered Developer Fee Payable** | | | | | | |
| Beginning Balance DDF | 322,827 | 27,501 | - | - | - | - |
| Paid DDF | 295,326 | 27,501 | - | - | - | - |
| Ending Balance DDF | 27,501 | - | - | - | - | - |
| Cash Flow After Deffered Developer Fee's | **-** | **281,524** | **322,514** | **335,775** | **348,789** | **361,534** |

Sandpiper Cove

Historic Credit Calculation 10/2/2020

UNITS Units 192

| | State Tax Credit Qualified Basis | Federal Tax Credit Qualified Basis |
|---|---|---|
| Project Eligible Basis | 25,994,919 | 25,994,919 |
| Tax Credit | 25% | 20% |
| Eligible Basis | $ 6,498,730 | 5,198,983.89 |
| Percentage | 99% | 95% |
| Adjusted Eligible Basis | | |
| Total Historic Credits | $ 6,433,742.56 | $ 4,939,034.69 |
| Tax Credit Rate | $ 0.93 | $ 0.80 |
| Estimated Syndication Net Proceeds | $ 5,983,381 | $ 3,951,228 |
| **TOTAL ESTIMATED SYNDICATION PROCEEDS** | | $ 9,934,608 |

| | |
|---|---|
| | $ 9,934,608 |
| | 1.3 |
| | 4.00% |
| | $ 516,599.63 |

Sandpiper Cove

TAX CREDIT PROCEEDS ESTIMATE 7/7/2021

UNITS Units 192

| | ACQUISITION ELIGIBLE BASIS | CONSTRUCTION ELIGIBLE BASIS |
|---|---|---|
| Project Eligible Basis | 16,250,170 | 19,446,936 |
| Threshold Limit Adjusted 221 (d)(3) Limit | 16,250,170 | 19,446,936 |
| Percent Restricted | 100% | 100% |
| Eligible Basis | $ 16,250,170 | $ 19,446,936 |
| Less Ineligible Amounts | $ - | |
| Voluntarily Reduction | $ - | 0 |
| Total Unadjusted Eligible Basis | $ 16,250,170 | $ 19,446,936 |
| High Cost Area Adjustment | 100% | 130% |
| Adjusted Eligible Basis | $ 16,250,170 | $ 25,281,017 |
| Applicable Fraction | 4.00% | 4.00% |
| Annual Tax Credits | 650,007 | 1,011,241 |
| Max Credit | | |
| Ten Year Nominal Value of Credits | $ 6,500,068 | $ 10,112,407 |
| Limited Partnership Interest | 99.99% | 99.99% |
| Limited Partner Credit Value | $ 6,499,418 | $ 10,111,396 |
| Tax Credit Rate | **$ 0.88** | **$ 0.88** |
| Estimated Syndication Net Proceeds | $ 5,719,488 | $ 8,898,028 |
| TOTAL ESTIMATED SYNDICATION PROCEEDS | | $ 14,617,516 |

**Permenant Loan #1**

| | | | |
|---|---|---|---|
| Projected NOI: | | | $ 1,360,813.67 |
| **Calculation of Max Debt** | | | |
| 1) Debt Load Based of Debt Service Coverage Ratio | | | |
| Max DSCR | 1.20 | | $ 21,300,000.00 |
| 2) Debt Load Based on Loan To Value | | | |
| Cap Rate | 5.00% | $ 27,200,000.00 | $ 24,500,000.00 |
| Loan To Value | 90% | | |
| Max Debt | | =MIN(F8,F6) | $ 21,300,000.00 |
| **Name of 1st Mortgage** | | | |
| **Principal** | $ 22,500,000 | | |
| **Basis** | 1.50% | | |
| **Libor 30 day** | 2.50% | Interest Only | Years |
| **Interest Rate** | 4.00% | | |
| **Amortization Period** | 35 | | |
| **Term** | 180 | | |
| **Beginning Month** | 12 | | |
| **Beginning Year** | 2023 | | |
| **Monthly Payment** | 99,624.32 | $ - | |
| **Annual Payment** | 1,195,492 | | |
| Balloon Term | 15 | 1-Dec-2038 | |

Amortization Schedule Table #2
Amortization Schedule Table #3
Construction Loan Schedule #1

**Construction Loan Schedule #1**

| | | | | | |
|---|---|---|---|---|---|
| Total Development Cost | | | | | $ 49,390,145.69 |
| **Calculation of Max Debt** | | | | | |
| 1) Construction Loan Based On Loan To Cost | | | | | |
| | | Loan To Value: | 82.00% | $ - | $ 40,500,000.00 |
| 2) Basis Test | | | | | |
| Total Basis | 40,381,466 | 98.35% | | | $ 39,715,494.50 |
| Max Debt | | | =MIN(Z6,Z8) | | $ 39,715,494.50 |
| **Name of Provider** | | | | | **Citi Tranche A** |
| **Total Loan Amount** | | | | | |
| Max Principal | | $ 22,500,000 | 55.72% | | |
| **Basis** | | | | | |
| **Libor 30 day** | | | | | |
| **Interest Rate** | | 4.0300% | | | |
| **Beginning Date** | | 10/31/2021 | | | |
| **Notes** | | | | | |
| **Months** | 18.00 | | | 75.53% | |
| | | | | 30,500,000 | |
| | | | | 40,381,466 | |

| Year | Payment | Principal | Interest | Ending Balance |
|---|---|---|---|---|
| 2023 | 1,195,492 | 1,120,491.80 | 75,000 | 21,379,508 |
| 2024 | 1,195,492 | 340,311.47 | 855,180 | 21,039,197 |
| 2025 | 1,195,492 | 353,923.93 | 841,568 | 20,685,273 |
| 2026 | 1,195,492 | 368,080.89 | 827,411 | 20,317,192 |
| 2027 | 1,195,492 | 382,804.12 | 812,688 | 19,934,388 |
| 2028 | 1,195,492 | 398,116.29 | 797,376 | 19,536,271 |
| 2029 | 1,195,492 | 414,040.94 | 781,451 | 19,122,231 |
| 2030 | 1,195,492 | 430,602.58 | 764,889 | 18,691,628 |
| 2031 | 1,195,492 | 447,826.68 | 747,665 | 18,243,801 |
| 2032 | 1,195,492 | 465,739.75 | 729,752 | 17,778,062 |
| 2033 | 1,195,492 | 484,369.34 | 711,122 | 17,293,692 |
| 2034 | 1,195,492 | 503,744.11 | 691,748 | 16,789,948 |
| 2035 | 1,195,492 | 523,893.88 | 671,598 | 16,266,054 |
| 2036 | 1,195,492 | 544,849.63 | 650,642 | 15,721,205 |
| 2037 | 1,195,492 | 566,643.62 | 628,848 | 15,154,561 |
| 2038 | 1,195,492 | 589,309.36 | 606,182 | 14,565,252 |
| 2039 | - | - | - | - |
| 2040 | - | - | - | - |
| 2041 | - | - | - | - |
| 2042 | - | - | - | - |
| 2043 | - | - | - | - |
| 2044 | - | - | - | - |
| 2045 | - | - | - | - |
| 2046 | - | - | - | - |
| 2047 | - | - | - | - |
| 2048 | - | - | - | - |
| 2049 | - | - | - | - |
| **Total** | **19,127,869** | **7,934,748** | **11,193,120** | |

Construction Loan Schedule #2

**Construction Loan Schedule #2**

| | | | | | |
|---|---|---|---|---|---|
| Total Development Cost | | | | | $ - |
| **Calculation of Max Debt** | | | | | |
| 1) Construction Loan Based On Loan To Cost | | | | | |
| | | Loan To Value: | 82.00% | $ - | $ - |
| 2) Basis Test | | | | | |
| Total Basis | 40,381,466 | 0 | | | $ - |
| Max Debt | | | =MIN(AH6,AH8) | | $ - |
| **Name of Provider** | | | | | **Citi Tranche B** |
| **Total Loan Amount** | | | | | |
| Max Principal | | $ 8,000,000 | | | $ 30,500,000 |
| **Basis** | | | | | |
| **Libor 30 day** | | | | | $ 36,100,000 |
| **Interest Rate** | | 2.9500% | | | |
| **Beginning Date** | | 10/31/2021 | | | |
| **Notes** | | | | | |
| **Months** | 18.00 | | | | |

| Month | % Draw | Principal | Accrued | Interest | Ending Balance |
|---|---|---|---|---|---|
| 10/31/2021 | 100.00% | 8,000,000 | 8,000,000 | 19,667 | 8,019,667 |
| 12/1/2021 | | - | 8,019,667 | 26,933 | 8,046,599 |
| 1/1/2022 | | - | 8,046,599 | 27,023 | 8,073,623 |
| 2/1/2022 | | - | 8,073,623 | 27,114 | 8,100,736 |
| 3/1/2022 | | - | 8,100,736 | 27,205 | 8,127,941 |
| 4/1/2022 | | - | 8,127,941 | 27,296 | 8,155,238 |
| 5/1/2022 | | - | 8,155,238 | 27,388 | 8,182,626 |
| 6/1/2022 | | - | 8,182,626 | 27,480 | 8,210,106 |
| 7/1/2022 | | - | 8,210,106 | 27,572 | 8,237,678 |
| 8/1/2022 | | - | 8,237,678 | 27,665 | 8,265,343 |
| 9/1/2022 | | - | 8,265,343 | 27,758 | 8,293,101 |
| 10/1/2022 | | - | 8,293,101 | 27,851 | 8,320,952 |
| 11/1/2022 | | - | 8,320,952 | 27,945 | 8,348,896 |
| 12/1/2022 | | - | 8,348,896 | 28,038 | 8,376,935 |
| 1/1/2023 | | - | 8,376,935 | 28,133 | 8,405,067 |
| 2/1/2023 | | - | - | - | 8,405,067 |
| 3/1/2023 | | - | - | - | 8,405,067 |
| 4/1/2023 | | - | - | - | 8,405,067 |
| 5/1/2023 | | - | - | - | 8,405,067 |
| 6/1/2023 | | - | - | - | 8,405,067 |
| 7/1/2023 | | - | - | - | 8,405,067 |
| 8/1/2023 | | - | - | - | 8,405,067 |
| 9/1/2023 | | - | - | - | 8,405,067 |
| 10/1/2023 | | - | - | - | 8,405,067 |
| 11/1/2023 | | - | - | - | 8,405,067 |
| 12/1/2023 | | - | - | - | 8,405,067 |
| 1/1/2024 | | - | - | - | 8,405,067 |
| **Total** | **100%** | **8,000,000** | | **405,067** | |

Construction Loan Schedule #3

**Construction Loan Schedule #3**

| | | | | | |
|---|---|---|---|---|---|
| Total Development Cost | | | | | |
| **Calculation of Max Debt** | | | | | |
| 1) Construction Loan Based On Loan To Cost | | | | | |
| | | Loan To Value: | 75.00% | $ - | $ - |
| | | | | | |
| | | | | | |
| Max Debt | | | =MIN(AP6,AO4) | | $ - |
| **Name of Provider** | | | | | **Citi Taxable Loan** |
| **Total Loan Amount** | | | | | |
| Max Principal | | $ 5,600,000 | | $ 13,600,000 | |
| **Basis** | | | | | |
| **Libor 30 day** | | | | | |
| **Interest Rate** | | 3.50% | Based on Mahesh | | |
| **Beginning Date** | | 10/31/2021 | | | |
| **Notes** | | | | | |

| Month | % Draw | Principal | Accrued | Interest | Ending Balance |
|---|---|---|---|---|---|
| 10/31/2021 | 100% | 5,600,000 | 5,600,000 | 16,333 | 5,600,000 |
| 12/1/2021 | 0% | - | 5,600,000 | 16,333 | 5,600,000 |
| 1/1/2022 | 0% | - | 5,600,000 | 16,333 | 5,600,000 |
| 2/1/2022 | 0% | - | 5,600,000 | 16,333 | 5,600,000 |
| 3/1/2022 | 0% | - | 5,600,000 | 16,333 | 5,600,000 |
| 4/1/2022 | 0% | - | 5,600,000 | 16,333 | 5,600,000 |
| 5/1/2022 | 0% | - | 5,600,000 | 16,333 | 5,600,000 |
| 6/1/2022 | 0% | - | 5,600,000 | 16,333 | 5,600,000 |
| 7/1/2022 | 0% | - | 5,600,000 | 16,333 | 5,600,000 |
| 8/1/2022 | 0% | - | 5,600,000 | 16,333 | 5,600,000 |
| 9/1/2022 | 0% | - | 5,600,000 | 16,333 | 5,600,000 |
| 10/1/2022 | 0% | - | 5,600,000 | 16,333 | 5,600,000 |
| 11/1/2022 | 100% | | 5,600,000 | 16,333 | 5,600,000 |
| 12/1/2022 | 200% | | 5,600,000 | 16,333 | 5,600,000 |
| 1/1/2023 | 300% | | 5,600,000 | 16,333 | 5,600,000 |
| 2/1/2023 | 400% | | - | - | - |
| 3/1/2023 | | | | | |
| 4/1/2023 | | | | | |
| 5/1/2023 | | | | | |
| 6/1/2023 | | | | | |
| 7/1/2023 | | | | | |
| 8/1/2023 | | | | | |
| 9/1/2023 | | | | | |
| 10/1/2023 | | | | | |
| 11/1/2023 | | | | | |
| 12/1/2023 | | | | | |
| 1/1/2024 | | | | | |
| **Total** | **1100%** | **5,600,000** | | **122,499.98** | |

| Project: Sandpiper Cove<br><br>Sources & Uses | USES | | SOURCES | |
|---|---|---|---|---|
| | | | Construction | Permanent |
| Site Acquisition Costs | $ | 16,134,985 | | |
| Direct Hard Costs | $ | 20,404,491 | | |
| Indirect Construction Costs | $ | 2,449,990 | | |
| Developer Fees | $ | 5,267,148 | | |
| Financing Fees | $ | 3,649,532 | | |
| Reserves | $ | 1,484,000 | | |
| **Total Development Cost** | | | **49,390,146** | **49,390,146** |
| Citi Tranche A | TBD | | 22,500,000 | 22,500,000 |
| Citi Tranche B | | | 8,000,000 | |
| Citi Taxable Loan | | | 5,600,000 | |
| **Bridge Loan** | | 28.44% | 2,825,249 | |
| Equity | | 20.00% | 2,923,503 | 14,617,516 |
| Deferred Fees/Reserves | | | 6,751,148 | 2,338,021 |
| **Federal Historic Equity** | | 20.00% | 790,246 | 3,951,228 |
| **State Historic Equity** | | | - | 5,983,381 |
| **Surplus/Shortfall** | | | **-** | **-** |

Exhibit D

DIAMOND
DEVELOPMENT GROUP

# MEMORANDUM

2003 5/10/21

*Flood Protection*

**Sandpiper Cove Galveston, Texas**
**(AKA Parkland Apartments and Compass Pointe)**

The Base Flood Elevation (BFE) is defined as the predicted high water surface elevation of a flood event as determined by historic weather data, local topography and science. The National Flood Insurance Program (NFIP) and The Federal Emergency Management Agency (FEMA) uses this data to set guidelines of how to protect a building from a flood by requiring that the structure be elevated or "flood-proof" to a set height that is determined by the BFE and the type of floods that effect the area.

FEMA divides the flood areas into different zones that reflect the type of flood that the area is most prone to. For coastal areas, it begins with a type "V-Zone" where in addition to the BFE, the area experiences waves in excess of 3 feet. The next zone is the "Coastal A-Zone" where the wave action is between 18 inches and 3 feet. Finally, they have the "AE-Zones," which experience wave action less than 18 inches. For Coastal Areas, a building needs to be protected to an elevation above the base flood that includes the projected wave action.

Sandpiper Cove Apartments are located in a type "AE-Zone" with a base flood elevation of 12.9 feet. With consideration of the wave action, the structures would need to be protected to an elevation of 14.40 feet (12.9 BFE + 1.5 Wave Action). The existing buildings have a Finish Floor elevation of 10.0 feet and the site has elevations between 7 and 9 feet. The Streets that border the site on all sides have an average elevation of 5 feet.

There are three common methods that engineers use to address flood issues: 1) Elevate the structure so that it is above the base flood elevation and associated wave action; 2) Install a flood barrier around the structure; or 3) Build the part of the structure located within the flood area with flood-proof materials.

Because of the Historic Nature of the Site, it is our proposal to build a Flood Wall around the site that will have a top of wall elevation of 14.5 feet. This is a very common method of protecting an area and is used on thousands of sites around the world. While the height of the wall will vary depending on the grade elevation, it is our desire for the wall to appear to be approximately 6 feet tall with an 18 inch wrought iron decorative cap. Thus, we may raise some of the grades along the wall to accomplish this.

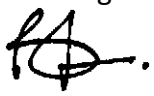
700 GEMINI, SUITE 260
HOUSTON, TEXAS 77058
832.224.6400
CONTACT@DIAMONDDEVELOPMENTGROUP.COM

In addition to the wall, there are several other elements that are required to complete the flood-proofing protection. There will be flood barriers installed at all openings in the wall (driveways and pedestrian accesses), valves installed in the storm drainage system so that flood water does not back-up into the site, and pumps installed at strategic locations to remove any rain water that falls behind the wall. Because the existing structures are set at an elevation high enough to weather all but the most severe storms, which are hurricanes, we expect that there will be ample warning to prepare the facility for the flood event.

Thus, the floodwall or levee, in conjunction with the flood gates are designed to keep the flood water out, while the pump system is used to remove any rain water that enters the site from the sky back over the wall. The City of Texas City, which is located approximately 8 miles from this project, has used a similar system to protect its town for more than forty years.

Please feel free to contact me with questions, comments or additional information that I may assist you with.

Best Regards,



Blair Korndorffer
**Diamond Development Group**

Exhibit E

NPS Form 10-168e (Rev. 06/2019)
National Park Service
OMB Control No. 1024-009

# HISTORIC PRESERVATION CERTIFCATION APPLICATION STATE HISTORIC PRESERVATION OFFICE REVIEW AND RECOMMENDATION SHEET REHABILITATION -- PART 2/PART 3

## SECTION 1. APPLICATION INFORMATION

**PROJECT NUMBER** 41931

Property Name: Parkland Apartments Historic District

Property Address: 3916 Winnie Street

Certified Historic Structure (select one) ○ Yes ◉ Pending

☑ Part 2
- ☐ Preliminary (date) _____
- ☑ Applying for state tax credit

☐ Part 3 (Part 2 previously reviewed)
- ☐ completed rehabilitation conforms to work previously approved
- ☐ completed rehabilitation differs substantially from work previously approved (describe divergences from Part 2 application on reverse)

**PROJECT SUMMARY REVIEW**
- ☐ No outstanding concerns
- ☐ In-depth NPS review requested
- ☐ Applicant informed of SHPO Recommendation

☐ Part 3 (Part 2 not previously reviewed)

☑ Amendment (applicant signature(date 2/12/2021 )

☐ Request for an advisory determination for a phase

☐ Property visited by SHPO staff (date/s)

Before _____ , during _____ , and/or after _____ rehab.

Application received (date) 05/19/2021

Additional info requested (date/s) _____

Complete info recieved (date) _____

Transmitted to NPS (date) _____

## SECTION 2. APPLICATION MATERIALS

Sent previously ☐ photographs other (list): _____

Attachments ☐ photographs ☐ rolled plans ☐ flat plans, large size ☑ flat plans, 11'x17' or smaller other:

Sent Separately ☐ photographs ☐ rolled plans ☐ flat plans, large size ☐ flat plans, 11'x17' or smaller other

Documentation remaining on file in SHPO (e.g., mansonry repointing samples, specifications

## SECTION 3. SHPO RECOMMENDATION

Austin Lukes, who meets the Secretary of the Interior's Professional Qualification Standards has reviewed the application.

This rehabilitation work (select only one):

☑ meets the Standards.

☐ meets the Standards wih concerns.

☐ meets the Standards only if the attached conditions are met (Part 2 and Amendments only).

☐ does not meet Standard number(s) _____ and for the reasons described in Section 5.

☐ does not meet Standard number(s) _____ as completed, but could be brought into conformance with the Standards if the remedial work recommended in Section 5 is completed (Part 3 only).

☐ warrants denial for lack of information.

☐ is being forwarded without recommendation.

6·8·2021 — Date

Tom Alan Parker, DSHPO — State Historic Preservation Office Signature

This is a review sheet only and does not constitute an official certification of Rehabilitation

Tab III. Related to Tenant Lawsuit

a. Lawsuit filing in U.S. District Court
b. Letter from Nixon Peabody 3.2.21
c. Letter from HUD 3.8.21
d. Letter from Lone Star Legal Aid 3.19.21
e. Letter from HUD 5.21.21

**IN THE UNITED STATES DISTRICT COURT**
**DISTRICT OF COLUMBIA**

**SANDPIPER RESIDENTS ASSOCIATION,**
**3916 Winnie St.,**
**Galveston, TX 77550,**

**LARRY BERNARD BROOKS, SR.,**
**3916 Winnie St., Apt.**
**Galveston, TX 77550,**

**AND**

**BETTY ANN DERGIN**
**3916 Winnie St., Apt.**
**Galveston, TX 77550,**

***Plaintiffs,***

**v.**

**THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,**
**451 7th Street S.W.,**
**Washington, DC 20410**,

***Defendant.***

**NO._____**

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# COMPLAINT

## I. Introduction

1. Plaintiffs are current residents of Compass Pointe Apartments (a/k/a Sandpiper Cove Apartments), located at 3916 Winnie St, Galveston, TX 77550. This privately owned apartment complex is subsidized through a contract between the owner and the U.S. Department of Housing and Urban Development (HUD) under HUD's Project Based Rental Assistance (PBRA) program. HUD provides approximately two million dollars ($2,000,000.00) in annual rent subsidies to the owner for the 192 PBRA units at the complex. The PBRA tenants further pay approximately $319,000 in annual rent for the 192 PBRA units.

2. Despite the federal investment in and subsidies for the owners of the apartment, the unit, project, site, and neighborhood conditions at Sandpiper Cove Apartments are dangerous and unfit for family life and the presence of children. HUD's contract with the property owner provides that HUD will only pay the subsidy for units that are decent, safe and sanitary as required by law and applicable regulations. HUD has violated the law by withholding the relief necessary to assist the Plaintiffs with moving to decent, safe and sanitary housing. This complaint requests judicial relief requiring HUD to provide each plaintiff with the assistance needed to obtain housing in better condition, including a Tenant Protection Voucher. The law does not require that HUD terminate the owner's Housing Assistance Payment (HAP) contract with HUD before or as a result of providing the relocation assistance. HUD has the legal authority to continue the HAP contract in effect and provide the relocation assistance[1] which can include the issuance of Tenant Protection

[1] FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534; CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian

Vouchers.[2] Alternatively, and without waiving the foregoing, Plaintiffs request that court order HUD to transfer the PBRA contract to decent, safe and sanitary housing units within the City of Galveston or Galveston County.

3. HUD conducted a physical inspection and issued a summary report for Sandpiper Cove on or about May of 2019. This inspection was performed by a HUD-certified inspector habitability standards at the complex and was performed pursuant to HUD regulations at 24 CFR Part 5 and Part 200. The property obtained a failing score of 33c out of a possible 100 points. HUD issued a Notice of Default on May 15, 2019 to the owner of Sandpiper Cove. HUD informed the owner that the owner was in default of the statutory and contractual obligation to maintain the project in a decent, safe, and sanitary condition. Over a year later, the owner has so far failed to make repairs necessary to obtain a passing grade on required physical inspections and make the property habitable. Plaintiffs and Sandpiper Cove tenants continue to live in conditions of known imminent health and safety risks. Since the inspection, there have been electric outages at the property, overflowing sewage and other electrical failures associated with lack of or deferred maintenance. Physical conditions that have contributed to a high crime rate at the project include a lack of security cameras, inoperable or broken gates and fences. A significant percentage of individual units remain without doors and windows with locks, lack basic sanitary equipment including sinks, toilets, showers, heaters, operable air conditioning units and refrigerators that work. There is widespread mold and other microorganism growth inside the apartments, on both exterior and interior surfaces. Some roofs leak and moisture seeps into inhabited areas.

---

Housing Tenant-Based Rental Assistance (2)

[2] FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534; CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian Housing Tenant-Based Rental Assistance (2)

4. On September 5, 2019, Plaintiffs specifically asked HUD that they wished to be rehoused and transferred out of the horrible conditions at Sandpiper and asked for HUD assistance finding another unit. HUD refused to provide plaintiffs and the tenants with another unit or with a voucher. Instead of providing the requisite assistance to tenants, HUD continues to keep the assistance contract in effect and subsidizes substandard, dangerous apartment units. It has been over a year since HUD found the owner in default of the obligation to provide decent, safe, and sanitary housing at Sandpiper Cover, and the tenants continue to remain in horrific conditions that pose imminent health and safety risks to them. HUD has not provided Plaintiffs with the relief they requested, which is voucher assistance necessary to obtain housing in decent, safe and sanitary conditions or transfer of the PBRA subsidy to a decent, safe and sanitary location.

5. HUD's withholding the assistance to help Plaintiffs relocate is final agency action in violation of the relevant law. Agency action is defined to include an agency "sanction." 5 U.S.C. §551(13). The Administrative Procedures Act (APA) defines "sanction" as including an agency's "withholding of relief." 5 U.S.C.A. § 551(10)(B). "Relief is defined as the "grant of… assistance… or remedy." 5 U.S.C.A. §551(13)(A). The relevant law and regulations require HUD to provide the relief of assistance for relocation once HUD has determined that property owner is in violation of the HAP contract and the owner has not corrected the deficiencies set out in the notice, and HUD continues to keep the contract in effect and is paying rent to the owner under the contract.[3] Each of requirements for the provision of relocation assistance is met, yet HUD continues to withhold the assistance, which is the relief provided by law under these conditions. HUD's withholding the relocation assistance and the relief provided by law is final agency action

[3] CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian Housing Tenant-Based Rental Assistance (2); 24 C.F.R. § 886.323(e ).

and judicially reviewable. 5 U.S.C. § 551(13); 5 U.S.C. § 551 (10)(B), 5 U.S.C. 13(A).

6. The project is located in a predominantly minority census tract. The tract is 16% White non-Hispanic, 59% Black or African-American and 24% Hispanic. The project is located in a census tract in which 57.4% of people are below poverty as reported by the 2016 U.S. Census American Community Survey data. 71.4% of the children under 6 years of age are below poverty and 74.9% of all children under 18 years of age are below poverty according to the same report.

7. HUD's refusal to provide the relocation assistance perpetuates racial segregation and imposes severe injuries on the predominantly Black or African-American and a completely minority population, the tenants at the complex. HUD pays for decent, safe and sanitary PBRA housing at predominantly White non-Hispanic locations near Galveston County while refusing to require decent, safe, and sanitary housing at Sandpiper Cove. HUD's actions violate the discriminatory intent standard of the Fair Housing Act and the 5th Amendment of the U.S. Constitution. HUD's actions violate its obligation under 42 U.S.C. § 3608(e)(5) to prevent federal funding of low income housing in units, projects, and conditions that perpetuate racial segregation and that are not part of an ongoing and effective housing and community revitalization effort. There is no such effort underway for these units.

8. Plaintiffs seek injunctive relief requiring HUD to provide Plaintiffs with the assistance necessary to obtain housing in decent, safe and sanitary conditions or in the alternative, that the court order HUD to transfer the PBRA subsidy to decent, safe and sanitary housing within the City of Galveston or Galveston County.

## II. Jurisdiction and Venue

9. This court has jurisdiction under 42 U.S.C. §1331 and 42 U.S.C. § 3613(a)(1)(A). The right to judicial review of the claim for HUD's violation of 42 U.S.C. § 3608(e)(5) and of the claim

that HUD's withholding relief is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law and the waiver of sovereign immunity for these claims is pursuant to 5 U.S.C. §§ 702, 706. The waiver of sovereign immunity for the claim that HUD's withholding relief violates 42 U.S.C. § 3604(a) is pursuant to 5 U.S.C. § 702. The right to judicial review and the absence of sovereign immunity for the claim that HUD officials are violating the equal protection principle included in the Fifth Amendment to the United States Constitution is constitutional. Sovereign immunity does not bar a suit to enjoin unconstitutional actions by a federal officer. *Larson v. Domestic and Foreign Commerce Corp.*, 337 U.S. 682, 690-91 (1948); *Pollack v. Hogan*, 703 F.3d 117, 120 (D.C. Cir. 2012).

10. The venue is appropriate pursuant to 28 U.S.C. § 1391(b)(1).

## III. Parties

### A. Plaintiffs

11. The Plaintiffs are the Sandpiper Residents Association, Larry Bernard Brooks, Sr. and Betty Ann Dergin.

12. Plaintiffs are current residents of Sandpiper Cove Apartments for whom the Defendant United States Department of Housing and Urban Development (HUD) pays a subsidy to the owners of the apartments under the Project Based Rental Assistance (PBRA) program. Each Plaintiff except the Sandpiper Residents Association also pays 30% of their adjusted household income as tenant's share of the rent, in accordance with regulations. Sandpiper Residents Association is a tenant association established in accordance with federal regulations to protect the rights of Sandpiper Cove residents. 24 C.F.R. § 245.110 *et. seq*.

### B. Defendant

13. The Defendant United States Department of Housing and Urban Development (HUD) is an executive agency of the United States government. HUD's withholding of the required relocation assistance is a final agency action for which there is no other adequate remedy in a court. Only HUD is obligated under the law to provide the assistance. A lawsuit against the owner cannot provide this relief. HUD's withholding the relief in the form of the assistance to obtain decent, safe and sanitary housing is final agency action.

## IV. HUD's final agency action is demonstrated by HUD's withholding the required assistance and relief to Plaintiffs and the other tenants who wish to relocate

14. HUD issued a Notice of Default to the owner of Sandpiper Cove based on the owner's violations of the obligation to provide decent, safe and sanitary housing in May 2019. This occurred after the 2019 HUD REAC inspection, which showed serious issues at the property and indicated that Sandpiper Cove Apartments fell far below the minimum acceptable standard of habitability. The failing inspection itself triggered a necessity to issue a Notice of Default and obligates HUD to enforce its own regulations. The Notice of Default, constituting a formal notice by the Secretary of the United States Department of Housing & Urban Development was issued on May 15, 2019 and notified the property owners of their HAP contract default. The Sandpiper Cove Apartments owner has so far not undertaken necessary steps to cure violations identified in the 2019 HUD REAC inspection. HUD continues to leave the project-based contract, the Housing Assistance Payment contract, in place. HUD continues to pay for housing that HUD has determined is not decent, safe, and sanitary. The conditions at Sandpiper Cove in the units and at the site pose serious imminent health and safety risks to the tenants on a daily basis. HUD continues to withhold the relief for assistance to Plaintiffs and the other tenants who wish to relocate. HUD's withholding the relief for or assistance to Plaintiffs and the other tenants who wish to relocate is

final agency action.

**A. Chronology showing HUD final agency action withholding assistance and relief to Plaintiffs**

15. The contract between HUD and Sandpiper Cove Apartments owner for the payment of the federal subsidy funds is the Housing Assistance Payment contract (HAP). The most recent HAP basic renewal contract was signed in February 2012 for a period of 20 years. The owner is Compass Pointe Apartments Texas Ltd. The current owner was assigned that contract from the previous owner Sandpiper Cove Apartments, LLC in March 2015. The assignment incorporates all of the obligations of the original HAP contract.

16. The HAP contract provides that HUD will only make payments to the owner for units occupied by eligible families leasing, decent, safe, and sanitary units from the owner. HAP contract, Section 14(a), April 19, 1984. If the Contract Administrator (HUD or a third party acting for HUD) determines that the owner has failed to maintain units in decent, safe, and sanitary condition, HUD may abate the housing assistance payments and use the amounts for the purpose of relocating or rehousing assisted residents in other housing. The original HAP contract requires the owner to maintain and operate the contract units, unassisted units if any, and related facilities to provide decent, safe and sanitary housing and provides for tenant relocation if the units are not maintained in decent, safe and sanitary condition. HAP contract, Section 26(b)(2)(b).

17. HUD approved the renewal of the HAP contract for a twenty-year term in 2012. The Renewal Contract is a HAP contract. HAP Renewal, Section 4(a)(1). Except as specifically modified by the Renewal Contract, all provisions of the expiring HAP contract are renewed. HAP Renewal, Section 5a. The owner warrants that the units to be leased by the owner under the Renewal Contract are in decent, safe and sanitary condition (as defined and determined in

accordance with HUD regulations and procedures), and shall be maintained in such condition during the term of the Renewal Contract. HAP Renewal, Section 7b. The renewal states:

> Housing assistance payments shall only be paid to the Owner for contract units occupied by eligible families leasing decent, safe and sanitary units from the Owner in accordance with statutory requirements, and with all HUD regulations and other requirements. If the Contract Administrator determines that the Owner has failed to maintain one or more contract units in decent, safe and sanitary condition, and has abated housing assistance payments to the Owner for such units, the Contract Administrator may use amounts otherwise payable to the Owner pursuant to the Renewal Contract for the purpose of relocating or rehousing assisted residents in other housing. 4.d.(2).

18. HUD appointed Southwest Housing Compliance Corporation (SHCC) to be the Project Based Contract Administrator (PBCA) acting on HUD's behalf under the terms of the HAP contract.

**B. The 2019 REAC inspection report found that units and conditions that constitute imminent health and safety risks to residents**

19. A HUD Real Estate Assessment Center (REAC) physical inspection of Sandpiper Cove was completed on or about May 8, 2019. The final report was issued on May 9, 2019.

20. The report included results of inspections of the physical conditions, appearance and security at Sandpiper Cove Apartments.

21. The final inspection score was Unsatisfactory, with a score of 33c out of a possible 100. According to HUD regulations, a Physical Inspection score below 60 is failing and indicates that the owner may not be fulfilling his/her contractual obligations to HUD and that the residents may not be receiving the quality of housing to which they are entitled.

22. The failing inspection score was based on numerous shortcomings, including the site, building exteriors, building systems, common areas and unit evaluations. HUD's Inspector observed a total of 122 health and safety deficiencies in 24 buildings and 24 actually inspected units. The report estimates that an inspection of all units and all buildings would have resulted in

a total of 878 health and safety deficiencies on the property. The inspection also found a total of 73 non-life threatening deficiencies on the property (535 projected). 31 deficiencies were deemed life-threatening (199 projected). Finally, 18 deficiencies involved smoke extinguishers on the property (144 projected). Identified systemic deficiencies are varied, and involve everything from exposed foundations, missing/inoperable smoke detectors, damaged/missing roof components, leaky plumbing, insect/roach infestations and mold/mildew observed. Other deficiencies include missing/damaged stoves, inoperable/not lockable windows, missing/broken outlets and obstructed accessibility/escape routes.

23. HUD's REAC Inspection found missing or inoperable window locks that present safety concerns. Kitchen appliances were found to be deteriorated to the point of replacement, some entry doors have damaged frames and will not lock, presenting an obvious safety hazard. Multiple dead and live roaches were observed across the property and in inspected units. The inspector also found evidence of water infiltration leading to mold and mildew infestation, by itself a violation of HUD regulations and a threat to tenant health and safety.

24. The Compass Pointe/Sandpiper Cove management company responded to the failing REAC score primarily with cosmetic changes, announcing a change in on-site management and a new vice-president of operations for the property. While the property owner announced renovations in the future, those repairs are stated to be contingent upon funding that has not been secured. The Owner recognized approximately 2000 work orders have been made by tenants for conditions that currently exist on the property and inside all units. As a token concession and incentive to not cancel the HAP contract, property owner temporarily suspended management fees on the property, a provision covered by the contract in situations where a property does not satisfy HUD's habitability standards.

25. The failing REAC score of 33c was based on the extensive list of irregularities and shortcomings uncovered during the Sandpiper Cove inspection. The lower-case letter "c" is given if one or more exigent/fire safety violations are found, as these call for immediate attention or remedy. Deficiencies found on the property were serious enough to warrant large cash outlays to address and are categorized as capital improvements, not merely repairs. These health and safety violations include exposed electrical wires, missing smoke detectors, roach infestations and inoperable electrical systems.

26. These health and safety violations remain in effect today over one year after HUD notified the owner of the violations.

### C. HUD has known of the imminent health and safety risks at Sandpiper Cove since at least 2016 when a HUD contractor found conditions that were imminent health and safety risks to residents

27. HUD has known that the units pose an imminent health and safety risks to tenants at Sandpiper Cove since at least 2016. HUD knew that the project, units, and neighborhood were not decent, safe, or sanitary from the 2016 Management and Occupancy Review of Sandpiper.

28. HUD's contractor SHCC conducted a Management and Occupancy Review of Sandpiper Cove beginning on September 15, 2016. The report was issued on October 14, 2016.

29. The Management Review included inspections of the physical conditions, appearance and security at Sandpiper Cove Apartments.

30. The Review found General Appearance and Security Unsatisfactory. Follow-up and monitoring of Project Inspections was also rated Unsatisfactory. Leasing and Occupancy as well as General Management Practices were found to be Unsatisfactory. Maintenance and Standard Operating Procedures fared a little better, being rated Below Average. In all instances, SHCC required corrective action to be taken within 30 days.

31. The finding of Unsatisfactory Appearance was based on graffiti, deep cracks in buildings and parking lot as well as corroded exterior stairwells. The Security rating was based on criminal activity that had occurred at the property within the previous twelve months. The calls for police assistance included 910 calls for service within this time period, including 41 calls for Personal Assaults, 36 calls for Weapons Offenses, 29 for Auto Theft, 3 for Sexual Assault, 3 for Structure Fire, 21 for Break-Ins and 14 for Criminal Mischief. The report found that the property owner contracts for off-duty police personnel patrol four days a week for four to five hours per day; however these patrols typically end on or before 11pm. The Report found these current efforts not to be sufficient to deter significant criminal activity at the property.

32. The review rated Project Inspections Unsatisfactory because of a blocked egress to only windows in bedrooms, outlets missing covers, holes in walls, damaged entry door frames and damaged frames inside apartments.

33. The review found insufficient oversight of the property staff by the management agent to ensure the property is maintained in decent, safe and sanitary condition and HUD's leasing and occupancy requirements were properly implemented.

34. In the 2016 Management Occupancy Review inspection, SHCC required a number of crime/safety corrective actions to be taken. Owner/Agent was to perform an assessment of the safety program at the property to include, but not be limited to, reviewing the concerns outlined in the findings, implement an action plan to improve the safety program at the property and decrease the level and severity of criminal activity occurring on-site. A copy of the plan must be forwarded to SHCC. The plan was to address key participants, including the owner/agent, Galveston Police Department, residents, local agencies and resources. The Owner/Agent was to provide a signed certification that the action plan would be implemented throughout the coming year and

periodically reviewed and adjusted for effectiveness. The 2019 MOR asserts that insufficient actions had been taken to address the crime and safety issues at the complex. The 2019 MOR notes that this issue is a "repeat finding from the 2016 report."

35. HUD did not require the owner to provide decent, safe, and sanitary housing for the tenants at Sandpiper Cove after this 2016 report. HUD did not eliminate the imminent health and safety risks to tenants that were present at this time and that continue to be present.

36. HUD's contractor conducted another Management and Occupancy Review of Sandpiper in 2019. HUD knows the 2019 Review resulted in another Unsatisfactory rating and the projects were not decent, safe or sanitary. The 2019 Review continued to show that units and conditions at Sandpiper present imminent health and safety risks to the tenants.

**D. May 15, 2019 HUD Notice of Default to owner of Sandpiper Cove/Compass Pointe**

37. HUD sent a Notice of Default to the owner of Sandpiper Cove Apartments on May 15, 2019. The Notice of Default stated:

> This letter constitutes formal notice by the Secretary of the U.S. Department of Housing and Urban Development that Compass Pointe Texas Ltd. ("Owner"), owner of Compass Pointe Apartments Texas ("Project"), is in default of the above-referenced project-based housing assistance payments ("HAP") Contract, as authorized under section 8 of the United States Housing Act of 1937 ("Act"). 42 U.S.C. § 1437f.
>
> On May 8, 2019, HUD's Real Estate Assessment Center ("REAC") inspected the Project, which resulted in a score of 33c. The inspection report, which HUD has made available to the Owner, identified serious deficiencies that demonstrate that the Owner is in default of its statutory, contractual, and/or regulatory duties to maintain the Project in decent, safe and sanitary condition.

HUD based this Notice of Default on the May 8, 2019 Real Estate Assessment Center inspection. Deficiencies found in the report include missing/inoperable smoke detectors, insect/roach infestations, leaky plumbing, including faucet and pipes, clogged drains, missing, damaged or inoperable range and stove holes in ceiling/walls and damaged frames/threshold/lintels/trim. The

May 15, 2019 Notice of Default is addressed to Compass Pointe Texas Ltd. as the Owner.

Attention: Frank Sinito
127 Public Square
Cleveland, OH 44114

Project is referred to as Compass Pointe Apartments Texas and the HUD HAP Contract Number is listed as TX24M000018.

**E. The Notice of Default is final agency action from which legal consequences flow.**

38. The Notice of Default is the product of HUD's decision-making process, including the inspections. The Notice of Default is not merely tentative or interlocutory in nature. HUD states that issuing a Notice of Default is the prerequisite for HUD action to remedy the conditions constituting the default:

> Notwithstanding the provisions of Section 222, NOVs/NODs are legal notices required under our business agreements, and they provide the basis for any enforcement action taken by HUD if the compliance requirements in the notices are not met. Therefore, the notices must be accurate and include all elements required under the business agreements, regardless of the minimum requirements stated in this Notice. HUD Notice: H 2018-08, Issued: October 29, 2018, page 4.

39. Even an administrative appeal that results in a higher score does not require HUD to withdraw the Notice of Default. *Id.*

40. The Notice is final on its face. The owner is in default and the time to cure has expired. The Notice of Default sets out the legal consequences flowing from the Notice.

> If the Owner fails to take the necessary corrective actions required by this Notice of Default of Housing Assistance Payments (HAP) Contract letter, the Secretary will, without further notice, declare the Owner in default of the HAP contract and will seek any and all available remedies, including but not limited to, acceleration of the outstanding principal indebtedness, foreclosure, abatement of the Housing Assistance Payments (HAP) Contract or any other appropriate remedies.

41. HUD has already entered an adverse finding with legal consequences against the owner and the manager of the project based on the findings in the Notice of Default.

42. HUD had already entered an adverse finding with legal consequences against the owner and the manager of the project, based on the findings in the Notice of Default. As a result of the unsatisfactory REAC score, Compass Pointe Apartments Texas Ltd. and its principals were flagged in HUD's Active Partners Performance System (APPS): Compass Pointe Apartments Texas LLC – Owner Entity. These flags may adversely affect the Owner's and Management Agent's eligibility for participation in HUD programs, under HUD's Previous Participation Certification procedure, by constituting a standard for disapproval.

43. HUD's regulation further sets out legal consequences flowing from the Notice of Default.

> 24 C.F.R. § 886.323(e) – Failure to maintain decent, safe and sanitary units. If HUD notifies the owner that he/she has failed to maintain a dwelling unit in decent, safe and sanitary condition, and the owner fails to take corrective action within the time prescribed in the notice, HUD may exercise any of its rights or remedies under the contract, or Regulatory Agreement, if any, including abatement of housing assistance payments (even if the family continues to occupy the unit) and rescission of the sale. If, however, the family wishes to be rehoused in another dwelling unit, HUD shall provide assistance in finding such a unit for the family. 24 C.F.R. § 886.323(e).

44. The owner has failed to take corrective action pursuant to the Notice of Default. Plaintiffs remain in conditions that pose imminent health and safety risks.

**F. The deficiencies identified in the May 15, 2019 Notice of Default have not been cured in the specified time period and the units pose an imminent and substantial risk to health and safety of the tenants**

45. The deficiencies set out in the May 15, 2019 Notice of Default have not been cured within the sixty-day period as required. These deficiencies remain in place. HUD refuses to require the owner to address the serious health and safety deficiencies at the property and continues to pay the owner for housing that is not decent, safe or sanitary and poses imminent health and safety risks to the tenants.

46. There have been no corrective measures implemented to remediate health and safety

hazards to tenants. Mold remains in the units. Insect infestations continue to plague the residents. Electrical problems persist months following the inspection and doors/windows are still damaged and are still in need of repair.

47. The lack of standard electrical equipment fails to meet HUD's definition of decent, safe, or sanitary housing. 24 C.F.R. § 5.703.

48. There has been no repair or remediation of mold in the units and on building exteriors.

49. Air conditioning units are not operational in certain units.

50. Since the May 15, 2019 Notice of Default, mold presence at the property has worsened. Tenants have filed repeated repair requests with property management and complained to the City of Galveston and HUD, however the mold has not been addressed. The mold is a result of frequent water leaks in residents' apartments and broken air conditioning units which cause moisture to accumulate in and around walls. Incessant exposure to mold causes residents to have trouble breathing, in addition to eye, throat and skin irritations. HUD received three mold-related complaints from Sandpiper Cove residents since October 2019 alone. Instead of removing the mold-infested sheetrock, property management paints over the mold, which invariably returns.

51. The property has continued deteriorating since the May 15, 2019 Notice of Default. There is a widespread pest problem, as cockroaches and other insects thrive in vacant and occupied apartments with little or no pest control to alleviate the conditions.

52. There are still no functioning smoke detectors in some units, a condition that presents a substantial hazard to tenant health and safety.

53. The leaks in some apartments are so severe tenants are forced to place towels on window sills when it rains in order to absorb incoming water. The leaky air conditioning units at the complex frequently fail, leaving tenants in hot and humid apartments.

54. In March 2019, 66 of the 192 units on the property lost power for nearly four days. Management did not provide an explanation for the extended outage. A generator allowed management to restore power, but not to all affected buildings. Out of six buildings, only five received power as the unit was not strong enough to provide electricity to all six. For the duration of the outage, tenants had no electricity, power to their refrigerators, wall outlets or ovens. Residents in the building that remained without power were forced to move out in order to have electricity.

55. The entire complex again suffered a power outage in the summer of 2019 lasting several days; residents escaped their unbearably hot homes by spending time in the public library and community center.

56. Complaints of unbearable conditions on the property continue without abatement. Reports of blocked and overflowing drains, tubs leaking black or discolored water and leaky ceilings with holes are a recurring feature as residents attend city council meetings seeking help. As the city council does not have oversight power over the HAP contract, Sandpiper Cove residents' efforts are fruitless.

57. The property crime rate consistently places Sandpiper Cove in the top five locations for police response on the island. This negative record has been persisting for years. Dissatisfied with crime conditions at the complex, Galveston's City Manager petitioned HUD to enforce housing standards at the property or force a sale to a new private owner.

**G. HUD is withholding the relief of assistance for plaintiffs and the Sandpiper Cove/Compass Pointe tenants to relocate to decent, safe, and sanitary housing**

58. HUD has continued to ensure that the project based contract, the Housing Assistance Payment contract, remains in effect and has continued to pay the owner for the units.

59. HUD has not provided any assistance for Plaintiffs or other Sandpiper Cove/Compass Pointe tenants to relocate from the property despite being requested to do so on September 5, 2019. The Plaintiffs requested that HUD rehoused them another location with a voucher or by transfer to another location that met decent, safe, and sanitary requirements. HUD refused to do so.

60. HUD's regulation requires that HUD shall provide this relocation assistance when there has been a notice of default and when the owner fails to take corrective action within the time specified by the notice. 24 C.F.R. § 886.323(e). The requirement for HUD to provide the assistance is mandatory.

61. HUD is continuing to make payments to the owner under the HAP contract for units and conditions that are not decent, safe, or sanitary. HUD continues to keep the project based contract for Sandpiper Cove in effect.

62. HUD is not going to provide relocation assistance to Plaintiffs.

63. HUD's withholding of relief for Plaintiffs by not providing any relocation assistance has legal consequences. The owner continues to be paid. The Plaintiffs do not receive relocation assistance.

64. Congress has provided the funding and authorization for HUD to provide relocation assistance to tenants such as Plaintiffs who are living in units that pose imminent health and safety risks. The Appropriations Acts of 2020 and of 2019 both state rental assistance is available to transfer the tenants where the owner has received a Notice of Default and the units pose an imminent health and safety risk.

> That the Secretary may provide section 8 rental assistance from amounts made available under this paragraph for units assisted under a project-based subsidy contract funded under the "Project-Based Rental Assistance" heading under this title where the owner has received a Notice of Default and the units pose an imminent health and safety risk to

residents. [4]

In this case, the owner of Sandpiper has received a Notice of Default, the owner has not corrected the deficiencies, and the units continue to pose an imminent health and safety risk to Plaintiffs and the other residents. HUD is required to provide relocation assistance to tenants who wish to be rehoused after an owner has received a Notice of Default and not corrected the problems within time set out in the notice. HUD is withholding the relocation assistance relief to Plaintiffs.

**H. HUD's response to Plaintiffs' demand letter indicates it will continue funding the complex**

65. On September 5, 2019, Plaintiffs sent a letter to HUD, informing the agency of the conditions in the units and on the property that pose imminent health and safety risks to the tenants. Plaintiffs requested that HUD provide tenant protection vouchers for the tenants because of the imminent health and safety risks these conditions pose to the residents. On or about December 2, 2019, HUD responded to Plaintiffs' correspondence, confirming the failing REAC score the property obtained in the most recent HUD inspection.

66. HUD informed Plaintiffs that Compass Pointe Apartments Texas LLC, the owner of Sandpiper Cove, responded to HUD's Notice of Default by providing a plan to improve the property's physical condition. The owner plans to either pursue a sale of the property to a buyer who would rehabilitate it or to refinance the rehabilitation and preservation of Sandpiper Cove itself. HUD further informed Plaintiffs that either the sale or financing would be completed by the end of 2019. The only enforcement action HUD acknowledged undertaking so far is requiring the

[4] FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534; CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian Housing Tenant-Based Rental Assistance (2)

owner to change on-site management.

67. HUD's letter makes it clear that HUD is not providing the tenants with tenant protection vouchers and relocation assistance. No actions have been taken by the owner to address the imminent health and safety risks the unequal and dangerous conditions pose to the residents. The owner has not addressed the physical conditions of the property or made any improvements to the property. The plaintiffs and tenants continue to be forced to live in units that HUD admits are not decent, safe, or sanitary while HUD lets the owner pursue a sale. Under the law, HUD can pursue its contractual remedies against the owner without forcing the tenants to reside in conditions that are imminent health and safety risks. HUD has chosen to withhold this relief from plaintiffs and the tenants.

**I. The Owner is attempting to sell the Sandpiper Cove Apartments and raise the Maximum Permissible Rents on the property in violation of HUD's civil rights laws or site selection standards**

68. On or about May 22, 2020, J. Allen Management, on behalf of the owner, issued a Notice to Residents of Intention to Submit to HUD for Approval of an Increase in Maximum Permissible Rents. The Notice also stated that the property was going to be purchased by Galveston 3916 Winnie Street, LP.

69. The Notice cites that the proposed increase in rent is needed from HUD to completely rehabilitate the units, including: repairs to the plumbing, electrical, HVAC and other integral systems. Additionally, the Notice admits that there are repairs needed to bring the property into compliance with the Americans with Disabilities Act.

70. The proposed increase in rents is insufficient to completely rehabilitate the complex "down to the sheetrock" as described in the Notice. Moreover, demolition of the units will not bring the

units into compliance with HUD's civil rights laws or site selection standards. These units will remain located in a densely minority, low income census tract. The units will continue to be subject to high crime and lack access to many basic amenities. The Notice does not indicate when the Owner will come into compliance with the imminent health and safety hazards cited in the Notice of Default and it is further evidence that tenants will remain subject to these dangerous conditions unless they are issued tenant protection vouchers.

## V. HUD's withholding any assistance to help Plaintiffs relocate is final agency action that is arbitrary, capricious, an abuse of discretion and is not in accordance with the relevant law

71. Agency action is defined to include an agency sanction. 5 U.S.C. § 551(13).[5] The APA defines sanction as including an agency withholding of relief. 5 U.S.C. § 551 (10)(B). Relief is defined as the grant of . . . assistance . . . or remedy. 5 U.S.C. § 551 (13)(A). *Trudeau v. Fed. Trade Commission, 384 F. Supp. 2d 281, 289 (D.D.C. 2005), aff'd, 456 F. 3d 178 (D.C. Cir 2006).*).

72. Both the 2020 and the 2019 Appropriations Act and the HUD regulation 24 C.F.R. § 886.323(e) require HUD to provide the relief of assistance for relocation upon the occurrence of specified events. Both authorities include the same two events:

- the issuance of a Notice of Default, and
- the failure of the owner to cure the deficiencies set out in the notice,
- 2020 and 2019 Appropriations Act, 24 C.F.R. § 886.323(e).

[5] (13) "Agency action" includes the whole or a part of an agency rule, order, license, **sanction**, **relief**, or the equivalent **or denial thereof**, or failure to act; 5 U.S.C.A. ▪ 551 (13). (emphasis added.)

73. Both of these events have occurred. HUD has issued a Notice of Default. The owner did not remedy the deficiencies within the time specified. HUD continues to make payments under the HAP while the tenants continue to live in conditions of imminent health and safety risk. Even though the predicate for the relief is satisfied, HUD is withholding the relief of relocation assistance for the tenants.

74. The HUD regulation specifically requires HUD to provide relocation assistance to tenants who want to be rehoused after a notice of default and the failure of the owner to comply within the time specified in the notice:

> If a family wishes to be rehoused in another dwelling unit, **HUD shall provide assistance in finding such a unit for the family**. 24 C.F.R. § 886.323(e).

This event has occurred. With the September 5, 2019 letter to HUD, Plaintiffs have clearly expressed their wish to be rehoused with a voucher as have other tenants. Despite the predicate being met, HUD has withheld the assistance. The Plaintiffs and other tenants also requested assistance to relocate including voucher assistance in the public comments provided to Galveston officials in 2018.

75. HUD's sanction, the withholding of relief, is final. HUD's sanction is stated to be the product of HUD's full consideration of the facts and it has legal consequences. *U.S. Army Corps of Engineers v. Hawkes Co., Inc.*, U.S. 136 S.Ct. 1807, 1813-1814 (2016) *citing Bennett v. Spear*, 520 U.S. 154, 177-178 (1997).

76. HUD is continuing to keep the project based contract at Sandpiper Cove Apartments in effect. HUD is not going to provide relocation assistance or enforce its own regulations to ensure necessary renovations and rehabilitation of the property take place.

77. HUD's action withholding a remedy that provides Tenant Protection Vouchers or

other assistance in finding another dwelling unit in decent, safe, and sanitary condition was outside the scope of HUD's discretion. HUD's withholding the remedy is arbitrary, capricious, an abuse of discretion and otherwise not in accordance with law. *Senate Manor Properties, LLC v. U.S. Dep't of Hous. & Urban Dev.*, 2008 WL 5062784, at *1 (S.D. Ind. 2008) (HUD decision to abate PBRA subsidies was justified).

78. HUD's own regulation limits its discretion once an owner has been given a Notice of Default and has failed to cure the violations. HUD may exercise any of its contract or regulatory agreement rights. But whatever choice HUD exercises, if a family wishes to be rehoused in another dwelling unit, HUD shall provide assistance in finding such a unit for the family. 24 C.F.R. § 886.323(e) (Emphasis added). HUD's withholding any assistance to help Plaintiffs relocate is final agency action that is arbitrary, capricious, an abuse of discretion and is not in accordance with the relevant law

## VI. The Sandpiper Cove residents live in dangerous and unfit conditions

### A. High number of crimes at the Apartment

79. The high number of violent and serious crimes committed on the Sandpiper Cove Apartment premises victimizes the apartment residents. In 2016, HUD's agent, Southwest found that the failure to provide adequate security from criminal activity violated HUD's housing quality standards, the governing contract requiring the owner to provide decent, safe, and sanitary housing (Section 2.5), HUD Handbook 4350.3REV-1, CHG-4, 8-1, C, and HUD Handbook 7460.4-Security Planning for HUD-Assisted Multifamily Housing Handbook: Chapter2, (5)(c-e). SHCC found the level of criminal activity at the property was a condition in noncompliance with HUD guidelines. The review based its finding on service requests made to the Galveston Police

Department from 10/3/2015 through 10/3/2016. The review required corrective actions to "improve the safety program at the property and decrease the level and severity of criminal activity occurring on-site." The owner did not implement corrective actions and HUD continued to find high level of criminal activity.

80. Data obtained pursuant to an open records request from the Galveston Police Department indicates that crime statistics at or near the property have significantly worsened since 2016. From January 1, 2018 through December 31, 2019, the following serious offenses occurred at or in the immediate vicinity of Sandpiper Cove:

- **Weapon Offenses - 120**
- **Assault - 75**
- **Narcotics Violation - 53**
- **Robbery- 4**
- **Burglary- 76**
- **Terroristic Threats - 58**
- **Disturbance - 504**
- **Trespassing- 188**
- **Suspicious Activity/Person – 844**
- **Theft- 124**
- **Structural Fire - 12**
- **Criminal Mischief - 98**
- **Sexual Assault – 8**
- **Armed/Aggravated Robbery - 6**

81. The owner did not cure the condition of non-compliance. The 2019 MOR cites that the owner stated that they would implement an action plan to address safety issues and periodically assess its effectiveness. The SHCC did not receive the owner's action plan and has received no response from the owner regarding this condition of non-compliance since December of 2016.

82. The Plaintiffs continue to be subjected to this violation of the HUD requirement to provide decent, safe, and sanitary housing. The high number of serious crimes constitute a hazard to the tenants and their families.

83. HUD knows that Sandpiper Cove is a place where persons (who do not live at the complex) habitually go to commit crimes and has taken no action to remedy the unsafe conditions. These multiple incidents of high crime violate the State law common nuisance statute. Tex. Civ. Prac. & Rem. Code § 125.0015. The repeated criminal activity subjects tenants to unsafe living conditions. This repeated violation of state law by the owner is a reason alone for HUD to provide tenants with the relief of housing away from Sandpiper Cove.

84. The HUD Multifamily Security Manual finds that the fear of crime is exacerbated by the fear and insecurity caused by the often-justified fear of retaliation by criminals reported to the police or to management. Pages 51-52. Exposure to violence can harm a child's emotional, psychological and even physical development.

**B. Many of units cannot be made physically secure**

85. HUD requires the units receiving its rental subsidy to keep all doors and windows "functionally adequate, operable, and in good repair . . . ." 24 C.F.R. § 5.703(d)(1). The high crime activity at the apartments exacerbates the need for functionally adequate, operable, and in

good repair doors, windows, door locks, and window locks. The failure to provide operable locks on windows and doors is a consistent finding of non-compliance with the obligation to provide decent, safe, and sanitary housing.

**C. The units and other areas are not free from mold**

86. HUD requires the units and common areas to be free from mold in order to be decent, safe, and sanitary.

87. The dwelling units and common areas must have proper ventilation and be free of mold, odor (e.g., propane, natural gas, methane gas), or other observable deficiencies. 24 C.F.R. § 5.703(f).

88. The units and common areas at Sandpiper Cove Apartments have open and obvious colonies of mold with the resulting foul odor. The mold colonies were found to be an open violation of the decent, safe, and sanitary regulation in the 2019 REAC inspection.

89. HUD states that the presence of mold as a serious health and safety issue.

> Even a small amount of mold or mildew can be potentially dangerous, especially if it is allowed to increase in size. The presence of mold or mildew should be identified, and the cause should be determined and corrected. Because mold/mildew has been recognized as a serious health and safety issue, it is also recorded as poor air quality. 77 FR 47708, 47713, 8/9/2012.

90. Mold and mildew continue to be present. The 2019 REAC inspection found:

> Observed mold/mildew inside units.
>
> Level 3 Health & Safety deficiency – mold/mildew observed in every building inspected. Evidence of water infiltration or other moisture producing condition that causes mold, or mildew greater than or equal to 1 square foot of mold/mildew.
>
> Mold/mildew observed in bathrooms and living areas in every unit inspected.

91. HUD is paying the owner for units that are not decent, safe, and sanitary housing and that pose imminent health and safety risks to the tenants.

**D. The housing provided in return for the HUD and tenant rent payments is not decent, safe, and sanitary**

92. HUD and the tenants have been paying substantial amounts of rent to the owner of the Sandpiper Cove Apartments. Despite the rent payments, HUD has not assured that the owner provide decent, safe, and sanitary housing.

93. The HUD inspections consistently find the presence of unit, project and site conditions that violate the owner's obligation to provide decent, safe, and sanitary housing.

94. These and other conditions in noncompliance with HUD requirements for decent, safe, and sanitary housing affecting each Plaintiff are set out in this complaint.

## VII. Plaintiffs' facts

95. Sandpiper Residents Association (SRA) is a tenant association established in accordance with federal regulations to protect the rights of Sandpiper Cove residents. 24 C.F.R. § 245.110 *et. seq*. It is comprised solely of current residents of Sandpiper Cove Apartments, all of whom receive a HUD housing subsidy. Sandpiper Residents Association has standing to bring suit on behalf of the tenants as its members would otherwise have standing to sue in their own right, the interests it seeks to protect are germane to the organization's purpose~~;~~, and because neither the claim asserted nor the relief requested requires the participation in the lawsuit of each of the individual members. The injury to Sandpiper Residents Association members is directly related to the reason they joined the organization, namely to obtain decent, safe and sanitary housing. Sandpiper Residents Association members have standing to sue in their own right, as they are directly injured by defendant's acts and/or omissions.

96. Sandpiper Residents Association was formed to protect and promote Sandpiper Cove tenants' interest in obtaining and maintaining decent, safe and sanitary housing at the

property. Since its formation, SRA has been involved in several actions intended to publicize the habitability concerns on the property and obtain assistance with remediation of physical hazards. The Association contacted local media outlets to report poor physical conditions at the property and make the residents' plight public. The Houston Chronicle, a major Houston-area newspaper, published several articles focusing on dangerous conditions at Sandpiper Cove and residents' efforts to obtain assistance. The Association has also been involved in filing complaints with the Southwest Housing Compliance Corporation ("SHCC"), which is tasked with inspecting PBRA properties, including Sandpiper Cove and ensuring compliance with HUD habitability standards. SRA continues to monitor conditions at the property and contact elected officials, SHCC, HUD and local media as necessary to bring attention to issues affecting tenant health and safety on the property. The Association has meetings during which residents may bring up any complaints or requests for assistance. In its efforts to assist residents, SRA has previously addressed the Galveston City Council to bring habitability complaints at Sandpiper Cove to its attention. Yet despite SRA's efforts to alert relevant agencies, including HUD, Defendant has not responded to the Association's requests for providing decent, safe, and sanitary housing.

97. Furthermore, neither the claims asserted nor the relief requested requires the participation of Sandpiper Residents Association members in the lawsuit. Sandpiper Residents Association seeks injunctive relief, and it can reasonably be supposed that the remedy, if granted, will inure to the benefit of those members of the association actually injured.

98. Sandpiper Residents Association was formed to protect and promote Sandpiper Cove tenants' interest in obtaining and maintaining decent, safe and sanitary housing at the property. The members are majority Black tenants at Sandpiper. Since its formation, SRA has been involved in

several actions intended to publicize the habitability concerns on the property and obtain assistance with remediation of physical hazards. The Association contacted local media outlets to report poor physical conditions at the property and make the residents' plight public. The Houston Chronicle, a major Houston-area newspaper published several articles focusing on dangerous conditions at Sandpiper Cove and residents' efforts to obtain assistance. The Association has also been involved in filing complaints with the Southwest Housing Compliance Corporation ("SHCC"), which is tasked with inspecting PBRA properties, including Sandpiper Cove and ensuring compliance with HUD standards. The Association continues to monitor conditions at the property and contacts elected officials, SHCC, HUD and local media as necessary to bring attention to issues affecting tenant health and safety on the property. SRA has regular meetings during which residents may bring up any complaints or requests for assistance. In its efforts to assist residents, SRA has previously addressed the Galveston City Council to bring habitability complaints at Sandpiper Cove to its attention. Yet despite SRA's efforts to alert relevant agencies, including HUD, Defendant has not responded to the Association's requests for providing decent, safe, and sanitary housing.

99. Plaintiff Larry Bernard Brooks Sr. resides at Sandpiper Cove. Part of his rent is paid under HUD's Project-Based Section 8 Rental Assistance contract. Mr. Brooks is Black or African American. He moved to Sandpiper Cove in 2011. He lives alone in a two-bedroom unit. Mr. Brooks is disabled and supports himself through Supplemental Security Income ("SSI") of $771/month. He has never been cited for any infractions at the complex. Mr. Brooks lost valuable possessions as a result of physical conditions at Sandpiper Cove. Recently, an electric transformer malfunctioned and Mr. Brooks' television set was damaged by the resulting power surge. There is mold in the apartment and a noticeable odor in the unit. He regularly cleans visible areas with

cleaning solutions to limit the spread of spores but the mold returns. Mr. Brooks is concerned about long-term health impacts of being exposed to mold in the apartment and is afraid for his safety as a result of electrical malfunctions. Mr. Brooks' limited income precludes him from moving elsewhere without the assistance of a tenant protection voucher.

100. Plaintiff Betty Ann Dergin has lived at Sandpiper Cove since the early 1980s. She lives in a 3-bedroom apartment with her adult son and minor grandson. Ms. Dergin is Black or African American. Ms. Dergin and her son are both disabled and disability benefits are their sole source of income. There are numerous habitability issues in their apartment, including water leaks, defective plumbing and roof problems. Slugs regularly enter the kitchen through the sink. Frequent power surges inside the living room have damaged electronic devices so family them to an outside plug to avoid additional losses. Ms. Dergin is tired of the poor conditions at Sandpiper Cove. She has mold in her apartment that cannot be removed regardless how often she cleans her home. Ms. Dergin seeks to move to a decent, safe and sanitary unit but cannot do so without the assistance of a tenant protection voucher.

## VIII. VIII. HUD's decision to withhold Tenant Protection Vouchers as a form of relocation assistance is final agency action that violates the Fair Housing Act and the Constitution

101. HUD has the authority under the law to provide a specific remedy for Plaintiffs. Because HUD has issued the Notice of Default and the units continue to pose an imminent health and safety risk to residents, HUD can issue Tenant Protection Vouchers to Plaintiffs and the other tenants. FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534; CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian Housing Tenant-Based Rental Assistance (2). The prerequisites are met. HUD issued the Notice of Default. The units pose an imminent health and safety risk to

residents. HUD does not have to terminate the HAP contract with the owner in order to provide these vouchers. HUD can pay for the vouchers from the funds already appropriated. *Id.* If the HAP is not terminated, the vouchers are relocation vouchers and sunset when the current participant leaves the voucher program. If the HAP is terminated, the vouchers are replacement vouchers and remain available for re-use in the community. HUD Notice PIH 2018-09.

102. HUD has made the final decision to withhold this relief from Plaintiffs. The decision has legal consequences. Plaintiffs do not receive the voucher assistance that could be used for relocation. The facts show that HUD's decision to withhold the relief is based on the discriminatory purpose to maintain racial segregation and to disadvantage a group of minority households. The use of discretion to accomplish intentional racial discrimination violates both the U.S. Constitution, 42 U.S.C. § 3604(a), and 42 U.S.C. § 3608(e)(5). *N.A.A.C.P. v. Sec'y of Hous. & Urban Dev.*, 817 F.2d 149, 157 (1st Cir. 1987); *Clients' Council v. Pierce*, 711 F.2d 1406, 1425 (8th Cir. 1983).

103. HUD's withholding the relief of Tenant Protection vouchers or the other assistance in finding another dwelling unit in decent, safe, and sanitary conditions is illegal final agency action based on the following facts:

A. It makes decent, safe, and sanitary housing unavailable because of race as shown by the facts shown in this complaint as summarized below and showing the circumstantial evidence of HUD's intent to discriminate on the basis of race and ethnicity.

1) The action disadvantages a predominantly minority group, the tenants at Sandpiper Cove Apartments, by causing them to live in units, a project, and a neighborhood that poses an imminent health and safety risk to them and to their families. HUD reports that over 88% of the

tenants at Sandpiper Cove are Black and Hispanic.

2) The action subjects the minority group to continued residence in units, a project, and a neighborhood that is substantially unequal to the unit, project, and neighborhood conditions for the majority White non-Hispanic Project Based Rental Assistance projects in nearby metropolitan areas. There are several comparable Project Based Rental Assistance properties in adjacent Brazoria County that are in substantially better physical condition and without the health and safety hazards present at Sandpiper Cove. They are majority White, non-Hispanic. These properties are habitable and do not present imminent health hazards to residents.

3) HUD's action is contrary to the substantive norm requiring it to assure that the tenants residing in Project Based Rental Assistance are receiving decent, safe, and sanitary housing. 24 C.F.R. §§ 886.323 (a), (d), (e).

4) HUD's action is contrary to the substantive norm that once HUD notifies the owner that he/she has failed to maintain a dwelling unit in decent, safe, and sanitary condition and the owner fails to take corrective action within the time prescribed in the notice, HUD shall provide assistance in finding a unit in decent, safe, and sanitary condition for each family that "wishes to be rehoused in another dwelling". . . . 24 C.F.R. § 886.323(e).

5) HUD's action is contrary to the procedural norm that once HUD notifies the owner that he/she has failed to maintain a dwelling unit in decent, safe, and sanitary condition, and the owner fails to take corrective action within the time prescribed in the notice, further payments for the units violate the Housing Assistance Payment Contract between HUD and the owner.

> (2) Housing assistance payments shall only be paid to the Owner for contract units occupied by eligible families leasing decent, safe and sanitary units from the Owner in accordance with statutory requirements and with all HUD regulations and other requirements. Project-based Section 8 HOUSING ASSISTANCE PAYMENTS BASIC RENEWAL CONTRACT MULTI-YEAR TERM.

6) HUD's action is contrary to the procedural and substantive HUD obligation in the administration of the HAP contract with the owner of Sandpiper Cove, Compass Pointe, LLC to take and require meaningful actions that:

- address significant disparities in housing needs and in access to opportunity,
- replace segregated living patterns with truly integrated and balanced living patterns,
- transform racially and ethnically concentrated areas of poverty into areas of opportunity,

and

- foster and maintain compliance with civil rights and fair housing laws.

42 U.S.C. § 3608(e)(5); *N.A.A.C.P. v. Sec'y of Hous. & Urban Dev.*, 817 F.2d 149, 156 (1st Cir. 1987); *Shannon v. U.S. Dep't of Hous. & Urban Dev.*, 436 F.2d 809, 819, 821-822 (3d Cir. 1970). HUD's refusal to provide plaintiffs with the grant of assistance necessary to obtain decent, safe, and sanitary housing in site and neighborhood conditions substantially equivalent to the conditions in which majority White non-Hispanic occupied PBRA projects are located is the failure to provide the assistance that would address the significant disparities, segregated living patterns in racially concentrated areas of poverty, and comply with civil rights and fair housing laws.

## IX. HUD's breach of its obligation to pay the owner only for units that are decent, safe, and sanitary is based at least in part on the race of Plaintiffs and the other tenants

102. Plaintiffs will show the following facts that give rise to an inference of discrimination by HUD.

103. HUD contracts with private landlords to provide affordable housing to low income tenants through the PBRA program. Pursuant to the contract, HUD makes payments to the

landlord to rent the units to eligible low income tenants. HUD has the contractual authority to require that the landlord comply with the HUD housing quality standards that govern this housing program.

104. Plaintiffs are Black or African American. Sandpiper Cove is located in a 16% White non-Hispanic census tract. Sandpiper Cove's units are 87% occupied by Black or African American households. HUD is paying for housing that is provided by the owner to Plaintiffs but which is not decent, safe, and sanitary housing.

105. Plaintiffs entered into a lease for the HUD subsidized PBRA housing at Sandpiper Cove that, had it met the HUD housing quality standards, would have provided them and their families with decent, safe, and sanitary housing. The Plaintiffs' lease for the HUD subsidized PBRA housing at Sandpiper Cove would have provided them and their families with equal neighborhood living conditions without conditions that adversely affect the health, safety, and general welfare of residents.

106. The unit, project, and site conditions that do not comply with minimum standards for decent, safe, and sanitary housing.

107. The living conditions that adversely affect the Plaintiffs and other Sandpiper Cove tenants are factors that adversely affect the health, safety, and general welfare of residents, and cannot be mitigated by HUD.

108. HUD pays for decent, safe, and sanitary housing for similarly situated, disproportionately White non-Hispanic low income PBRA tenants in majority White, non-Hispanic census tracts. These PBRA units include the PBRA projects in Brazoria County which the county adjacent to

Galveston County where Sandpiper Cove is located.

109. The rents for the assisted units at the projects in Brazoria County are comparable to the rents for the assisted units at Sandpiper Cove. The unit, site, and project conditions at other PBRA projects are decent, safe, and sanitary.

110. HUD does not make the disproportionately White tenants in the Brazoria County PBRA projects live in conditions that present imminent health and safety risks to the residents. HUD does not require those tenants to reside in conditions of imminent health and safety risks in order to "preserve" the affordable housing units.

111. When Plaintiffs and residents at Sandpiper Cove asked HUD to be rehoused after the Notice of Default and the owner's non-compliance HUD refused to provide the relocation assistance. One reason given by HUD for the refusal to relocate the Sandpiper residents was that HUD wanted to preserve the affordable housing units at Sandpiper.

112. HUD's payments to the owner of Sandpiper Cove for units that are not decent, safe, and sanitary is not based on any legitimate, non-discriminatory reason and is final agency action.

113. HUD has no statutory or regulatory authority for paying to provide Plaintiffs with housing that is not the decent, safe, and sanitary housing required by the relevant housing quality standards. HUD has no statutory or regulatory authority for paying to provide Plaintiffs with housing in locations with neighborhood living conditions that are free from high crime and other conditions that adversely affect the health, safety, and general welfare of the area residents.

**A. The additional evidence showing the existence of *Village of Arlington Heights* factors supports the finding of intentional discrimination**

114. The U.S. Supreme Court set out a list on non-exclusive factors that may provide

circumstantial evidence showing racial discrimination was a motivating factor in government decisions affecting the availability and location of housing. *Vill. of Arlington Heights v. Metro Hous. Dev. Corp.*, 429 U.S. 252, 265-268 (1977). The following evidence shows the existence of Arlington Heights factors that support the inference of intent. The facts show that HUD intentional support for racial segregation is longstanding in duration and pervades HUD's administration of the PBRA program in the City of Galveston.

115. Sandpiper Cove apartment complex in the City of Galveston is located in a predominantly minority census tract. It is further adversely affected by various unequal neighborhood living conditions. Sandpiper Cove is disproportionately occupied by Black or African American low-income tenants. Several similar PBRA projects in White, non-Hispanic Brazoria County and surrounding census tracts that would offer Plaintiffs a racially integrated housing opportunity in equal neighborhood conditions are restricted to elderly tenants only.

116. Brooks Manor is a similar PBRA complex located in Brazoria County. However, the tenant community is 79% White Non-Hispanic. The most recent REAC inspection score was 87c. Its buildings are in better physical condition, with well-maintained common areas, lawns and a children’s playground in operable condition and located in a census tract with a lower crime rate.

117. Alvin Memorial is another comparable PBRA property located in adjacent Brazoria County. Its residents are 66% White Non-Hispanic. The most recent REAC inspection score was 92b. The property is in superior physical condition than Sandpiper Cove and units visibly appear to be decent, safe and sanitary. Property maintenance is conducted regularly and the crime rate in the census tract is lower than that Sandpiper Cove is located in.

118. Magnolia Acres is a comparable PBRA property in adjacent Brazoria County. The complex's tenant population is 69% White Non-Hispanic. The most recent REAC inspection score is 94b. The complex is decent, safe and sanitary. It is a gated, fenced in community with 66 units featuring a children's playground. The property is in better physical condition than Sandpiper Cove. The property is zoned to better-performing public schools than any that Sandpiper Cove residents may enroll in.

**B. The historical background of the racial segregation and unequal conditions affecting PBRA and other HUD assisted housing in Galveston reveals a series of actions taken for invidious purposes.**

119. HUD's administration of Galveston's public housing system and the PBRA program has perpetuated segregation in the city since the early 20th century. HUD's administration of the PBRA program at Sandpiper Cove continues the segregation of the low income Black and Hispanic tenants in Galveston today.

120. HUD's public housing was purposefully constructed and concentrated in an industrial area known as Galveston's Sixth Ward. According to census data, this area was historically black. Four public housing facilities were built in the area, including: Oleander Homes (1943), Palm Terrace (1943), Magnolia Homes (1953) and Cedar Terrace (1953).

121. In 1971, HUD approved the subsidy associated with Sandpiper Cove Apartments.

122. In 1997, residents and applicants for public housing administered by Galveston Housing Authority (GHA) filed suit against the agency for failing to remedy the segregation related to the administration of the City's Public Housing Program. Plaintiffs' claims alleged violations of the 5th and 14th Amendments and Title VI and Title VIII of the Civil Rights Act.

HUD knows of the racial segregation of GHA public housing. In 1997, HUD found GHA in violation of Title VI of the Civil Rights Act.

123. The parties entered into a consent decree to resolve Plaintiffs' claims.

124. As a result, the Galveston Housing Authority was ordered to deconcentrate the families living in GHA public housing. However, the properties were never properly desegregated.

125. In 2008, Hurricane Ike struck Galveston Island and significantly damaged all four of the Galveston Housing Authority properties. GHA demolished all 569 units. GHA promised to rebuild them each unit and add over 1500 units over the next 10 years. GHA abandoned that plan after significant public opposition.

126. In October 2009, Texas Low Income Housing Service and Texas Appleseed filed a Fair Housing complaint with HUD against the State of Texas' Amendment to its Action Plan for Hurricane Disaster Relief Block Grant Funds. The Complaint asserted that the State of Texas and the City of Galveston failed to adequately address the impediments to Fair Housing as required to receive Block Grant funds.

127. In May 2010, a Conciliation Agreement was executed between the parties. The Agreement advised that the recipients of the CDBG Disaster Relief funds must identify and address all impediments to Fair Housing. The City of Galveston received 20 million dollars of the funds to rebuild family and senior public housing.

128. Over ten years has elapsed since the dissemination of the funds to the City of Galveston to rebuild public housing and only half of the units have been constructed. The other half of the public housing units have been proposed to be rebuilt in the Sixth Ward area of Galveston that is

already densely concentrated with public housing.

129. The continued concentration of GHA public housing and PBRA housing in the Sixth Ward of Galveston violates Federal Civil Rights laws and HUD site selection regulations.

130. The unequal neighborhood conditions affecting HUD's PBRA housing in minority concentrated areas include high crime, high poverty including high childhood poverty, distressed neighborhoods, poor drainage, flooding, segregated and unequal schools, and lack of childhood opportunities.

131. The injuries particularly to children from these conditions of racial segregation are foreseeable and were foreseen by HUD.

> Racially or ethnically concentrated areas of poverty merit special attention because the costs they impose extend far beyond their residents, who suffer due to their limited access to high-quality educational opportunities, stable employment, and other prospects for economic success. Because of their high levels of unemployment, capital disinvestment, and other stressors, these neighborhoods often experience a range of negative outcomes such as exposure to poverty, heightened levels of crime, negative environmental health hazards, low educational attainment, and other challenges that require extra attention and resources from the larger communities of which they are a part. Consequently, interventions that result in reducing racially and ethnically concentrated areas of poverty hold the promise of providing benefits that assist both residents and their communities. Affirmatively Furthering Fair Housing; Proposed Rule,78 Fed Reg 43710, 43714, July 19, 2013.

132. HUD's site selection regulations prohibiting the concentration of HUD assisted housing in minority concentrated, low income areas with unequal living conditions were first enacted in 1972. 37 Fed. Reg. 203 (1972). The existing racial segregation in HUD assisted housing in the City of Galveston was funded and approved by HUD decisions in violation of HUD's site selection regulations. HUD provided the Sandpiper Cove with the original HUD assistance and

continued to renew the Housing Assistance Payments contract despite HUD's site selection regulations prohibiting housing in minority concentrated and low-income areas.

**C. HUD's decisions to renew the PBRA contracts for Sandpiper Cove Apartments were made in violation of HUD substantive standards are consistent with and show the existence of discriminatory intent**

133. HUD has made several decisions to enter into, and continue renewing PBRA contracts with Sandpiper Cove Apartments since 1984. These decisions were made in violation of the HUD regulatory standards for acceptable housing. 24 C.F.R. § 5.703. These decisions are consistent with and supportive of the racially segregative purpose to segregate Black or African American families and provide them with unequal facilities. HUD's failure to affirmatively further fair housing with regard to the PBRA program and Sandpiper Cove Apartments is the violation of a substantive standard that is consistent with discriminatory intent.

134. HUD has the legal obligation under 42 U.S.C. § 3608(e)(5) to affirmatively further fair housing:

- address significant disparities in housing needs and in access to opportunity,
- replace segregated living patterns with truly integrated and balanced living patterns,
- transform racially and ethnically concentrated areas of poverty into areas of opportunity, and
- foster and maintain compliance with civil rights and fair housing laws. *N.A.A.C.P. v. Sec'y of Hous. & Urban Dev.*, 817 F.2d 149, 156 (1st Cir. 1987); *Shannon v. U.S. Dep't of Hous. & Urban Dev.*, 436 F.2d 809, 819, 821-822 (3d Cir. 1970); 24 C.F.R. § 5.150, § 5.152; HUD, Affirmatively Further Fair Housing, Final Rule, 80 Fed. Reg. 42272, July 16 2015.

135. HUD is aware of the racially segregated and unequal conditions in the living patterns provided by the PBRA projects located in the City of Galveston, in Galveston County, and in the adjoining county, Brazoria County. HUD obtains detailed Management and Occupancy Review reports as well as REAC reports on each PBRA project. These reports include the facts showing failure of units in these projects to provide decent, safe, and sanitary housing. HUD's Picture of Subsidized Households database contains the census tract information showing the minority composition of each PBRA project and of the census tract in which each PBRA is located.

136. Despite this knowledge, HUD has not taken meaningful action to affirmatively further fair housing in the PBRA program as administered at the Sandpiper Cove Apartments project. HUD's implementation of its legal obligation to provide for fair housing is violated by HUD's breach of its obligation to pay only for Sandpiper Cove units that are decent, safe, and sanitary housing. HUD's breach leaves in place a pattern of racially segregated and unequal living conditions at Sandpiper Cove Apartments.

## X. Claims for relief

### A. APA claim for relief based on the final agency action withholding the assistance required by the 2019 Consolidated Appropriations Act and 24 C.F.R. § 886.323(e)

137. The legal and factual prerequisites for HUD's provision of relocation assistance to Plaintiffs are met. HUD has issued a Notice of Default for the owner's failure to maintain the units and the projects in decent, safe, and sanitary condition. The time for the owner to cure the deficiencies has passed without the deficiencies being cured. Plaintiffs have requested the assistance to relocate to decent, safe and sanitary housing elsewhere. HUD's obligation to provide the assistance and the relief from the owner's breach of its obligation to provide decent, safe, and

sanitary housing is an obligation to provide assistance and relief and its withholding the assistance and relief is final agency action under the Administrative Procedure Act, 5 U.S.C. § 551(13); 5 U.S.C.A. § 551 (10)(B); 5 U.S.C.A. § 551 (13)(A). The relevant law and regulation require HUD to provide the relief of assistance for relocation once HUD has given a Notice of Default, the owner has not corrected the deficiencies set out in the notice, and HUD continues the contract in effect and pay for units that are not decent, safe, and sanitary.[6] Each of these requirements is met yet HUD continues to withhold the assistance which is the relief provided by law. HUD's withholding the assistance and the relief is final agency action. 5 U.S.C. § 551(13); 5 U.S.C. § 551 (10)(B), 5 U.S.C. § 13(A). HUD's action is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the Appropriations Acts and 24 C.F.R. § 886.323(e). The scope of review for this claim is set by 5 U.S.C. § 706 (2).

**B. APA claim for relief based on the final agency action unlawfully withholding the relocation assistance required by 24 C.F.R. § 886.323(e)**

138. The legal and factual prerequisites for HUD's provision of relocation assistance to Plaintiffs are met. HUD has issued a Notice of Default for the owner's failure to maintain the units and the projects in decent, safe, and sanitary condition. The time for the owner to cure the deficiencies has passed without the deficiencies being cured. Plaintiffs have requested the assistance to relocate to decent, safe and sanitary housing elsewhere and HUD has refused.

139. HUD has the legal obligation to provide the tenants with relocation assistance pursuant to 24 C.F.R. § 886.323(e) and is refusing to do so. Plaintiffs bring this action is to compel agency action unlawfully withheld or unreasonably delayed. The scope of review for this claim is set by

[6] FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534; CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian Housing Tenant-Based Rental Assistance (2); 24 C.F.R. § 886.323(e).

5 U.S.C. § 706 (1).

**C. APA claim for relief based on the final agency action withholding the Tenant Protection Vouchers assistance authorized by the 2020 and the 2019 Consolidated Appropriations Acts**[7]

140. The 2020 and the 2019 Consolidated Appropriations Acts authorize HUD to issue Tenant Protection Vouchers to tenants in PBRA projects for which HUD has issued a Notice of Default and in which the conditions constitute imminent health and safety risks to the residents. *See* note 6.

141. HUD's final decision to withhold the assistance and relief of Tenant Protection Vouchers given the owner's refusal to provide decent, safe, and sanitary units, the Notices of Default, the failure to cure the deficiencies, and the imminent health and safety risks to Plaintiffs and the other tenants is final agency action. 5 U.S.C. § 551(13); 5 U.S.C.A. § 551 (10)(B); 5 U.S.C.A. § 551 (13)(A).

142. HUD's final decision to withhold the assistance and relief of Tenant Protection Vouchers is arbitrary, capricious, and an abuse of discretion.

143. The scope of review for this claim is set by 5 U.S.C. § 706(2).

**D. APA claim for relief based on the final agency action withholding the Tenant Protection Vouchers and the other relocation assistance authorized by the 2020 and the 2019 Appropriations Acts and 24 C.F.R. § 886.323(e) that violates HUD's obligations to provide, within constitutional limitations, for fair housing in all of its housing programs as required by 42 U.S.C. § 3608(e)(5)**

144. HUD's final decision to withhold the assistance and relief necessary for Plaintiffs to

[7] FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534; CONSOLIDATED APPROPRIATIONS ACT, 2019, PL 116-6, February 15, 2019, 133 Stat 13, Public and Indian Housing Tenant-Based Rental Assistance (2)

obtain decent, safe, and sanitary housing elsewhere including the use of Tenant Protection Vouchers continues to subject Plaintiffs to racial segregation and unequal conditions in HUD's Project Based Rental Assistance program. As shown in this Complaint, HUD is funding and administering a racially separate and unequal PBRA system that denies Plaintiffs racially integrated and equal housing. HUD's decision to deny the assistance and relief for Plaintiffs to use the federal assistance to obtain racially integrated and equal housing violates HUD's duty to affirmatively further fair housing under 42 U.S.C. § 3608(e)(5).

145. The scope of review for this claim is set by 5 U.S.C. § 706.

**E. Claim for intentional discrimination in violation of 42 U.S.C. § 3604(a)**

146. For units in PBRA projects in majority White non-Hispanic census tracts, HUD complies with its obligation to pay only for units that are decent, safe, and sanitary. HUD is breaching this obligation by knowingly and voluntarily paying the owner of Sandpiper Cove Apartments for units that are not decent, safe and sanitary. HUD's breach of this obligation at Sandpiper Cove is based at least in part on the race of Plaintiffs and the other tenants. The evidence for this claim is shown above. HUD's discriminatory purpose subjects Plaintiffs to the injuries caused by the breach of HUD's obligation to pay only for decent, safe and sanitary housing.

147. HUD's final decision to withhold the relocation assistance and relief necessary for Plaintiffs to obtain decent, safe, and sanitary housing elsewhere including Tenant Protection Vouchers makes the decent, safe, and sanitary housing that would be available with that assistance unavailable to a group that is predominantly Black or African American and completely minority. This is the group of tenants at Sandpiper Cove Apartments. This decision

continues to subject Plaintiffs to HUD's discriminatory purpose and the resulting effects.

148. The evidence set out in this Complaint shows that HUD's final decision to withhold the assistance and the Tenant Protection Vouchers is intentional discrimination on the basis of race and ethnicity in violation of 42 U.S.C. § 3604(a).

**F. Claim for intentional discrimination in violation of the Equal Protection component contained in the due process clause of the Fifth Amendment to the Constitution of the United States**

149. For units in PBRA projects in majority White non-Hispanic census tracts, HUD complies with its obligation to pay only for units that are decent, safe, and sanitary. HUD pays for units at Sandpiper Cove that are not decent, safe, and sanitary. HUD's payments for units at Sandpiper Cove that are not decent, safe, and sanitary is based at least in part on the race of Plaintiffs and the other tenants. The evidence for this claim is shown in this Complaint. HUD's discriminatory purpose subjects Plaintiffs to the injuries caused by the breach of HUD's obligation to pay only for decent, safe and sanitary housing.

150. HUD's final decision to withhold the assistance and relief of the assistance including Tenant Protection Vouchers as necessary for Plaintiffs to obtain decent, safe, and sanitary housing elsewhere makes the decent, safe, and sanitary housing that would be available with that assistance unavailable to a group that is predominantly Black or African American and almost exclusively minority. This is the group of tenants at Sandpiper Cove Apartments. This decision continues to subject Plaintiffs to HUD's discriminatory purpose and the resulting effects.

151. The evidence set out in this Complaint shows that HUD's final decision to withhold the assistance and the Tenant Protection Vouchers is intentional discrimination on the basis of race

and ethnicity in violation of the Equal Protection component contained in the due process clause of the Fifth Amendment to the Constitution of the United States.

## XI. Prayer for relief

152. Plaintiffs request the following relief:

A. an injunction ordering HUD to provide Plaintiffs with the assistance necessary to obtain affordable decent, safe, and sanitary housing in neighborhoods without substandard conditions for so long as Plaintiffs remain eligible for the assistance;

B. an injunction ordering HUD to provide Plaintiffs with Tenant Protection Vouchers as part of the assistance necessary to obtain affordable decent, safe, and sanitary housing in neighborhoods without substandard conditions so long as Plaintiffs remain eligible for the Voucher; This relief includes relocation assistance to use the voucher to obtain decent, safe, and sanitary housing in neighborhoods without substandard conditions.

C. In the alternative to the relief of a Tenant Protection Voucher, injunctive relief ordering HUD to transfer the PBRA subsidy to a decent, safe and sanitary within the City of Galveston or Galveston County. This relief includes relocation assistance for the Plaintiffs to transfer to the new housing for the PBRA contract that is decent, safe, and sanitary.

D. injunctive relief that Plaintiffs' leases with Sandpiper Cove Apartments are terminated without any default by Plaintiffs and ordering a return of all funds paid by Plaintiffs as rent or deposits;

E. any other appropriate injunctive relief; and

F. an award of plaintiffs' attorney's fees, litigation expenses, and costs.

Respectfully Submitted,

/s/Kimberly Brown Myles
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March 2, 2021

***Via E-Mail***

Board of Directors
Texas State Affordable Housing Corporation
6701 Shirley Avenue
Austin, TX 78752

**RE: Sandpiper Cove Apartments, 3916 Winnie Street, Galveston, Texas 77705 -- Limitation on Courts' Ability To Override HUD Section 8 Management Decisions**

Dear Members of the Board of Directors:

This firm is counsel to Galveston 3916 Winnie Street, LP (the "Company") which proposes to purchase a 192-unit multifamily housing property known as Sandpiper Cove Apartments (the "Property"), located at 3916 Winnie Avenue in Galveston, Texas. The Property is a unique resource for lower-income families in Galveston, as it is the only project-based Section 8 assisted housing on the island. Without it, almost 200 families would have to find affordable housing in an area with limited affordable housing alternatives. The Company proposes to acquire the Property in part with bond financing provided by the Texas State Affordable Housing Corporation ("TSACH"), which will be used to rehabilitate the Property and restore it to applicable housing quality standards.

Last year, a lawsuit was filed by a group of residents of the Property, challenging HUD's oversight of the Property pursuant to its participation in the Section 8 program under the Administrative Procedures Act, 5 U.S.C. §§ 551 et seq. ("APA"). *Sandpiper Residents Ass'n v. U.S. Dept. of Housing and Urban Development*, No. 1:20-cv-01783 –RDM (D.D.C. 2020) (the "Litigation").[1] We understand that TSACH is concerned that a court may enter an order transferring the current Section 8 Housing Assistance Payments Contract ("HAP Contract") to another property, or converting assistance to vouchers that current residents can use at other properties. For the following reasons, we do not believe a Federal court has the power under the APA to enter such an order.

[1] The Litigation is subject to a pending motion to transfer the case from its current venue in the District of Columbia to the Southern District of Texas. Docket No. 13. No responsive pleading has been filed by the defendant.

**A. The HAP Contract and HUD Implementing Regulations Confer Broad Discretion on HUD to Respond to Property Management Defaults and Noncompliance.**

The current HAP Contract (**Attachment A** hereto), subject to several renewals, establishes the rights and responsibilities of the owner of the Property and the U.S. Department of Housing and Urban Development, which oversees the implementation and operation of the Section 8 rental assistance program. Among other things, the HAP Contract commits HUD to make monthly rental assistance payments. HAP Contract, §7(a)("For each contract unit occupied by an eligible family in accordance with this Contract, HUD will pay the Owner the difference between the HUD approved gross rent and the Gross Family Contribution required by HUD regulations and administrative procedures."). In exchange for these benefits, the Owner is subject to a number of express duties, including the obligation to "maintain and operate the contract units and related facilities so as to provide decent, safe and sanitary housing as defined by HUD," among other tasks. Id., §14(a).

To ensure the Owner's obligations, the HAP Contract confers extensive oversight and enforcement powers to HUD. Section 26 (entitled "Owner Default Under Contract") identifies a broad array of tools available to HUD if the Owner does not comply with its obligations under the HAP Contract. After determining that a default has occurred, HUD is authorized to send a notice to the Owner of the default and the steps to be taken within a set time to cure the default. If the cure is not completed in a timely manner to HUD's satisfaction, "HUD may terminate [the] Contract in whole or in part or may initiate any of the following actions." §26(b). The specified actions include a variety of measures by Court order, such as to "[t]ake possession of the project . . .[,] "[c]ollect all rents and other receipts of the project and use the receipts to pay the Owner's obligations . . . [,] [a]pply to any court, State or Federal, for specific performance of this Contract, for an injunction against any violation of this Contract, for the appointment of a receiver . . . or for such other relief as may be appropriate . . . [and] [i]nitiate action to recover overpayments." Id., §26(1)(a)-(d).

In addition to seeking judicial enforcement, the HAP Contract authorizes HUD to undertake a variety of administrative enforcement measures, including to "[p]ay housing assistance payments directly to the mortgagee . . .[,] [r]educe or suspend housing assistance payments until the default under this Contract has been cured . . .[,] [w]ithhold housing assistance payments until the default under this Contract has been cured . . . [,] reduce the number of contract units . . . [,] [s]uspend, debar or otherwise restrict participation in any HUD program . . .[, or] [i]nitiate action to recover any overpayments." Id, §26(b)(2)(a)-(f).

In addition to all of these specified oversight and enforcement tools, the HAP Contract contains a final broad reservation of other remedies to HUD:

> Remedies Not Exclusive and Non-Waiver of Remedies. The availability of any remedy under this Contract shall not preclude the exercise of any other remedy under this Contract or under any provisions of Law, nor shall any action taken in the exercise of any remedy be considered a waiver of any other rights or

> remedies. Failure to exercise any right or remedy shall not constitute a waiver of the right to exercise that or any other right or remedy at any time.

Id., §26(c).

The oversight and enforcement powers contained in the Contract derive from and are codified in HUD's Section 8 regulations. See generally 24 CFR Part 886. For example, HUD's regulations make clear that it will take appropriate steps generally to oversee the Owner's compliance with the HAP Contract:

> HUD will review project operation at such intervals as it deems necessary to ensure that the Owner is in full compliance with the terms and conditions of the Contract.

24 CFR §886.130. The regulations impose a broad series of obligations on the Owner, including "[p]erformance of all ordinary and extraordinary maintenance." Id., §886.119(a)(2). As in the HAP Contract, the regulations expressly authorize HUD to pay Section 8 payments to the mortgagee in the event of a financial default:

> In the event of a financial default under the project mortgage, HUD shall have the right to make subsequent Housing Assistance Payments to the mortgagee until such time as the default is cured, or, at the option of the mortgagee and subject to HUD approval, until some other agreed-upon time.

Id., §886.119(b). The HUD regulations provide additional rules concerning maintence of the property:

> ***Maintenance and operation.*** The Owner shall maintain and operate the project so as to provide Decent, Safe, and Sanitary housing and he shall provide all the services, maintenance and utilities which he agrees to provide under the Contract, subject to abatement of housing assistance payments or other applicable remedies if he fails to meet these obligations.

Id., 886.123(a). If those obligations are not met, the regulations direct HUD to take action as outlined in the HAP Contract:

> ***Units not Decent, Safe, and Sanitary.*** If HUD notifies the Owner that he has failed to maintain a dwelling unit in Decent, Safe, and Sanitary condition and the Owner fails to take corrective action within the time prescribed in the notice, HUD may exercise any of its rights or remedies under the Contract, including abatement of housing assistance payments, even if the Family continues to occupy the unit.

Id., §886.123(d).

Taken together, the oversight and enforcement provisions of the HAP Contract establish a broad and flexible grant of authority to HUD to oversee the operations of a property that receives Section 8 rental assistance and to take a variety of measures to respond if it determines that the Owner is not meeting its contractual obligations. Neither the Contract nor the Regulations, however, specify a single response to a specific default or management failure. Rather, they commit to HUD the decision about what sort of response to make to specific defects in property management and operations. In other words, both the Contract and HUD's regulations recognize that one size does not fit all, that any number of issues may arise in the operation of a property, and that HUD needs the discretion to decide what sort of response to make to rectify any deficiencies it identifies. Clearly, the HAP Contract and HUD's regulations commit to HUD alone the power to decide what response is appropriate.

### B. Courts Have Recognized That HUD Possesses Discretion in Enforcing Owners' Obligations Under the HAP Contract.

The Complaint is long and makes many allegations concerning oversight of the Property and its operation by HUD, contending that HUD's conduct violated its duties and seeking relief under the APA. It is outside the scope of this letter to respond individually to the claims asserted in the Complaint and, as noted above, the Government itself has not yet filed a responsive pleading, so we are not aware of what the Government's position is on the matters contained in the Complaint. Nevertheless, to the extent that the plaintiffs in the Litigation invoke the APA to force HUD or the Court to take specific enforcement action, their claims appear to misunderstand the reach of the APA and fundamental distinctions it makes between the powers of HUD and a reviewing court here, including the powers of an agency to decide what actions to take to enforce legal obligations by regulated parties.

The basis asserted by the Plaintiffs for judicial review here is §702 of the APA, which states in part that "[a] person suffering legal wrong because of agency action, or adversely affected or aggrieved by agency action within the meaning of a relevant statute, is entitled to judicial review thereof." 5 U.S.C. §702. Under the APA, a court may, among other things, "(1) compel agency action unlawfully withheld or unreasonably delayed; [and] (2) hold unlawful and set aside agency action, findings, and conclusions found to be . . . arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law . . . ." Id., §706(1) and (2)(a). However, that power is not unfettered. According to §701, courts do not have power to overturn an action properly committed to the discretion of the overseeing agency:

> This chapter applies, according to the provisions thereof, except to the extent that . . . agency action is committed to agency discretion by law. . . .

Id., §701(a)(2).

Courts have repeatedly made clear that decisions with respect to enforcement matters are properly committed to the HUD's discretion and not subject to judicial review, relying on the standard set by the U.S. Supreme Court in *Heckler v. Chaney*, 470 U.S. 821 (1985). For

example, according to the court in *Hawkins v. U.S. Dep't. of Hous. & Urban Dev.*, the *Heckler* court explained that the limitations imposed by §701(a) reflect "an agency's need to balance a number of factors which were peculiarly within the agency's expertise, including whether agency resources were best spent on the alleged violation, whether the agency was likely to succeed if it acted and whether the enforcement action best reflected the agency's overall policies." *Hawkins*, No. CV H-18-3052, 2020 WL 1480012, at *6 (S.D. Tex. Feb. 21, 2020), *report and recommendation adopted sub. nom. Hawkins v. U.S. Dep't. of Hous. & Urban Dev.*, No. CV H-18-3052, 2020 WL 1469793 (S.D. Tex. Mar. 26, 2020).

*Hawkins* involved claims similar to those asserted in the litigation, in which the plaintiffs alleged weak oversight by HUD over maintenance activities by an owner and sought to compel HUD to issue portable vouchers that would allow the residents to leave the subject property. In analyzing HUD's discretion to select enforcement tools, the court explained the history of past efforts to subject HUD's regulatory and enforcement powers to judicial review under the APA:

> Courts have determined that many of HUD's final agency decisions are committed to agency discretion by law. *See Westchester v. U.S. Dep't of Hous.& Urban Dev.*, 778 F.3d 412 (2nd Cir. 2015)(finding that the rejection of a grant application was not reviewable); *Inclusive Cmtys. Project, Inc. v. U.S. Dep't of Hous. & Urban Dev.*; No. 3:07cv945, 2009 WL 3122610, at *7 (N.D. Tex. Sept. 29, 2009)(unpublished)(finding that the setting of market rent for Section 8 housing was not reviewable); *Am. Disabled for Attendant Programs Today ("ADAPT") v. U.S. Dep't of Hous. & Urban Dev.*, 170 F.3d 381, 387 (3rd Cir. 1999)(finding that the failure to carry out enforcement duties under FHA was not reviewable); *Hill v. Group Three Hous. Dev. Corp.*, 799 F.2d 385, 396 (8th Cir 1986)(holding that HUD's failure to take enforcement action against a Section 8 landlord was not reviewable under Sec. 701(a)(2) of the APA).

Id. at *6. The *Hawkins* court rejected plaintiffs' claims, concluding that "the decision to pursue compliance with the regulations with the existing management was committed to HUD's discretion and is not reviewable under Section 701(a)(2)." Id. at *7. [2]

Significantly, the party that submitted comments to TSACH opposing the issuance of bonds here, Texas Low Income Housing Information Service (a/k/a "Texas Housers"), unsuccessfully sued HUD recently, asserting similar claims with respect to HUD's alleged failure to enforce federal civil rights laws against the City of Houston. *Tex. Low Income Hous. Information Serv. v. Carson*, 427 F. Supp. 3d 43 (D.D.C. 2019). Although the court in that case held that Texas

[2] The *Hawkins* court also rejected the plaintiffs' claims that HUD's withholding of portable vouchers was racially discriminatory in violation of the Fair Housing Act, 42 U.S.C. §3601 et seq., on the grounds, among others, that examining those claims "would require the court to review a discrete decision not to take enforcement action against the [subject property], a decision committed to agency discretion by law." Id. at *10.

Housers did not have standing to pursue its claims, the court also pointed out that judicial review of agency enforcement actions is generally precluded by the APA:

> Indeed, it is not even clear what Texas Housers would like the Court to do other than to order HUD to more effectively enforce certain laws against Houston. See generally Compl., Prayer for Relief at 36; Opp'n at 35 (asking the Court "to order HUD to end its policy of overlooking Houston's proven failures and to do something in accordance with the agency's own findings"). ***And as Defendants correctly point out, the Supreme Court's decision in Heckler v. Chaney generally precludes judicial review of an agency's discrete enforcement decisions***. *Heckler v. Chaney*, 470 U.S. 821, 831, 105 S.Ct. 1649, 84 L.Ed.2d 714 (1985) ("[A]n agency's decision not to prosecute or enforce, whether through civil or criminal process, is a decision generally committed to an agency's absolute discretion.")(internal citations omitted; emphasis added).

427 F. Supp. 3d at 59, fn. 6 (emphasis added).

In this case, it is clear that HUD has exercised its discretion in favor of preserving the Property as a source of affordable housing in Galveston, TX. In a letter to Bobby Wilkinson, Executive Director of the Texas Dept. of Housing and Community Affairs dated February 25, 2021 ("Walsh Letter," **Attachment B** hereto), Mary Walsh, HUD's Director for Multifamily Housing Southwest Region, confirmed HUD's "support for rehabilitation" of the Property, noting that "the market for affordable housing is very limited on Galveston Island and that [the Property] is the only Project Based Section 8 housing on the Island." Walsh Letter at 1. Therefore, she concluded, "HUD is committed to, retaining and preserving this affordable housing on Galveston Island." Id. Fully aware of the history of this property, its present condition, and the steps needed to rehabilitate it, HUD has properly exercised its discretion to pursue preservation and rehabilitation of the Property and a court should not second-guess that decision.

## Conclusion

As noted above, the Complaint is long and make a number of allegations that are outside the scope of this letter. But it is premised on the idea that that a court has the power to second-guess HUD's enforcement decisions with respect to the Property. The HAP Contract and HUD's Section 8 regulations establish a comprehensive regime to enforce an owner's obligations under the HAP Contract. When called upon to do so, courts have consistently held

that such enforcement decisions are properly committed to HUD's enforcement powers under §701(a)(2) of the APA and are not reviewable by the courts, including with respect to issuing portable vouchers as a remedy for an alleged failure to maintain a property pursuant to a HAP Contract or for alleged violations of the Fair Housing Act.

Very truly yours,

Harry J. Kelly
Partner

HJK
Attachment

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**
Southwest Multifamily Region
*Serving Arkansas, Iowa, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas*
Multifamily Customer Service Telephone Line 1-800-568-2893
www.hud.gov

March 8, 2021

Texas State Affordable Housing Corporation (TSAHC)
Attn: Dave Danenfelzer, Senior Director, Development Finance
Via email: ddanenfelzer@tsahc.org
6701 Shirley Avenue
Austin, Texas 78752

Re: Compass Pointe Apartments aka Sandpiper Cove / TX24M000018
3916 Winnie Street, Galveston, Texas 77550
Letter of Support for Bond Issuance

Dear Mr. Danenfelzer,

This letter is to confirm the U.S. Department of Housing and Urban Development's (HUD) support for rehabilitation of Compass Pointe Apartments (the "Property"). HUD was informed of the proposed sale of the Development and transfer of the Housing Assistance Payments (HAP) Contract to Galveston 3916 Winnie Street, LP (the "Proposed Owner") and has been working closely with all participants to ensure an efficient and positive transition for the property and residents.

The Property was built in 1969 and is located at 3916 Winnie Street, Galveston, Texas. There are 192 units within 24 residential buildings and a community building. The market for affordable housing is very limited on Galveston Island, and this Property is the only Project Based Section 8 housing on the Island.

HUD has had serious concerns with the physical issues at the Property. Due to multiple violations at the Property, HUD issued a Notice of Default of the HAP Contract as well as issued a requirement to the current owner, Compass Pointe Apartments Texas, LLC (the "Current Owner"), to contract with a third-party property management company. The HUD approved third-party management company, J. Allen Management (the "Property Manager"), began in April 2020 and has worked tirelessly to properly address resident concerns and HUD's requirements. This Property Manager will continue as the Property Manager upon the Proposed Owner's purchase of the Property. With the assistance of the third-party Property Manager, the Current Owner provided HUD with an Action Plan and has continued to work with all parties to address deficiencies, pending the sale of the Property.

It is important to note that HUD's mission it to preserve affordable housing and to provide decent, safe, and sanitary housing for residents. To be clear, when compared to the preservation of the HAP contract as proposed at the Property, the alternative of issuing vouchers is not a viable nor desirable option. Firstly, the issuance of vouchers is pursued as a last resort when the termination of the HAP contract is warranted due to an owner's refusal to comply with the Section 8 program's contractual requirements, which is not the case in the current scenario. As evident with the proposal before

TSAHC, the Current Owner is working to comply and ensure full correction of the physical and financial issues through the cooperative transfer of ownership and management to the Proposed Owner. Secondly, a termination of the HAP contract also guarantees a permanent loss of the preservation of those affordable apartment units under the contract. Additionally, the successful issuance of vouchers relies upon a sufficient supply of affordable housing from private owners who are willing to accept vouchers in the marketplace. With the already tight supply of affordable housing in Galveston, residents would have little choice to utilize the vouchers and remain on the Island.

Therefore, HUD is committed to retaining and preserving this affordable housing on Galveston Island. Currently, HUD has no intention of terminating the affordable housing assistance to the Property and has approved a transfer of the HAP contract to the Proposed Owner upon sale of the property, given the confidence HUD has in the Proposed Owner and Property Manager, who have a proven track record of successfully obtaining and turning around other similarly distressed and troubled affordable properties. This further warrants our support of rehabilitating the Development to provide decent, safe, and sanitary housing for the residents.

HUD understands that TSAHC and the Board of Directors are aware of and have concerns about the pending lawsuit against HUD regarding the preservation and rehabilitation of the Section 8 PBRA HAP Contract at the Property. We believe it important that you know that within the Section 8 PBRA program, HUD has not been ordered or directed by a court to take a specific enforcement action, rather courts have recognized that HUD has the discretion to choose how it enforces the owners' obligations under the HAP contract.

Notably, over the past two years, the District Court for the Southern District of Texas has addressed two Section 8 PBRA litigation cases, which address similar facts to the Property, and in neither of these cases, nor any of the cases verbally referenced by Texas Housers, has any court ordered abatement or termination of a HAP Contract or ordered a specific enforcement action, including issuance of vouchers.

In *Kenneth Hawkins et al. v. HUD,* 4:18-cv-03052 (S.D. Tex.), the Owner received two Notices of Default for failure to correct deficiencies. Plaintiff-Tenants sought judicial review of HUD's decision not to terminate the HAP contract, and an order compelling HUD to issue vouchers to enable tenants to move out of Coppertree Village. The District Court issued an opinion dismissing the case on March 26, 2020, and adopted the Magistrate Judges' February 21, 2020 Memorandum and Recommendation, which held that HUD's rejection of certain available enforcement options are not final agency actions that may be reviewed under Sections 702 and 704 of the Administrative Procedures Act and none of Plaintiffs' rights have been affected by HUD keeping its enforcement options open. Plaintiffs complaint was dismissed for lack of subject matter jurisdiction and for failure to state a claim upon which relief may be granted.

In the matter of *Daija Jackson, et al. v. HUD and DM Arbor Court, Ltd.,* 4:18-cv-02468 (S.D. Tex.), the Owner received two Notices of Violation and after difficulty obtaining a permit to rebuild from the City of Houston, the Owner requested an 8bb transfer of budget authority, which HUD approved. Plaintiff-Tenants were given the option to relocate to the new property or accept a voucher. Plaintiffs then filed an amended complaint seeking additional relocation assistance, including moving expenses and security deposit payments. On May 19, 2018, the District Court issued a memorandum opinion and order, which held that the court cannot specify the type of relocation

assistance HUD provides and Plaintiffs' Complaint does not sufficiently allege a basis for the Court to order HUD to take specific actions Plaintiffs want HUD to take and therefore, their claim under the Administrative Procedure Act must be dismissed.

To the extent the Board is considering Texas Housers' reference to *Ralston Towers* and *Barbour Gardens*, HUD would advise that the issues in these cases are not analogous and to the extent you consider these cases, they only support HUD's position and that of the District Court for Southern District of Texas, which is that HUD has the discretion to exercise enforcement of the Owner's obligations under the HAP Contract and HUD regulations. No litigation was involved regarding the abatement of the Section 8 HAP Contract for *Ralston Towers* and the decision rested solely on the poor conditions and the Owner's unwillingness to provide more than minimum maintenance. Finally, *Barbour Gardens* involved HUD's decision to abate the HAP contract as an enforcement action. The current suit, which involves *Barbour Gardens*, challenges the administration of vouchers and the re-subsidization of the project after the HAP had been terminated. *See, Center for Leadership and Justice, et al. v. HUD, et al.,* 3:20-cv-01728. These facts are entirely separate and distinct from the facts before the TSAHC Board of Directors, but even if you consider them, they only support the fact that HUD has discretion in deciding what option it uses to exercise enforcement of the owner's obligations.

HUD is also aware of the concerns related to the potential of flooding at the Property. The Proposed Owner has indicated specific measures will be put in place to mitigate this concern. Such measures include adding a 2,700 linear ft flood wall around the perimeter of the Property, with water pumps that will remove the water from the interior of the wall so that within the walls it does not flood. This plan is contingent upon historical approval with SHPO and NPS. Additionally, the pedestrian and vehicle entrances/exits will have flood gates put in place when major events are expected to occur. There will also be covers for the drainage grates throughout the Property so that the backflow does not occur.

As referenced herein, HUD is committed to preserving the affordable housing in this area. In addition to HUD's support, the Proposed Owner has indicated they have also secured community support from the City of Galveston's Mayor and City Manager, the Galveston Independent School District's School Board President, the City of Galveston's Chamber of Commerce, State Representative Mayes Middleton, and Moody Church. However, the approval of TSAHC's bond issuance, is crucial to the preservation of this vitally important affordable housing and the future rehabilitation of the Property to ensure better living conditions for the residents.

HUD requests that TSAHC consider approval of the proposal and emphasizes the urgency of the matter to allow impending improvements to proceed for the betterment of the residents and the Island. Should you have any questions or would like to discuss HUD's support further, please feel free to reach out to me or Christie Newhouse, Division Director of Asset Management at Christie.M.Newhouse@hud.gov or 817-978-5972.

Sincerely,

Mary V. Walsh
Director
Multifamily Housing Southwest Region

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March 19, 2021

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**RE: Compass Pointe Apartments aka Sandpiper Cove / TX24M000018**
**3916 Winnie Street, Galveston, Texas 77550**

## Introduction

Lone Star Legal Aid is submitting this letter in response to HUD's March 8, 2021 correspondence in support of the bond issuance from Texas State Affordable Housing Corporation to fund the rehabilitation of Compass Pointe Apartments aka Sandpiper Cove. Lone Star Legal Aid and Daniel and Beshara, P.C. is representing a group of tenants at Sandpiper Cove in the matter of *Sandpiper Residents Association, et. al. v. United States Department of Housing and Urban Development,* Cause No. 1:20-cv-01783 –RDM (D.D.C. 2020).

Lone Star Legal Aid is a non-profit legal services law firm that offers civil legal aid to eligible, low-income Texans. Lone Star Legal Aid serves 72 counties in Texas and four in Arkansas. Our service area has nearly 1.5 million income-eligible Texas residents. For the reasons below, we are requesting that the Board closely review the pending litigation while considering the issuance of the bonds for the project's rehabilitation.

**Property acquisition costs, developer fees and interest substantially exceeds investment in rehabilitation**

The proposed sale of Compass Pointe Apartments aka Sandpiper Cove from Compass Pointe Apartments LLC to Galveston 3916 Winnie Street, GLP, LLC shows that the current owner of Sandpiper Cove, The Millennia Companies, will substantially profit by leaving behind a complex with a myriad of hazardous health conditions that presently affect tenants. Comparatively, the rehabilitation costs are significantly lower than the property acquisition costs, developer fees and interest. The documents in the TDHCA 2020 Uniform Multifamily Application provide that the total acquisition costs of the property will be $16,627,000. The developer fees, soft costs and interest total an additional $12,364,721. Yet, only $9,714,252 will be invested for rehabilitation of the units.[1] The units have been occupied by tenants in disrepair for several years.

These exorbitant costs will enrich an owner that HUD admits defaulted on their obligation to maintain the property in decent, safe and sanitary conditions.[2] The property became so dilapidated that HUD ordered a new management company be assigned.[3] J. Allen Management Company began managing the complex in April 2020. However, the new management company has still failed to remedy the extensive mold, lead paint, plumbing issues

[1] TDHCA 2020 Multifamily Uniform Application, Developer Cost Schedule
[2] HUD letter dated March 8, 2021 to TSAHC
[3] HUD letter dated February 21, 2021 to TDCHA

crime and other hazardous conditions that continue to affect tenants.[4] The developer leading the rehabilitation efforts is ITEX Group and Jeshurun Development LLC., an affiliated company of J. Allen Management (JAMC). This company, who is already involved in the day to day management of the property, will also profit in spite of the fact that it has failed to resolve the existing habitability issues.

The habitability issues at Sandpiper Cove and other private multi-family complexes owned by The Millennia Companies, but subsidized by HUD, are so pervasive that the Houston Chronicle has recently published a series of articles indicating the severity of health hazards present at the complexes.[5]

**The relocation plan is vague and dangerous in the midst of the current pandemic**

The developer has acknowledged that rehabilitation of the complex will require relocation of tenants in the middle of the coronavirus pandemic. The relocation plan submitted with the TDHCA application package is vague regarding where tenants will be located. The developer explains that they are "currently in the process of identifying and securing the temporary off-site units needed to carry out the project and based on the units identified to date, we do not anticipate a problem in securing enough units to accommodate each phase of relocations."[6] To date, the developer has not indicated where Sandpiper tenants will be temporarily located in the middle of a pandemic. Under the Uniform Relocation Act, the developer and HUD must ensure that tenants are provided decent, safe and sanitary units and relocation assistance to move.[7] However, it is not explicitly clear how or when these benefits

[4] *Sandpiper Residents Association, et. al. v. United States Department of Housing and Urban Development,* Cause No. 1:20-cv-01783 –RDM (D.D.C. 2020), Doc. 1
[5] Sarah Smith, *Living Hell 'We need out of here,'* Houston Chronicle, https://www.houstonchronicle.com/news/investigations/article/Living-Hell-housing-tenants-hud-properties-problem-16000650.php, (March 11, 2021)
[6] TDHCA 2020 Uniform Multifamily Application
[7] 49 C.F.R. § 24.4(a)(2)

will be provided to residents. Tenants may be subject to relocating with relatives, friends or potentially inexpensive temporary lodging which will endanger tenants in the middle of this pandemic where social distancing is essential to preventing COVID-19 infection.[8] Tenants that are already enduring health hazards due to the conditions present at the complex may be placed into an even more threatening situation.

**Flood Mitigation is not Feasible**

TSACH is aware of the complex's location within a 100 year flood plain as identified by the Federal Emergency Management Agency (FEMA). As such, "the Site must be developed so that all finished ground floor elevations are at least one foot above the floodplain and parking and drive areas are no lower than six inches below the floodplain. 10 TAC §11.101(a)(1). ITEX does not plan to raise the complex but rather intends "build a 2,700 linear foot wall around the perimeter of the Development. The flood wall will be approximately one foot underground, and approximately six feet above ground with approximately two feet of wrought iron fence to bring it to eight feet."[9] The proposed wall essentially enclose the complex off from the outside world like a prison. The developer also fails to state how the wall will be constructed in accordance with American Disability Act requirements so that disabled residents can navigate around the complex.

**Current Litigation related to Sandpiper Cove**

We understand that TSACH is most concerned about the pending litigation (*Sandpiper Residents Association, et. al. v. United States Department of Housing and Urban Development*, Cause No. 1:20-cv-01783 –RDM (D.D.C. 2020) involving the complex and its affect upon the viability of a potential rehabilitation of Sandpiper Cove. HUD's letter to TSACH in response to

[8] *How to Protect Yourself and Others,* Centers for Disease Control and Prevention (https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/prevention.html) (last visited March 19, 2021).
[9] ITEX letter dated March 4, 2021 to TSACH

the pending litigation misstates and/or ignores the Plaintiffs' causes of actions under the Administrative Procedure Act, Fair Housing Act and the Fifth Amendment.

Plaintiffs' suit does not ask the court to terminate the housing assistance payment contract or to take any other enforcement action against the owner. Rather, Plaintiffs are asking the court to review HUD's failure to issue tenant protection vouchers as provided under the 2020 Consolidated Appropriations Act. Plaintiffs are alleging that HUD's failure to issue relocation assistance to the tenants is arbitrary, capricious and an abuse of discretion. 5 U.S.C. § 706(2).

The owner of Sandpiper Cove receives a project based rental assistance subsidy from HUD and is obligated to maintain the property in decent, safe and sanitary conditions. 5 U.S.C. § 5.703. The owner failed to do so. HUD issued a Notice of Default to the owner on May 19, 2019. [10] The Notice of Default was based on a failing Real Estate Assessment Center inspection conducted on May 8, 2019. The property had a score of 33c* out of a possible 100 points. "The lower-case letter "c" is given if one or more exigent/fire safety (calling for immediate attention or remedy) H&S deficiencies were observed."[11] The deficiencies included: missing and/or inoperable smoke detectors, inoperable appliances, damaged walls, doors and plumbing issues. The owner was provided 60 days from the date in the letter to rectify the issues in the Notice of Default. To date, the owner has failed to do so.

As a result of the owner's failure to take corrective actions within the time prescribed in the Notice of Default, tenants are entitled to relocation assistance if they wish to move. 24 CFR § 886.323(e). The 2018, 2019 and 2020 Consolidated Appropriations Act provides funding for tenants to receive tenant protective vouchers (TPVs) for these very circumstances. The Act states that HUD may provide TPVs to residents where the owner has received Notice of Default and

[10] HUD's Notice of Default to Compass Pointe Apartments (see attached)
[11] *Physical Inspection Report,* United States Department of Housing and Urban Development, https://www.hud.gov/program_offices/public_indian_housing/reac/products/pass/pass_isrpt (Date Visited: March 19, 2021)

the units continue to pose an imminent health and safety risk to residents.[12] Here, the prerequisites of the Act have been met. The owner has received a Notice of Default and there are imminent health and safety risks present at the complex. HUD Notice 2018-09 provides further guidance for the agency related to issuing TPVs. This guidance makes it clear that the issuance of the relocation assistance is not contingent upon HUD's abatement of the contract or any other enforcement action determined to be appropriate by HUD.

HUD's failure to provide relocation assistance to tenants is final agency action under the Administrative Procedure Act. 5 U.S.C. §551. Plaintiffs are seeking review of HUD's denial pursuant to 5 U.S.C. § 702. The APA provides a "basic presumption of judicial review" for anyone suffering a legal wrong because of an agency action. *Weyerhaeuser Co. v. U.S. Fish & Wildlife Serv*., 139 S. Ct. 361, 370 (2018). HUD's denial of relocation assistance to tenants is contrary to its own regulation 24 CFR § 886.323. HUD's denial of TPVs under the 2020 Consolidated Appropriations Act is an abuse of HUD's discretion. Plaintiffs are asking the court to set aside HUD's decision to deny relocation assistance under 5 U.S.C. §706 (2).

Plaintiffs' claims are not barred under 5 U.S.C. § 701. Plaintiffs are not asking the court to terminate the HAP contract or to review any other enforcement action that HUD has taken against the owner. Plaintiffs are not requesting review of HUD's enforcement actions against the owner because further actions are not needed under the Act or HUD's own regulation and Notice 2018-09.

Plaintiffs are also asking for APA review of HUD's actions that violate the Fair Housing Act. HUD's withholding of relocation assistance violate 42 U.S.C. §3604 and is subject to APA review. HUD knows Sandpiper Cove's units are not decent, safe and sanitary. The conditions have been met by HUD regulation and Consolidated Appropriations Act for HUD to pay for

[12] FURTHER CONSOLIDATED APPROPRIATIONS ACT, 2020, PL 116-94, December 20, 2019, 133 Stat 2534

tenant protection vouchers. HUD provides decent, safe and sanitary housing to white tenants and is not providing it to Black tenants. HUD's refusal shows discriminatory purpose. The final agency action of withholding relocation assistance is making decent, safe and sanitary housing unavailable because of race.

HUD's final agency action of withholding relocation assistance to the plaintiffs is reviewable for abuse of discretion to determine HUD's compliance with its statutory mandate to affirmatively further fair housing under 42 U.S.C. § 3608(e). HUD's payment for housing at Sandpiper Cove subjects the Black tenants to uninhabitable living conditions. This is part of HUD's pattern of paying for substandard housing for Black tenants in Black neighborhoods while providing habitable housing for White tenants in White neighborhoods. HUD has a duty under §3608(e) to evaluate its denial of relocation assistance to these Black tenants living in uninhabitable conditions and its effect of that decision on the lack of housing opportunities that are not in unequal conditions. *N.A.A.C.P. v. HUD* held that HUD's discretionary administration of its grant programs can be reviewed for abuse of discretion under § 706(2). *N.A.A.C.P. v. Sec. of Hous. & Urban Dev*., 817 F.2d 149, 151, 157-158 (1st Cir. 1987).

Lastly, HUD's letter ignores the Fifth Amendment claim in Plaintiffs' litigation. This claim will not be jurisdictionally barred under the APA. *Larson v. Domestic & Foreign Commerce Corp*., 337 U.S. 682 (1949). Plaintiffs' claim is based on HUD's provision of decent, safe and sanitary housing to White tenants in White neighborhoods but is not paying for decent, safe and sanitary housing for predominately Black tenants in minority neighborhoods. The similarly situated characteristic is tenancy in a HUD funded PBRA project. HUD has not stated a legitimate reason for this difference in treatment. *Body by Cook, Inc. v. State Farm Mut. Auto. Ins*., 869 F.3d 381 (5th Cir. 2017). HUD issuance of vouchers to these Plaintiffs would end this difference in treatment.

All of Plaintiffs' claims against HUD are supported jurisdictionally and substantively.

**Ongoing PBRA Litigation against HUD**

HUD also cited two recent district court cases filed by Plaintiffs' counsel in the Southern District of Texas as rationale to support that there is no legal authority for a court to review HUD's enforcement actions against PBRA owners under the APA. HUD cited *Kenneth Hawkins et al. v. HUD*, 4:18-cv-03052 (S.D. Tex.) and *Daija Jackson, et al. v. HUD*, 4:18-cv-02468 (S.D.Tex.).

In *Hawkins*, the District Court erroneously dismissed Plaintiffs' claims based on the rationale that Plaintiffs were seeking review of HUD's enforcement action against the owner of Coppertree Village Apartments. Plaintiffs appealed the matter to the Fifth Circuit Court of Appeals (Case No. 20-20281). Plaintiffs again argued that they were not seeking review of HUD's enforcement actions but were seeking review of HUD's final agency action denying Plaintiffs relocation assistance. The case was heard for oral argument on March 2, 2021 and the parties are awaiting the court's decision.

In *Jackson*, Plaintiffs filed an amended complaint requesting that the court review HUD's decision to withhold relocation assistance from tenants related to the HUD approved Section 8(bb) transfer of the HAP contract from Arbor Court Apartments to Cullen Park Apartments. The District Court's order found that "Plaintiffs' Complaint identifies an agency action that HUD is required to take. Section 886.323(e) requires HUD to provide relocation assistance to families who wish to be rehoused in another dwelling unit after an owner fails to conform to the requirements imposed in a Notice of Default." However, the District Court explained that Plaintiffs didn't identify the specific assistance that HUD was to provide to Plaintiffs. The Court dismissed the Complaint without prejudice on May 19, 2020. Plaintiffs' filed a second amended complaint on June 1, 2020 which specified that HUD failed to issue Plaintiffs relocation

assistance in accordance with the Uniform Relocation Act. HUD filed a Motion to Dismiss Plaintiffs' second amended complaint and Plaintiffs' filed its response on August 5, 2020. The parties are awaiting the Court's decision on HUD's motion.

To date, there is no precedent that bars Plaintiffs' suit against HUD regarding its failure to issue relocation assistance so they can obtain decent, safe and sanitary housing. Lone Star Legal Aid requests that TSACH consider these litigation factors with respect to issuance of a bond related to Sandpiper's rehabilitation efforts.

Respectfully Submitted,

*/s/Kimberly Brown Myles*
Kimberly Brown Myles
Managing Attorney
Lone Star Legal Aid
Equitable Development Initiative
Fair Housing/Community Advocacy Teams
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May 21, 2021

Texas State Affordable Housing Corporation (TSAHC)
Attn: David Long, President
Via email: dlong@tsahc.org
6701 Shirley Avenue
Austin, Texas 78752

Re: Compass Pointe Apartments aka Sandpiper Cove/TX24M000018
3916 Winnie Street, Galveston, Texas 77550
Clarification Regarding Lone Star Legal Aid Letter

Dear Mr. Long:

This letter is in reference to the letter dated March 19, 2021, from Lone Star Legal Aid to Texas State Affordable Housing Corporation (TSAHC) regarding the pending bond application for Compass Pointe Apartments aka Sandpiper Cove (the "Property"). The U.S. Department of Housing and Urban Development (HUD) was provided a copy of the letter and would like to address several misstatements regarding the Property.

As you may recall, HUD sent you a letter dated March 8, 2021, supporting the proposed sale of the Property and transfer of the Housing Assistance Payments (HAP) Contract from Compass Pointe Apartments Texas, LLC (the "Current Owner") to Galveston 3916 Winnie Street, LP (the "Proposed Owner"). This is a privately-owned asset, and therefore, the sale is negotiated between the two private ownership parties and not HUD. However, HUD sees no windfall profit to either owner, contrary to the statements made in the letter from Lone Star Legal Aid. Please keep in mind this action is part of an enforcement strategy to preserve and improve much-needed affordable housing on the island. As a reminder, the Proposed Owner has committed to invest $15 MM to rehabilitate the struggling asset but needs the bond issuance approval from TSAHC to complete the financing structure. With the support of tenants, Mayor and City Manager of Galveston, TDHCA and HUD, we encourage TSAHC to partner in the success of the rehabilitation as the viable solution to improve the residents' lives and home at Compass Pointe on Galveston Island.

HUD supports this proposed preservation transaction as Compass Pointe is HUD's only project-based subsidized multifamily housing development on Galveston Island. Although J. Allen Management (the "Property Manager") has improved the living conditions of the Property within its current financial constraints, a substantial rehabilitation is urgently necessary to "serve the housing needs of moderate,

low, very low, and extremely low-income Texans and other underserved populations" as expressed in TSAHC's mission statement.

Lone Star Legal Aid initially requested that HUD terminate the Project's HAP Contract and provide tenant-based vouchers to its residents. This would be detrimental to the residents as Galveston Island's housing stock is not sufficient to absorb the Project's 192 households via tenant-based vouchers. Consequently, a disproportionate number of low-income and minority households would be forced to move from the island in search of housing inland to utilize the vouchers.

While HUD declines to litigate the pending suit in this forum, we nonetheless note that Lone Star Legal Aid's assertion that their clients are *not* seeking to terminate the HAP contract is a helpful clarification. That said, HUD notes that less than a month after Lone Star Legal Aid submitted its March 19, 2021 letter, the Court ruled in HUD's favor in *Daija Jackson, et al. v. HUD*, 4:18-cv-02468 (S.D.Tex.), dismissing the case on April 21, 2021. In recent years, courts have now on four occasions ruled in HUD's favor and dismissed similar complaints related to Section 8 PBRA properties in Texas.

We hope this gives clarity and reassures you on the facts-both legal and programmatic-supporting HUD's position on the matter. As such, HUD strongly believes that the Proposed Owner's plan to rehabilitate the Project utilizing low-income housing tax credits and bond financing is the best approach to preserve quality affordable housing for the residents of Galveston Island for years to come. We realize HUD's support is valued and appreciate your awareness and communication of the dynamics of this critical proposal when reviewing and presenting for a Board vote on the Proposed Owner's bond application.

Should you have any further questions or would like to again discuss HUD's support, please feel free to reach out to me or Christie Newhouse, Division Director of Asset Management at Christie.M.Newhouse@hud.gov or 817-978-5972.

Sincerely,

Mary V. Walsh
Director
Multifamily Housing Southwest Region

Cc: Dave Danenfelzer, Senior Director, Development Finance
Via email: ddanenfelzer@tsahc.org

Tab IV. Related to Flood Wall Construction

a. Flood Wall Scope of Work and Pricing

b. Flood Wall Design

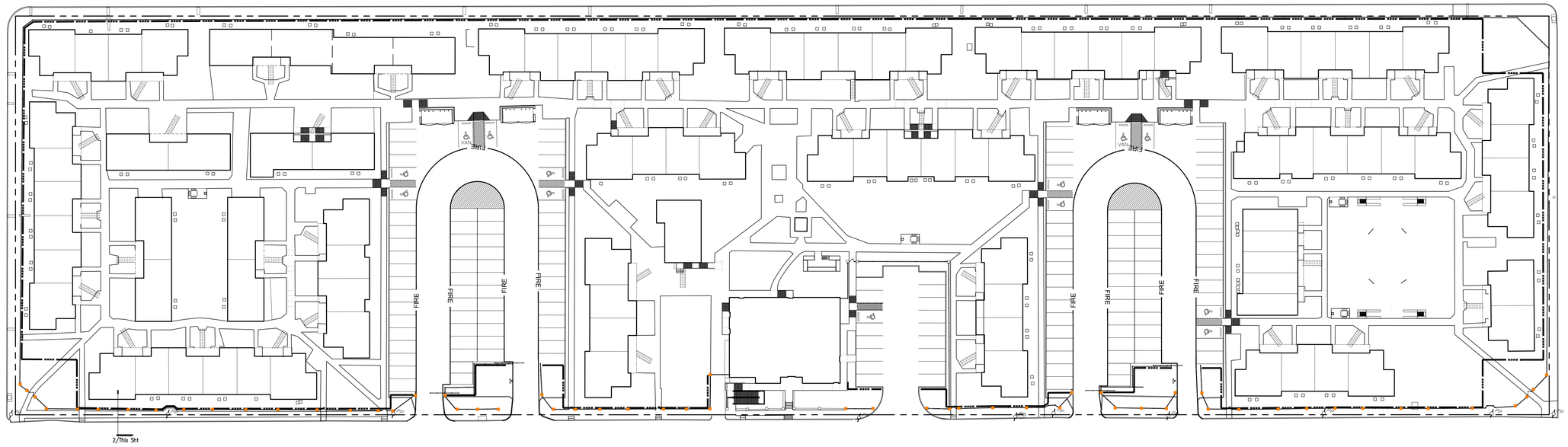
**Sandpiper Cove Apartment Renovations**
**The ITEX Group LLC | 9 Greenway Plaza, Suite 1250 | Houston, Texas 77046**

| | | | |
|---|---|---|---|
| **166,694** | sf | **482** | **Bedrooms** |
| **192** | units ea | **192** | **Bathrooms** |
| | parks | **181** | **Regular Units** |
| **7.8** | acres | **11** | **ADA Units** |

| DIVISION 2 | DIRECT LABOR & DEMO COSTS | | |
|---|---|---|---|
| 01 7423 | Final Cleaning | $ | 58,343 |
| 02 4200 | Removal & Recycling of Materials | $ | 150,000 |
| 02 4119 | Selective Demolition & Make Ready | $ | 161,185 |
| 02 8213 | Mold-Lead-Asbestos Removal | $ | 1,280,870 |
| **DIVISION 31 0000 EARTHWORK** | | | |
| 31 3116 | Termite Control | $ | 17,560 |
| | **Polution Prevention Plan** | $ | 12,000 |
| **DIVISION 32 0000 EXTERIOR IMPROVEMENTS** | | | |
| 32 3300 | Site Furnishings - Rec Equipment | $ | 48,420 |
| 32 1219 | Asphalt Overlay | $ | 173,049 |
| 32 1723 | Paving Markings | $ | 15,333 |
| 32 9000 | Landscape & Irrigation | $ | 279,760 |
| 32 3000 | Site Fencing & Gates | $ | 105,986 |
| 32 3200 | Flood Wall | $ | 1,330,120 |
| | Grass Turf | $ | 50,000 |
| **DIVISION 33 0000 UTILITIES** | | | |
| 33 1100 | Site Utilities | $ | 610,260 |
| **DIVISION 03 3000 CONCRETE** | | | |
| 03 3000 | Cast-in-Place Concrete | $ | 269,000 |
| **DIVISION 4 MASONRY** | | | |
| 04 2000 | Unit Masonry | $ | 102,220 |
| **DIVISION 5 STRUCTURAL & MISC METALS** | | | |
| 05 1200 | Structural Steel | $ | 53,800 |
| **DIVISION 6 - WOOD & PLASTIC** | | | |

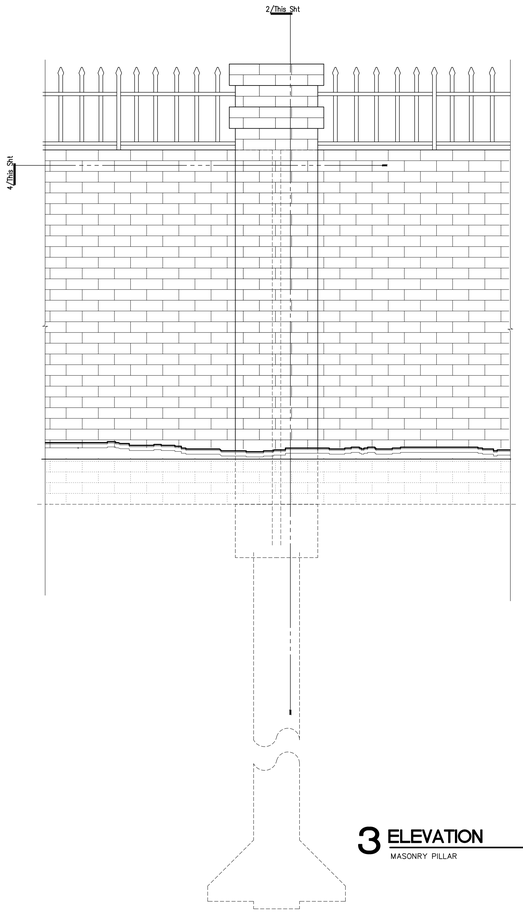
| | | | |
|---|---|---|---|
| 06 1000 | Rough Carpentry, Framing Materials | $ | 26,900 |
| 06 1001 | Rough Carpentry, Framing Labor | $ | 56,490 |
| 06 2200 | Trim Carpentry & Archt Woodwork | $ | 237,581 |
| **DIVISION 7 MOISTURE PROTECTION** | | | |
| 07 1300 | Waterproofing | $ | 16,140 |
| 07 9000 | Flood Proofing | $ | 150,000 |
| 07 2100 | Building Insulation | $ | 76,934 |
| 07 3100 | Roofing - TPO | $ | 730,496 |
| 07 4243 | Cementicious Flat Panels System | $ | 161,400 |
| 07 1230 | Gutters & Downspouts | $ | 58,642 |
| **DIVISION 8 DOORS, WINDOWS AND GLASS** | | | |
| 08 1410 | Doors & Frames | $ | 408,880 |
| 08 7100 | Hardware | $ | 269,000 |
| 08 5000 | Vinyl Windows | $ | 16,140 |
| 08 4110 | Glass Storefront & Glazing | $ | 38,195 |
| 08 8300 | Mirrors w/glass storefront above | $ | 23,001 |
| | Knox Box Allowance - $500/ea installed | | |
| **DIVISION 9 FINISHES** | | | |
| 09 2000 | Drywall - Gypsum Board | $ | 800,544 |
| 09 3000 | Ceramic Tiling | $ | 101,338 |
| 09 6000 | Resilient Flooring | $ | 573,508 |
| 09 9000 | Painting | $ | 516,480 |
| **DIVISION 10 SPECIALITIES** | | | |
| 10 2000 | Toilet Partitions/ Toilet Accessories | $ | 15,064 |
| 10 1400 | Signage | $ | 7,855 |
| 10 5220 | Fire protection Specials | $ | 538 |
| **DIVISION 11 EQUIPMENT** | | | |
| 11 4510 | Residential Appliances | $ | 376,600 |
| **DIVISION 12 FURNISHINGS** | | | |
| 12 3560 | Residential Casework | $ | 290,520 |
| 12 3640 | Stone Countertops | $ | 155,571 |
| 12 4910 | Window Treatments | $ | 37,660 |
| **DIVISION 13 Special Construction** | | | |
| 13 0000 | | | |
| **DIVISION 21 Fire Suppression** | | | |

| | | | |
|---|---|---|---|
| 21 1000 | Fire Sprinkler System | $ | 993,751 |
| **DIVISION 22 PLUMBING** | | | |
| 22 0000 | Plumbing | $ | 987,230 |
| | Cast Iron | $ | 450,000 |
| | Clay Pipe | $ | 72,000 |
| | Scoping of Pipe | $ | 20,000 |
| **DIVISION 23 HVAC & HEATING** | | | |
| 23 0000 | HVAC | $ | 820,342 |
| **DIVISION 26 ELECTRICAL** | | | |
| 26 0000 | Electrical | $ | 1,436,460 |
| **DIVISION 27 COMMUNICATIONS** | | | |
| | with electrical | | |
| **DIVISION 28 ELECTRONIC SAFETY & SECURITY** | | | |
| 28 2000 | Electronic Surveillance - Cameras/Recorder | $ | 75,000 |
| 28 3100 | Fire Alarm System | $ | 269,000 |
| **RAW SUBTOTAL - COST** | | $ | 14,987,166 |
| 6% | Profit | $ | 899,230 |
| 2% | Overhead | $ | 299,743 |
| 6% | General Conditions | $ | 899,230 |
| **SUBTOTAL** | | $ | 17,085,369 |

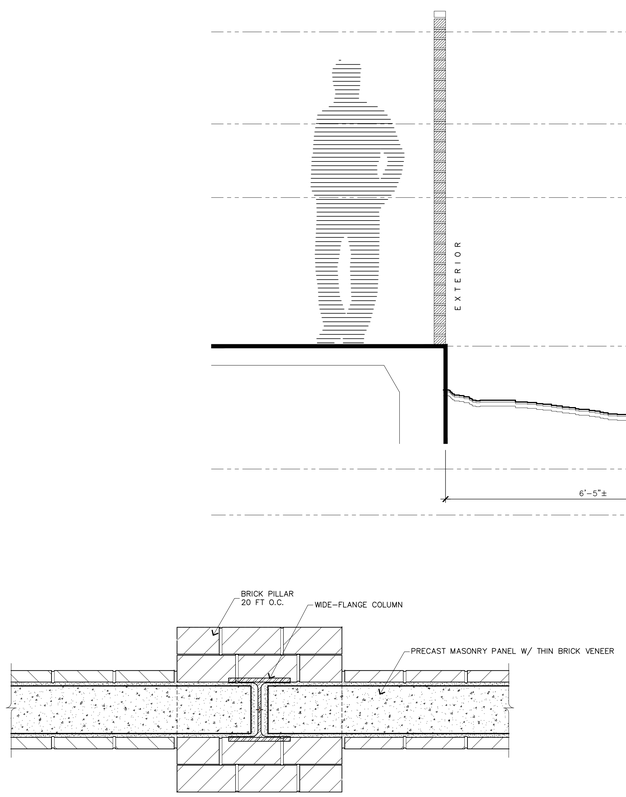



**1 SITE**
NTS

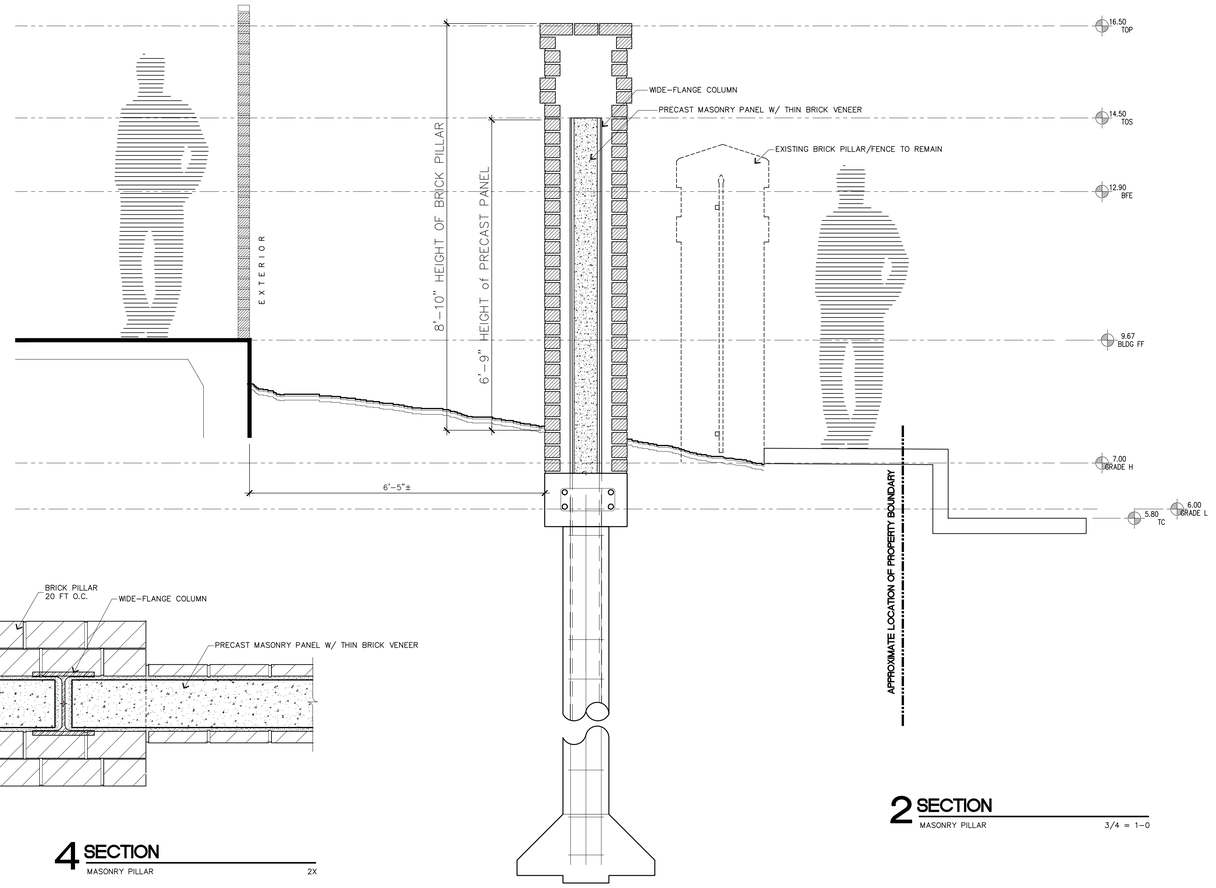
PROPOSED LOCATION OF FLOOD WALL




**3 ELEVATION**
MASONRY PILLAR 3/4 = 1-0




**4 SECTION**
MASONRY PILLAR 2X




**2 SECTION**
MASONRY PILLAR 3/4 = 1-0

DIAMOND
DEVELOPMENT GROUP
ARCHITECTURE PLANNING CONSTRUCTION

700 Gemini • Suite 260
Houston • Texas
77058
832•224•6400

HAWARCH @ AOL.COM

**Revisions**

| No. | IOC | Date | Description |
|---|---|---|---|
| | | 03/16/21 | ISSUE FOR PRICING |
| | | 03/16/21 | ISSUE FOR PERMIT |
| | | 03/16/21 | ISSUE FOR CONSTRUCTION |

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0 4 8 12
SCALE: 1 inch = 20 Ft

PLOTTED: Mar 16, 2021 | File: 2003 CC a207-8.00.dwg

# SAND PIPER COVE

3916 WINNIE ST
GALVESTON, TEXAS

2003 CC
Sheet Date: 03/16/21
Sheet Title:
**SITE DETAILS**

Sheet No.:
**A2-09**

Drawn By MHB | Project Manager JAG | Project Arch JBK

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333 Guadalupe, Suite 2-350, Austin, Texas 78701

Tab V. TDHCA email regarding EARC approval with conditions 3.1.21

ITEX

Miranda Sprague <miranda.sprague@itexgrp.com>

# EARAC RESULTS_RE: Previous Participation Review of HTC Application 20705

1 message

**Jo En Taylor** <joen.taylor@tdhca.state.tx.us> Tue, Mar 2, 2021 at 8:58 AM
To: "miranda.sprague@itexgrp.com" <miranda.sprague@itexgrp.com>, "audrey@purplemartinre.com" <audrey@purplemartinre.com>, Michelle Harder <apps@itexgrp.com>, Chris Akbari <chris.akbari@itexgrp.com>
Cc: Shannon Roth <shannon.roth@tdhca.state.tx.us>, Liz Cline <liz.cline@tdhca.state.tx.us>, Wendy Quackenbush <wendy.quackenbush@tdhca.state.tx.us>, Bobken Simonians <bobken.simonians@itexgrp.com>, Paula Watts <paula.watts@itexgrp.com>, Brooke Boston <brooke.boston@tdhca.state.tx.us>

The Executive Award Review Advisory Committee (EARAC) met on March 1, 2021 and the compliance history associated with application 20705 (Sandpiper Cove) was reviewed. The previous participation review (PPR) identified the application as a Category 3 and you were given an opportunity to provide additional information and propose terms and conditions for EARAC's consideration.

EARAC has approved the compliance history with the following agreed upon conditions:

1. *ITEX agrees to replace the existing management company, consultant, or management personnel with another of its choosing, for any of their properties identified with new Events of Noncompliance on any Audits notified from* ***March 1, 2021*** *through* ***December 31, 2022****.*

2. *ITEX will hire a third party compliance auditor to review their existing portfolio on a quarterly basis and have them provide reports and guidance to ITEX and independent reports to TDHCA upon request, through* ***December 31, 2022****.*

3. *ITEX will hire a Director of Compliance and Asset Management at the corporate and development level by* ***July 1, 2021*** *to oversee the existing Affordable Housing Compliance Department to ensure they continue to move forward on resolving compliance issues.*

4. *ITEX will actively engage with TDHCA compliance staff to use better processes and best practices to reduce compliance issues through* ***December 31, 2022****.*

5. *Owner has designated the Senior Vice President of Property Management (until a new Director of Compliance and Asset Management is hired) to receive Compliance correspondence and provide timely responses to the Department on behalf of the proposed Development and all other Developments subject to a TDHCA LURAs over which the Owner has the power to exercise Control.*

6. *ITEX will require that at least on the of the following employees: VP of Operations, Compliance Director, Compliance Auditor(s), Regional Manager(s), or Site Staff annually attend the trainings listed and provide certifications to TDHCA upon request through* ***December 31, 2022****.*

    a. *Housing Tax Credit Trainings sponsored by the Texas Apartment Association;*

    b. *1st Thursday Income Eligibility Training conducted by TDHCA;*

    c. *Review one or more of the TDHCA Compliance Training Webinars:*

        i. *2012 Income and Rent Limits Webinar Video;*

        ii. *2012 Supportive Services Webinar Video;*

        iii. *Income Eligibility Presentation Video;*

iv. *2013 Annual Owner's Compliance Report (AOCR) Webinar Video;*

v. *Most current Tenant Selection Criteria Presentation;*

vi. *Most current Affirmative Marketing Requirements Presentation;*

vii. *Fair Housing Webinars (including but not limited to the 2017 FH Webinars)*

This is not a final approval of award. Any award may also be subject to conditions recommended by the program area, underwriting, or other conditions subsequently approved by the Board. Please feel free to contact me directly, or Wendy Quackenbush at wendy.quackenbush@tdhca.state.tx.us, if you have any questions regarding this matter.

Thank you,

Jo En Taylor

Senior Compliance Administrator, Compliance

Texas Department of Housing and Community Affairs

221 E. 11th Street | Austin, TX 78701

Office: 512.475.0250

Fax: 512.475.3359

---

**From:** Jo En Taylor
**Sent:** Monday, January 4, 2021 4:15 PM
**To:** 'miranda.sprague@itexgrp.com' <miranda.sprague@itexgrp.com>; 'audrey@purplemartinre.com' <audrey@purplemartinre.com>; 'Michelle Harder' <apps@itexgrp.com>
**Cc:** Shannon Roth <shannon.roth@tdhca.state.tx.us>; Liz Cline <liz.cline@tdhca.state.tx.us>; Wendy Quackenbush <wendy.quackenbush@tdhca.state.tx.us>
**Subject:** Previous Participation Review of HTC Application 20705

A previous participation review (PPR) is being conducted in connection with a request for approval for HTC application **20705 (Sandpiper Cove)**. Under the Department's previous participation rule the PPR is considered a **Category 3**, following is a link to the rule: Texas Administrative Code §1.301. Any written comment for consideration prior to the Compliance Division making its recommendation to the Executive Award Review Advisory Committee ("EARAC") is due no later than ***January 11, 2021***.

The application is comprised of Itex Partners (The ITEX Group/Christopher A. Akbari) + Jeshurun Development (Raynold Richardson). The portfolio is comprised of thirty-three (33) actively monitored developments with a total of thirteen (13) Events of Noncompliance (6 of which had no response submitted to the Department during the designated corrective action period). It was also noted, that EARAC conditions were placed on previous awards to address the compliance history and the portfolio had six (6) new Events of Noncompliance identified since that were not resolved during the corrective action period. The PPR is considered a Category 3 in accordance with §1.301(e)(3)(J):

*(3) Category 3. An Application will be considered a Category 3 if any one or more of the following criteria are met:*

*(J) Despite past condition(s) agreed upon by any Person subject to previous participation review to improve their compliance operations, three or more new Events of Noncompliance have since been identified by the Department, and have not been resolved during the corrective action period;*

A copy of the summary is attached for your reference. All monitoring/inspection reports, follow-up letters, and associated closeout letters have previously been provided at the time of the action and through prior previous participation reviews. However, if you would like those reports sent another time, please let me know.

Do not hesitate to contact me directly if you have any questions during this process.

**Jo En Taylor**

Senior Compliance Administrator

Texas Department of Housing and Community Affairs

221 E. 11th Street | Austin, TX 78701

Office: 512.475.0250

Fax: 512.475.3359

**About TDHCA**

The Texas Department of Housing and Community Affairs is committed to expanding fair housing choice and opportunities for Texans through the administration and funding of affordable housing and homeownership opportunities, weatherization, and community-based services with the help of for-profits, nonprofits, and local governments. For more information about fair housing, funding opportunities, or services in your area, please visit www.tdhca.state.tx.us or the Learn about Fair Housing in Texas page.

Tab VI. Related to TSAHC Underwriting

a. TSAHC March Underwriting Report

b. TDHCA underwriting report 3.4.21

c. TSAHC updated underwriting based on ITEX July numbers

# Project Summary

Applicant ITEX Group and Jeshurun Development
Project Name Sandpiper Cove

## Location

Address 3916 Winnie Street City Galveston
County: Galveston State Texas 77550
Census Tract: 48167724600

## Bonds

Max. Par Amount: $ 37,500,000 Bond Type: PAB
Term of Bonds: 3 yrs Allocation Year: 2020

## Perm Funding Souces

| | Amount | % of Total |
|---|---|---|
| Perm Commercial Loan | $ 18,354,246 | 43.87% |
| | $ - | 0.00% |
| TBD - Equity Investor | $ 11,587,610 | 27.70% |
| Historic Credits | $ 3,375,451 | 8.07% |
| Historic State Credits | $ 4,496,900 | 10.75% |
| Income During Construction | $ 780,897 | 1.87% |
| Deferred Dev Fee | $ 3,244,544 | 7.75% |
| **Totals** | **$ 41,839,648** | **100%** |

* not included in total

## Market Summary

| | City | County | State | Census Tract |
|---|---|---|---|---|
| Population: | 50,039 | 327,089 | 27,885,195 | 1,791 |
| Median Age: | 39 | 38 | 34 | 33 |
| Diversity Index: | - | 59 | - | 57 |
| % Hispanic: | 30% | 24% | 39% | 25% |
| % Persons with Disability: | 18% | 14% | 12% | 25% |
| % Households that Rent: | 56% | 34% | 38% | 76% |
| Median Rents: | 803 | 844 | 863 | 325 |
| % Renters Who are Cost Burdened: | 47% | 45% | 44% | 53% |
| Median Home Price: | $ 122,900 | $ 97,750 | $ 161,700 | NA |
| Median Household Income: | $ 44,902 | $ 69,369 | $ 59,570 | $ 15,625 |
| Unemployment: | 0.00% | 4.00% | 3.50% | 0.00% |
| Persons w/o Insurance: | 20% | 14% | 17% | 21% |
| Medically Underserved Area: | Yes | - | - | - |
| % Attending Public Schools: | 91% | 92% | 93% | 93% |
| Graduation Rate (Galveston ISD) | 65% | | | |

CRA Eligible Census Tract: Yes - LI
# of LI Projects and Units: 16 749

## Sandpiper Cove - Underwriting - Summary Sources and Uses

## Summary of Sources and Uses

**Applicant** **ITEX Group and Jeshurun Development**

**Project Name** **Sandpiper Cove**

**Number of Units** **192**

| **Sources** | Amount | Amount Per Unit | Percentage of Total |
|---|---|---|---|
| Perm Commercial Loan | $ 18,354,246 | $ 95,595 | 44% |
| | $ - | $ - | 0% |
| TBD - Equity Investor | $ 11,587,610 | $ 60,352 | 28% |
| Historic Credits | $ 3,375,451 | $ 17,580 | 8% |
| Historic State Credits | $ 4,496,900 | $ 23,421 | 11% |
| Income During Construction | $ 780,897 | $ 4,067 | 2% |
| Deferred Dev Fee | $ 3,244,544 | $ 16,899 | 8% |
| | | | |
| **Total Sources** | $ 41,839,648 | $ 217,914.83 | 100% |

**Uses**

| | | | |
|---|---|---|---|
| Acquisition | $ 16,350,000 | $ 85,156.25 | 39% |
| Off-Site Construction | | $ - | 0% |
| On-Site Work | $ 822,345 | $ 4,283.05 | 2% |
| Site Amenities | $ 290,825 | $ 1,514.71 | 1% |
| Building Costs | $ 10,234,991 | $ 53,307.24 | 24% |
| Other Const/Contingency | $ 2,882,431 | $ 15,012.66 | 7% |
| Soft Costs | $ 2,031,591 | $ 10,581.20 | 5% |
| Financing Costs | $ 2,738,004 | $ 14,260.44 | 7% |
| Developer Fees | $ 5,010,385 | $ 26,095.76 | 12% |
| Reserve Accounts | $ 1,479,076 | $ 7,703.52 | 4% |
| | | | |
| Total Uses | $ 41,839,648 | $ 217,914.83 | 100% |

| | |
|---|---|
| (Gap) / Reserve | $ - |
| Percent of Developer Fee Deferred | 64.76% |

Note: This budget does not include the cost of a proposed $1.3 million flood wall to be constructed around the perimeter of the property. Staff has not received an updated budget, but does believe the additional cost can be offset by additional deferred developer fees and tax credit equity.

# Sandpiper Cove - Underwriting - Operating Proforma

## Operating Proforma

Applicant ITEX Group and Jeshurun Development

Project Name Sandpiper Cove

| | | | | | |
|---|---|---|---|---|---|
| Number of Units | 192 | Affordable Units | 192 | Min. Set Aside | 77 |
| Min. Set-Aside Requirement | 77 | Affordable % | 100% | Accessible Unit Min. | 10 |

**Residential Income**

| Unit Type | Unit Sq. Ft. | Net Sq. Ft. | # units | Rent | Mo. Income | Inflator | Rent Limiter | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1/1 | 573 | 5,730 | 10 | $ 895 | $ 8,950 | 1.02 | 60% AMI | $ 107,400 | $ 109,548 | $ 111,739 | $ 113,974 | $ 116,253 | $ 128,353 | $ 141,712 |
| 2/1 | 684 | 62,928 | 92 | $ 1,115 | $ 102,580 | 1.02 | 60% AMI | $ 1,230,960 | $ 1,255,579 | $ 1,280,691 | $ 1,306,305 | $ 1,332,431 | $ 1,471,111 | $ 1,624,226 |
| 3/1 | 858 | 54,912 | 64 | $ 1,440 | $ 92,160 | 1.02 | 60% AMI | $ 1,105,920 | $ 1,128,038 | $ 1,150,599 | $ 1,173,611 | $ 1,197,083 | $ 1,321,677 | $ 1,459,238 |
| 4/2 | 999 | 23,976 | 24 | $ 1,615 | $ 38,760 | 1.02 | 60% AMI | $ 465,120 | $ 474,422 | $ 483,911 | $ 493,589 | $ 503,461 | $ 555,861 | $ 613,716 |
| 5/2 | 1084 | 2,168 | 2 | $ 1,725 | $ 3,450 | 1.02 | 60% AMI | $ 41,400 | $ 42,228 | $ 43,073 | $ 43,934 | $ 44,813 | $ 49,477 | $ 54,626 |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Subtotals: | | 149,714 | 192 | | $ 245,900 | | | | | | | | | |
| Other income: | | | | $ 20.00 | $ 3,840 | 1.02 | | $ 46,080.00 | $ 47,002 | $ 47,942 | $ 48,900 | $ 49,878 | $ 55,070 | $ 60,802 |
| Potential gross income | | | | | | | | $ 2,996,880 | $ 3,056,818 | $ 3,117,954 | $ 3,180,313 | $ 3,243,919 | $ 3,581,549 | $ 3,954,320 |
| Residential vacancy loss | | | | | | 7.50% | | $ (224,766) | $ (229,261) | $ (233,847) | $ (238,523) | $ (243,294) | $ (268,616) | $ (296,574) |
| **Effective Gross Residential Income** | | | | | | | | $ 2,772,114 | $ 2,827,556 | $ 2,884,107 | $ 2,941,790 | $ 3,000,625 | $ 3,312,933 | $ 3,657,746 |

**Operating Expenses**

| | | TSAHC est. | Borrower Yr 1 | % EGI | Variance | Per Unit | Inflator | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | $ 87,936 | $ 63,249 | 2.28 | -28% | $ 329 | 1.03 | $ 63,249 | $ 65,146 | $ 67,101 | $ 69,114 | $ 71,187 | $ 82,526 | $ 95,670 |
| Management Fee | | $ 101,376 | $ 125,725 | 4.54 | 24% | $ 655 | 1.03 | $ 125,725 | $ 129,497 | $ 133,382 | $ 137,383 | $ 141,505 | $ 164,043 | $ 190,170 |
| Payroll and Related | | $ 250,560 | $ 175,760 | 6.34 | -30% | $ 915 | 1.03 | $ 175,760 | $ 181,033 | $ 186,464 | $ 192,058 | $ 197,819 | $ 229,327 | $ 265,853 |
| Maintenance & Repair | | $ 144,576 | $ 141,718 | 5.11 | -2% | $ 738 | 1.03 | $ 141,718 | $ 145,970 | $ 150,349 | $ 154,859 | $ 159,505 | $ 184,910 | $ 214,361 |
| Utilities | | $ 160,704 | $ 263,709 | 9.51 | 64% | $ 1,373 | 1.03 | $ 263,709 | $ 271,620 | $ 279,769 | $ 288,162 | $ 296,807 | $ 344,080 | $ 398,884 |
| Insurance | | $ 76,416 | $ 149,714 | 5.40 | 96% | $ 780 | 1.03 | $ 149,714 | $ 154,205 | $ 158,832 | $ 163,597 | $ 168,504 | $ 195,343 | $ 226,456 |
| Taxes | | $ 99,648 | $ 215,514 | 7.77 | 116% | $ 1,122 | 1.03 | $ 215,514 | $ 221,979 | $ 228,639 | $ 235,498 | $ 242,563 | $ 281,197 | $ 325,984 |
| Operating Debt Service Reserves | | | | 0.00 | #DIV/0! | $ - | 1.03 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Replacement reserves | | $ 57,408 | $ 57,600 | 2.08 | 0% | $ 300 | 1.03 | $ 57,600 | $ 59,328 | $ 61,108 | | $ - | $ - | $ - |
| HTC/HOME Compliance Fees | | $ 7,680 | $ 7,680 | 0.28 | n/a | $ 40 | 1.03 | $ 7,680 | $ 7,910 | $ 8,148 | $ 8,392 | $ 8,644 | $ 10,021 | $ 11,617 |
| Bond Compliance Fees | | $ 8,640 | $ 8,640 | 0.31 | 0% | $ 45 | 1.03 | $ 8,640 | $ 8,899 | $ 9,166 | $ 9,441 | $ 9,724 | $ 11,273 | $ 13,069 |
| Other (specify): | SupServ/Secuirty | $ 71,911 | $ 71,911 | 2.59 | 0 | $ 375 | 1.03 | $ 71,911 | $ 74,068 | $ 76,290 | $ 78,579 | $ 80,936 | $ 93,828 | $ 108,772 |
| **Total Operating Expenses** | | $ 1,066,855 | $ 1,281,220 | | 20% | $ 6,673.02 | | $ 1,281,220 | $ 1,319,657 | $ 1,359,246 | $ 1,337,083 | $ 1,377,195 | $ 1,596,547 | $ 1,850,835 |
| | | | | | state avg | $ 5,251.00 | *per unit* | *$ 6,673* | *$ 6,873* | *$ 7,079* | *$ 6,964* | *$ 7,173* | *$ 8,315* | *$ 9,640* |
| | | | | | *Operating Expenses as a percentage of Effective Gross Income* | | | *46.2%* | *46.7%* | *47.1%* | *45.5%* | *45.9%* | *48.2%* | *50.6%* |
| **NET OPERATING INCOME** | | | | | | | | **$ 1,490,894** | **$ 1,507,900** | **$ 1,524,861** | **$ 1,604,707** | **$ 1,623,430** | **$ 1,716,386** | **$ 1,806,911** |

# Sandpiper Cove - Underwriting - Operating Proforma

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 |
|---|---|---|---|---|---|---|---|
| **NET OPERATING INCOME** | **$ 1,490,894** | **$ 1,507,900** | **$ 1,524,861** | **$ 1,604,707** | **$ 1,623,430** | **$ 1,716,386** | **$ 1,806,911** |

**PRIMARY DEBT SERVICE**

| | Principal | Rate | Amort | Term | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Perm Commercial Loan | $ 18,354,246 | 4.50% | 35 | 15 | $ 1,042,352 | $ 1,042,352 | $ 1,042,352 | $ 1,042,352 | $ 1,042,352 | $ 1,042,352 | $ 1,042,352 |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| Total Primary Debt | $ 18,354,246 | | | | $ 1,042,352 | $ 1,042,352 | $ 1,042,352 | $ 1,042,352 | $ 1,042,352 | $ 1,042,352 | $ 1,042,352 |
| TSAHC Issuer Fee | $ 18,354 | | | | $ 18,354 | $ 18,354 | $ 18,354 | $ 18,354 | $ 18,354 | $ 18,354 | $ 18,354 |
| Net Cashflow After Primary Debt | | | | | $ 430,187 | $ 447,193 | $ 464,154 | $ 544,000 | $ 562,724 | $ 655,680 | $ 746,204 |
| DSCR Primary Debt | | | | | 1.41 | 1.42 | 1.44 | 1.51 | 1.53 | 1.62 | 1.70 |

**SOFT SUBORDINATE DEBT & EQUITY**

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| TBD - Equity Investor | $ 11,587,610 | | | | | | | | | | |
| Historic Credits | $ 3,375,451 | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Historic State Credits | $ 4,496,900 | | | | | | | | | | |
| Income During Construction | $ 780,897 | | | | | | | | | | |
| Deferred Dev Fee | $ 3,244,544 | | | | | | | | | | |
| | | | | | | | | | | | |
| Total Secondary Debt | $ 8,522,341 | | | | | | | | | | |
| Net Cash Flow of Secondary Debts | | | | | $ 430,187 | $ 447,193 | $ 464,154 | $ 544,000 | $ 562,724 | $ 655,680 | $ 746,204 |

# 20705 Sandpiper Cove - Application Summary

REAL ESTATE ANALYSIS DIVISION
March 4, 2021

| PROPERTY IDENTIFICATION | |
|---|---|
| Application # | 20705 |
| Development | Sandpiper Cove |
| City / County | Galveston / Galveston |
| Region/Area | 6 / Urban |
| Population | General |
| Set-Aside | General |
| Activity | Acquisition/Rehab (Built in 1971) |

**RECOMMENDATION**

| TDHCA Program | Request | Recommended | | |
|---|---|---|---|---|
| LIHTC (4% Credit) | $1,721,660 | $1,721,660 | $8,967/Unit | $0.88 |

**KEY PRINCIPALS / SPONSOR**

- Christopher Akbari / ITEX Development, LLC (70% of Fee)
- Raynold Richardson / Jeshurun Development, LLC (30%)

| Related Parties | Contractor - Yes | Seller - No |
|---|---|---|

**TYPICAL BUILDING ELEVATION/PHOTO**

**UNIT DISTRIBUTION**

| # Beds | # Units | % Total |
|---|---|---|
| Eff | - | 0% |
| 1 | 10 | 5% |
| 2 | 92 | 48% |
| 3 | 64 | 33% |
| 4 | 24 | 13% |
| TOTAL | 190 | 100% |

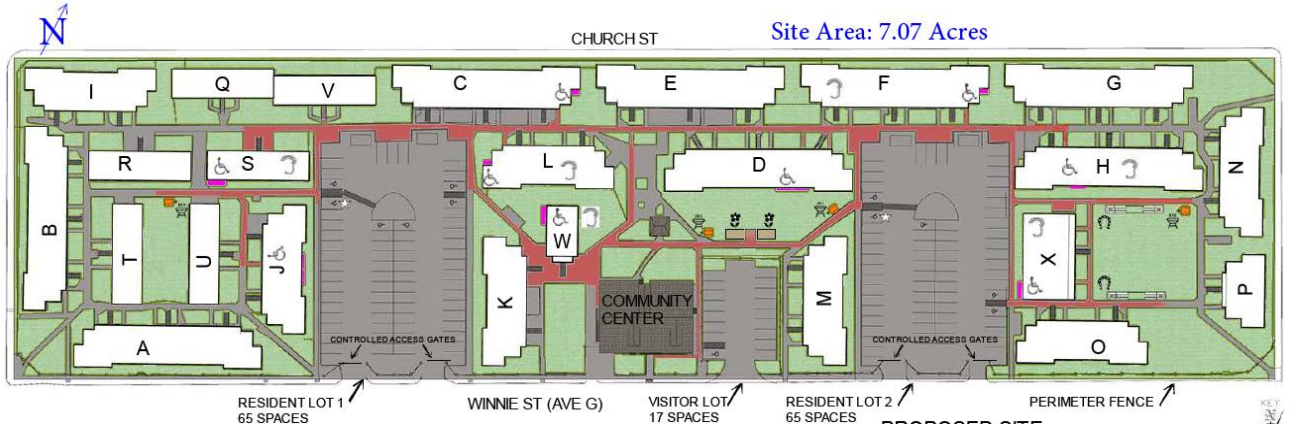
**INCOME DISTRIBUTION**

| Income | # Units | % Total |
|---|---|---|
| 30% | - | 0% |
| 40% | - | 0% |
| 50% | - | 0% |
| 60% | 192 | 100% |
| MR | - | |
| TOTAL | 192 | 100% |

**PRO FORMA FEASIBILITY INDICATORS**

| Pro Forma Underwritten | | | Applicant's Pro Forma |
|---|---|---|---|
| Debt Coverage | 1.26 | Expense Ratio | 48.5% |
| Breakeven Occ. | 82.6% | Breakeven Rent | $1,125 |
| Average Rent | $1,262 | B/E Rent Margin | $137 |
| Property Taxes | $1,122/unit | Exemption/PILOT | 0% |
| Total Expense | $6,908/unit | Controllable | $3,399/unit |

**SITE PLAN**




**MARKET FEASIBILITY INDICATORS**

| | | | |
|---|---|---|---|
| Gross Capture Rate (0% Maximum) | | | 3.0% |
| Highest Unit Capture Rate | N/A | N/A | N/A |
| Dominant Unit Cap. Rate | N/A | N/A | N/A |
| Premiums (↑60% Rents) | N/A | | N/A |
| Rent Assisted Units | 192 | 100% Total Units | |

**DEVELOPMENT COST SUMMARY**

| Costs Underwritten | TDHCA's Costs - Based on PCA | | |
|---|---|---|---|
| Avg. Unit Size | 821 SF | Density | 27.2/acre |
| Acquisition | | $88K/unit | $16,627K |
| Building Cost | $61.66/SF | $51K/unit | $9,714K |
| Hard Cost | | $76K/unit | $14,393K |
| Total Cost | | $237K/unit | $45,102K |
| Developer Fee | $5,248K | (25% Deferred) | Paid Year: 5 |
| Contractor Fee | $2,015K | 30% Boost | Yes |

| | | | | | |
|---|---|---|---|---|---|
| Site Work | $15K | 20% | Finishes/Fixture | $14K | 19% |
| Building Shell | $22K | 29% | Amenities | $3K | 4% |
| HVAC | $12K | 16% | Total Exterior | $39K | 58% |
| Appliances | $2K | 3% | Total Interior | $29K | 42% |

| DEBT (Must Pay) | | | | |
|---|---|---|---|---|
| Source | Term | Rate | Amount | DCR |
| CitiBank - Tranche A | 18/35 | 4.03% | $20,500,000 | 1.26 |
| TOTAL DEBT (Must Pay) | | | $20,500,000 | |

| CASH FLOW DEBT / GRANT FUNDS | | | | |
|---|---|---|---|---|
| Source | Term | Rate | Amount | DCR |
| CASH FLOW DEBT / GRANTS | | | $0 | |

| EQUITY / DEFERRED FEES | |
|---|---|
| Source | Amount |
| AHP | $15,149,089 |
| AHP - Federal Historic Equity | $3,222,793 |
| Foss - State Historic Equity | $4,929,601 |
| Galveston 3916 Winnie Street Developer, LLC | $1,300,562 |
| TOTAL EQUITY SOURCES | $24,602,045 |
| TOTAL DEBT SOURCES | $20,500,000 |
| TOTAL CAPITALIZATION | $45,102,045 |

## CONDITIONS

1 Receipt and acceptance before Determination Notice:
- Certification that the Owner will provide flood insurance coverage for the buildings and for the residents' personal property as long as the buildings remain in the floodplain.

2 Receipt and acceptance by Cost Certification:

a: Certification of comprehensive testing for asbestos ; that any appropriate abatement procedures were implemented; and that any remaining asbestos-containing materials are being managed in accordance with an acceptable Operations and Maintenance (O&M) program.

b: Certification of comprehensive testing for lead-based paint; that any appropriate abatement procedures were implemented; and that any remaining lead-based paint is being managed in accordance with an acceptable Operations and Maintenance (O&M) program.

c: Certification of comprehensive testing for mold; that any appropriate abatement procedures were implemented by a qualified abatement company; and that Mold, Moisture & Minimization Plan has been implemented.

d: Certification that comprehensive soil and groundwater sampling and analysis was performed to determine the impact to the subject property from documented hazardous material releases associated with transformers located at the subject property (as specified in the ESA), and that any recommended mitigation measures were fully implemented.

e: If original plumbing is to remain in place, certification that testing for lead in the drinking water was performed, and that any recommended mitigation measures were fully implemented.

f: Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.

g: For any buildings remaining in the floodplain, documentation that flood insurance is in place at the property owner's expense covering both the buildings and the residents' personal property; and certification from the owner that flood insurance for the buildings and for the residents' personal property will remain in force as long as the site remains a designated floodplain.

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.

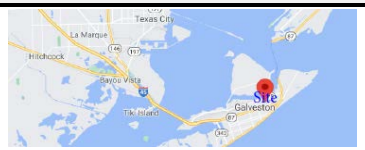
## BOND RESERVATION / ISSUER

| | |
|---|---|
| Issuer | Texas State Affordable Housing Corporation |
| Expiration Date | 4/18/2021 |
| Bond Amount | $37,500,000 |
| BRB Priority | Priority 3 |
| Bond Structure | Private Placement |
| % Financed with Tax-Exempt Bonds | 80.8% |

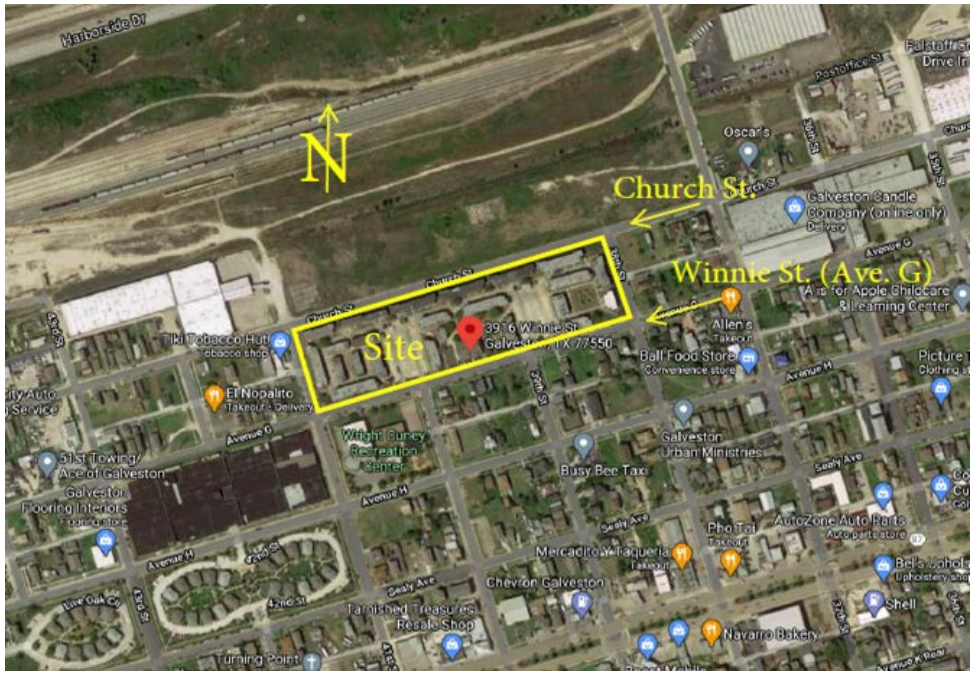
## RISK PROFILE

| STRENGTHS/MITIGATING FACTORS |
|---|
| ▫ 100% of units covered under project-based HAP contract at market rents |
| ▫ Gross Capture Rate of 3% |
| ▫ Existing occupied property poses no lease-up risk |
| ▫ Significant contingency |
| **WEAKNESSES/RISKS** |
| ▫ 50 year old development may have less appeal |
| ▫ Older design limitations with all units (including 3, 4 and 5 bedroom floor plans) only having one bathroom |
| ▫ Potential cost overruns if unknown rehabilitation issues are present |

## AREA MAP




## AERIAL PHOTOGRAPH(s)



## DEVELOPMENT IDENTIFICATION

TDHCA Application #: **20705** Program(s): **4% HTC**

**Sandpiper Cove**

Address/Location: 3916 Winnie Street

City: Galveston County: Galveston Zip: 77550

Population: General Program Set-Aside: General Area: Urban

Activity: Acquisition/Rehab Building Type: Garden (Up to 4-story) Region: 6

Analysis Purpose: New Application - Initial Underwriting

## ALLOCATION

| | REQUEST | | | | RECOMMENDATION | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **TDHCA Program** | **Amount** | **Interest Rate** | **Amort** | **Term** | **Amount** | **Interest Rate** | **Amort** | **Term** | **Lien** |
| **LIHTC (4% Credit)** | $1,721,660 | | | | **$1,721,660** | | | | |

## CONDITIONS

1 Receipt and acceptance before Determination Notice:

- Certification that the Owner will provide flood insurance coverage for the buildings and for the residents' personal property as long as the buildings remain in the floodplain.

2 Receipt and acceptance by Cost Certification:

a: Certification of comprehensive testing for asbestos ; that any appropriate abatement procedures were implemented; and that any remaining asbestos-containing materials are being managed in accordance with an acceptable Operations and Maintenance (O&M) program.

b: Certification of comprehensive testing for lead-based paint; that any appropriate abatement procedures were implemented; and that any remaining lead-based paint is being managed in accordance with an acceptable Operations and Maintenance (O&M) program.

c: Certification of comprehensive testing for mold; that any appropriate abatement procedures were implemented by a qualified abatement company; and that Mold, Moisture & Minimization Plan has been implemented.

d: Certification that comprehensive soil and groundwater sampling and analysis was performed to determine the impact to the subject property from documented hazardous material releases associated with transformers located at the subject property (as specified in the ESA), and that any recommended mitigation measures were fully implemented.

e: If original plumbing is to remain in place, certification that testing for lead in the drinking water was performed, and that any recommended mitigation measures were fully implemented.

f: Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.

g: For any buildings remaining in the floodplain, documentation that flood insurance is in place at the property owner's expense covering both the buildings and the residents' personal property; and certification from the owner that flood insurance for the buildings and for the residents' personal property will remain in force as long as the site remains a designated floodplain.

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.

## SET-ASIDES

| TDHCA SET-ASIDES for HTC LURA | | |
|---|---|---|
| Income Limit | Rent Limit | Number of Units |
| 60% of AMI | 60% of AMI | 192 |

## PROJECT SUMMARY

Renovation of an existing 192-unit, 2- story, garden style development built in 1971. Located on the northern part of Galveston Island, subject is less than a quarter mile north of Hwy 87 where it transitions into IH 45, providing convenient access to Houston and surrounding communities.

All 192 units are covered under an existing HAP contract that will be renewed based on updated market rents concluded by a 6/19/2020 Rent Comparability Study prepared by Appraisal Unlimited, with confirmation that those rents have been found acceptable by Southwest Housing Compliance Corporation (third party administrator).

The project is also expected to receive Federal and State Historic Tax Credits based on the following criteria:

- The District is locally significant under National Register Criterion A in the area of Community Planning/Development as the first and only known example of Federal Housing Administration Section 221 (d)(3) private affordable housing in the City of Galveston dating to the mid-20th century period.
- The complex, originally called the Parkland Apartments, was developed from 1968-1970 by local developer, Galveston Central Area Incorporated (GCA), in partnership with the Eliza and Harris Kempner Foundation, a local non-profit organization.
- It was designed by Herbert Hudler Jr., a Galveston-based architect.
- Project was built to house low and moderate-income level family units, with preference given to handicapped individuals, or single persons 62 years or older, or families displaced by government actions.
- It was a private sector response to the growing need for quality affordable family housing in Galveston at a time when the City was experiencing a housing crisis and the local housing authority had ceased the construction of housing complexes.
- The period of significance extends from 1968 to 1971.

Rehab scope of work is budgeted at $68K/unit. High occupancy will require temporary resident relocation during renovation.

## RISK PROFILE

| STRENGTHS/MITIGATING FACTORS | |
|---|---|
| ▫ | 100% of units covered under project-based HAP contract at market rents |
| ▫ | Gross Capture Rate of 3% |
| ▫ | Existing occupied property poses no lease-up risk |
| ▫ | Significant contingency |

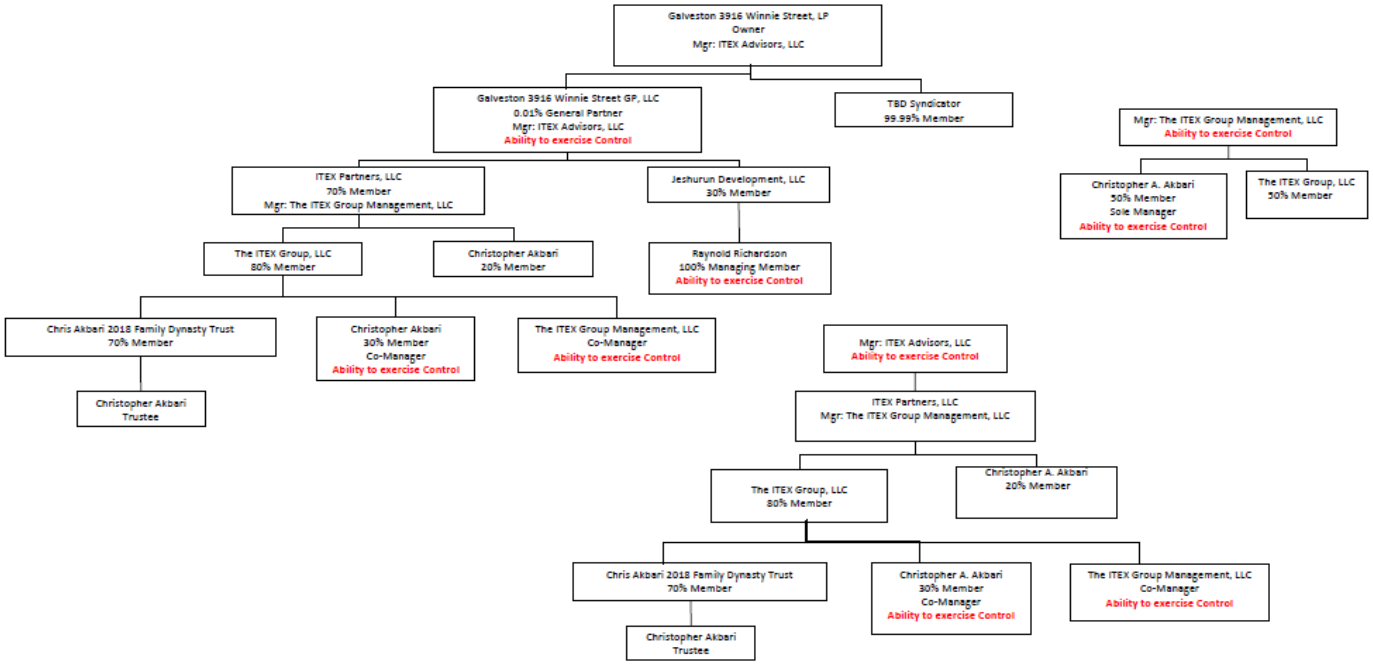
| WEAKNESSES/RISKS | |
|---|---|
| ▫ | 50 year old development may have less appeal |
| ▫ | Older design limitations with all units (including 3, 4 and 5 bedroom floor plans) only having one bathroom |
| ▫ | Potential cost overruns if unknown rehabilitation issues are present |
| ▫ | |

# DEVELOPMENT TEAM

## PRIMARY CONTACTS

| | | | |
|---|---|---|---|
| Name: | Miranda Sprague | Name: | Michelle Harder |
| Phone: | (409) 853-3681 | Phone: | (409) 201-4462 |
| Relationship: | Applicant/Developer | Relationship: | Applicant/Developer |

## OWNERSHIP STRUCTURE



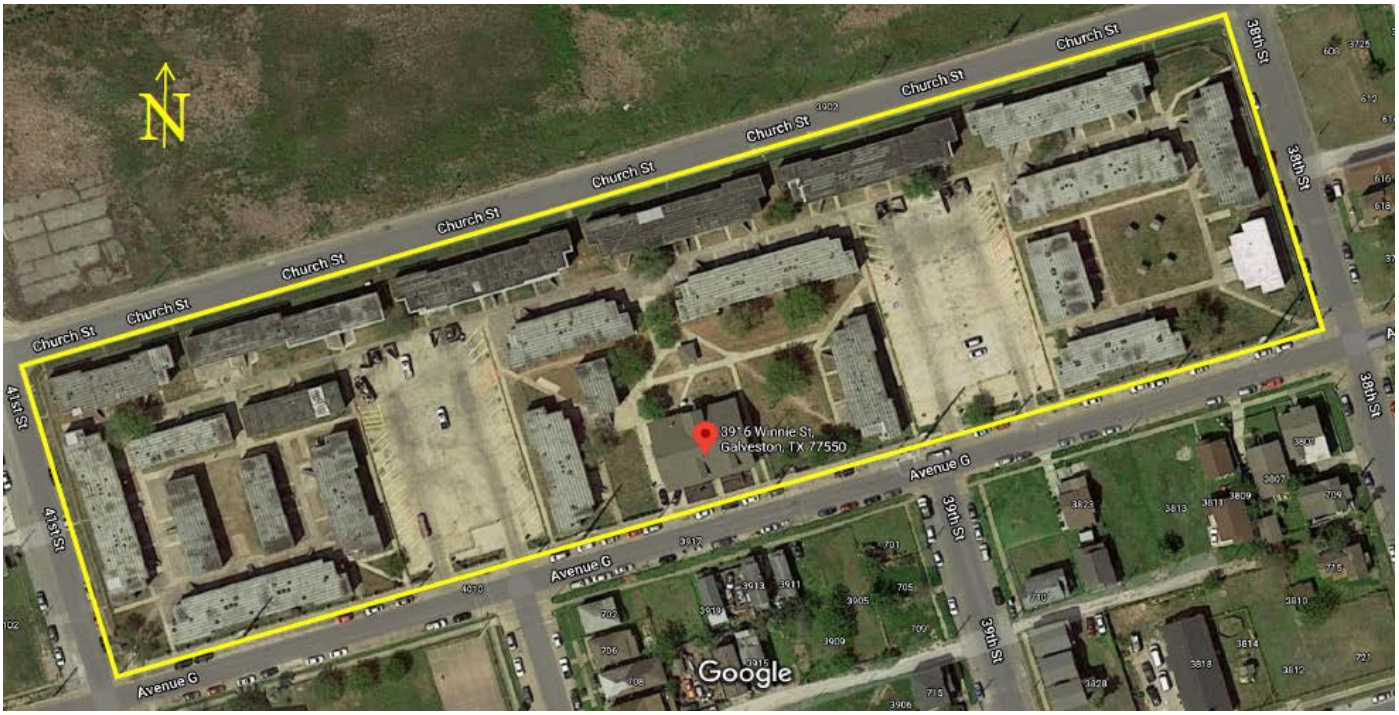

- Sponsor, Developer, General Contractor and Cost Estimator are related entities.
- ITEX has built a current portfolio of over 6,500 units encompassing over $800M in developments located in Texas, Louisiana, Colorado and Arkansas. As part of their portfolio, they have been involved in the development of over 23 HTC properties in Texas.

  For more information, visit **itexgrp.com.**

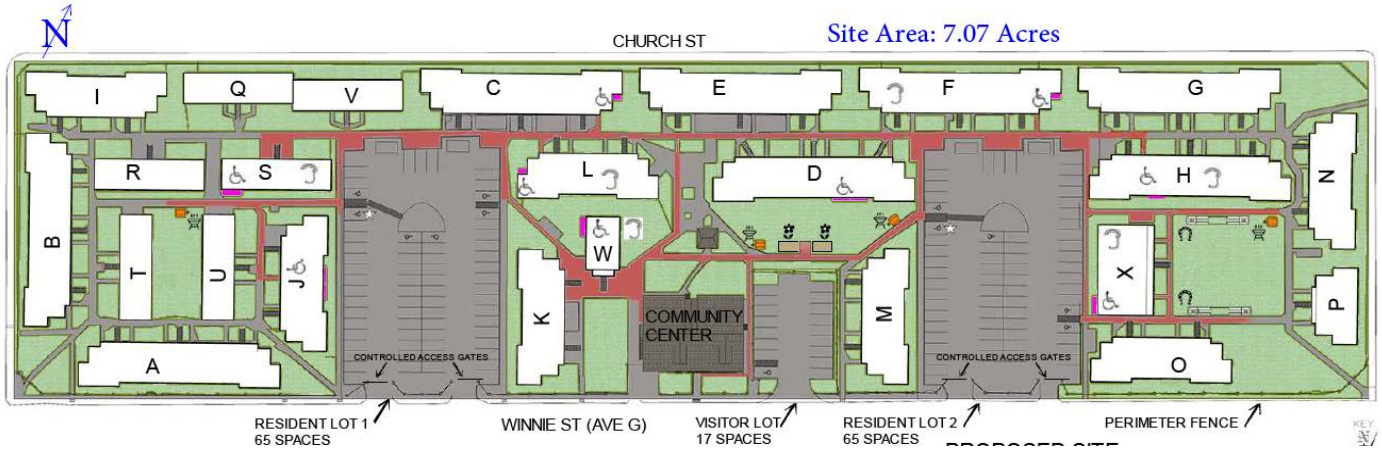
## DEVELOPMENT SUMMARY

AERIAL

## SITE PLAN




## SITE PLAN SCHEMATIC




Comments:

Site area is relatively flat with no on-site detention. Storm water flows into on-site inlets and catch basins with underground piping connected to the municipal storm water management system. Entire site is located in the 100 year floodplain (Zone A).

There are 3 points of ingress/egress off of Winnie St. (Ave. G). The 2 resident lots have gated access while the visitor/community center lot has open access. The 3 lots provide a total of 147 open surface spaces, available at no charge to the residents. However, the parking ratio is only 0.8 spaces/unit.

## BUILDING PLAN (Typical)

Comments:

Two-story, walk-up garden style buildings. Design does not have breezeways since buildings are not back loaded. Two(2), three (3) and four (4) bedroom units are all non-rectangular. Ceiling height is 8 feet typical of this era construction. Units do not have washer/dryer connections, but a laundry facility is located in the community center. All units, including those with 3, 4 and 5 bedrooms, only have one (1) bathroom.

## BUILDING ELEVATION (Typical)

Comments:

Built in 1971, subject is comprised of 24 two-story garden-style buildings with a stand-alone community center. All buildings are wood-framed on reinforced concrete foundations with flat, built-up roofs. Exteriors are 85% brick veneer.

## RELOCATION PLAN

Renovation is expected to take approximately 15 months. Due to existing high occupancy and the scope of work, it will be necessary to move some tenants off site. Residents will be moved off-site in Phases I and III to renovate those entire buildings on time and within budget. This will allow tenants affected in Phases II and IV to be moved directly and permanently to a newly renovated unit on-site. Residents slated to be moved off-site will be provided a survey well in advance of the start of the renovation to determine their needs, preferences and specific moving concerns regarding their temporary relocation.

It is anticipated that approximately 25% of the residents will need to be temporarily moved off-site. All temporary moves are anticipated to be for 4-6 months and all costs associated with the temporary moves will be covered by the development.

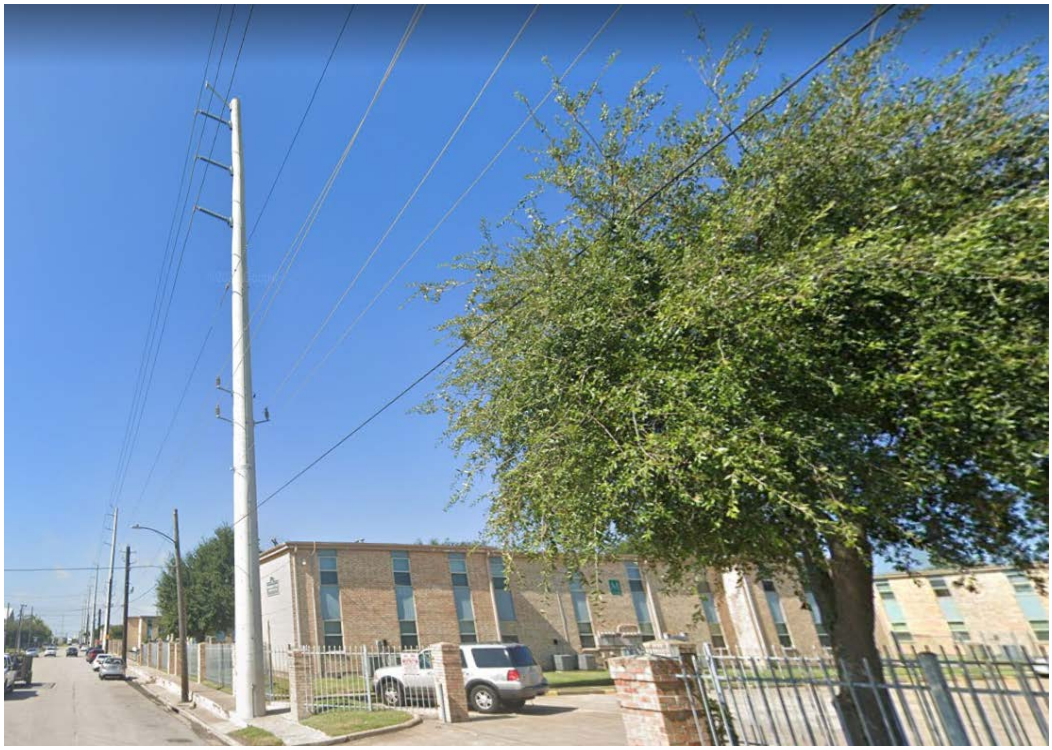
The development entity will be responsible for providing benefits to any households who may become displaced as a result of the project. However, no displacement is anticipated.

Sponsor has budgeted $768K ($4K/unit) to cover possible relocation expenses.

This budget assumes a pass through with respect to HAP funds for any apartment units leased for temporary off-site housing resources and a minimal additional leasing cost per tenant to cover the costs associated with off-site rental units.

UNDESIRABLE SITE FEATURE(S)

• High voltage transmission line



Comments:

Pursuant to §11.101(a)(2) of the QAP, Applicant identified the presence of a high voltage transmission line with centrifugal spun concrete support columns running along the southern boundary of the property along Winnie St. (Ave. G).

The application requests an exemption based on the subject being a rehabilitation development with ongoing HUD assistance. In conjunction, Applicant pointed out that the existing development is subject to a TDHCA land use restriction agreement and has been subject to compliance requirements for the last 31 years. The Applicant went on to state that they are "... unaware of any time during this period that the presence of these power lines caused any kind of health or safety hazard for the tenants of Sandpiper Cove or was otherwise identified as a problem by TDHCA compliance staff for any reason."

• 100% of site in Flood Zone A

Comments:

As part of the renovation, Applicant is going to build a 2,700 linear foot flood wall around the perimeter of the development. The flood wall will be approximately one foot underground, and approximately six feet above ground with approximately two feet of wrought iron fence on top to bring the wall height to eight feet. There will be approximately eight (8) pedestrian gate openings and three (3) vehicle gate openings, which would be closed off with flood gates ahead of a severe storm. Egress ladders will be installed to allow for resident evacuation out of the development once the flood wall has been sealed shut. Since the community building is at the boundary line of the property, the flood wall will terminate at each side of the building and flood gates would be installed to protect the portion of the building that is not inside the flood wall.

In addition to the perimeter flood wall and gates, there will be shut offs to the existing on-site storm drains and manhole covers will be placed over the drains ahead of severe storms to ensure no back flow will occur. To prevent flooding on the property during excessive rain, there will be approximately eight sump pumps with emergency generators to run them, allowing water to be relocated outside of the flood wall. Furthermore, an extensive and thorough Severe Storm Plan will be implemented and provided to existing and new residents, and also provided to residents ahead of expected severe storms that would result putting the plan into action.

Since the development is receiving Historic credits, Applicant must receive Texas Historic Commission and National Park Service approval in order to implement the flood wall and its components . The amendment request to both entities will be filed to confirm approval.

Pursuant §11.101(a)(1) of the QAP, rehabilitation developments with existing and ongoing federal funding assistance from HUD or USDA are exempt from the requirements imposed on new construction or reconstruction projects.

Since the site is in a flood zone, §11.302(g)(2)(B) requires that the Owner will provide flood insurance coverage for the buildings and for the residents' personal property as long as the buildings remain in the floodplain.

## BUILDING CONFIGURATION

| Building Type | 1 | 1.1 | 1.2 | 1.3 | 2 | 2.1 | 2.2 | 3 | 4 | 4.1 | 5.1 | 6.1 | **Total Buildings** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Floors/Stories | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | |
| Number of Bldgs | 4 | 2 | 1 | 1 | 5 | 1 | 1 | 1 | 5 | 1 | 1 | 1 | **24** |
| Units per Bldg | 12 | 12 | 12 | 12 | 8 | 8 | 8 | 4 | 4 | 4 | 2 | 10 | |
| **Total Units** | 48 | 24 | 12 | 12 | 40 | 8 | 8 | 4 | 20 | 4 | 2 | 10 | **192** |

| **Avg. Unit Size (SF)** | **821 sf** | **Total NRA (SF)** | **157,552** | **Common Area (SF)*** | **2,840** |
|---|---|---|---|---|---|

*Common Area Square Footage as specified on Architect Certification

## SITE CONTROL INFO

**Site Acreage:** Development Site: 7.07 acres Density: 27.2 units/acre

**Site Control:** 7.066 **Site Plan:** 7.066 **Appraisal:** 7.066 **ESA:** 7.066

Control Type: Purchase and Sale Agreement Contract Expiration: 4/16/2021

Development Site: 7.07 acres Cost: $16,627,000 $86,599 per unit

Seller: Compass Pointe Apartments Texas, LLC

Buyer: ITEX Acquisitions, LLC

Assignee: Galveston 3916 Winnie Street GP, LLC

Related-Party Seller/Identity of Interest: No

Comments:

The original purchase price was $16,350,000. However, in the Third Amendment to the Purchase and Sale Agreement, the price was increased by $277,000 to $16,627,000. The Third Amendment also extended the contract expiration date from 12/31/20 to 4/16/21.

Seller likely increased the price due to the delay in closing as well as the pending increase in HAP rents that makes the property more valuable.

## APPRAISED VALUE

| Appraiser: | Valbridge Property Advisors | Date: | 8/21/2020 |
|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Land as Vacant: | 7.07 acres | $1,920,000 | Per Unit: | $10,000 |
| Existing Buildings: (as-is) | | $14,360,000 | Per Unit: | $74,792 |
| **Total Development: (as-is)** | | **$16,280,000** | Per Unit: | **$84,792** |

Comments:

Land value was derived using the sales comparison approach. Five (5) comparable land sales were used in the analysis ranging from 0.12 acres to 4.90 acres. Three (3) of the properties were single-family residential lots and two (2) were industrial tracts. Adjustments were made for elapsed time from date of sale, location, size and floodplain designation. At $10K/unit, concluded land value is higher than new construction developments recently underwritten ($7.5K to $8.5K/unit). If more of a downward adjustment was made for subject land's higher acreage while keeping total value constant, allocation to the buildings would increase. This would increase eligible basis and the tax credit award. There would be no impact to the bonds.

Appraised value was derived using the income capitalization approach. Appraiser determined a 6.00% market capitalization rate based on analysis of improved sales, the market, historic low interest rates and the subject, as well as the consideration of any additional risk or benefit from the affordable restrictions. Ten (10) comparable properties were used in the analysis. Three (3) out of the ten (10) comparable sales were restricted properties. Nine (9) of the comparable properties were built from 1970 to 1981 and one (1) was built in 1940. Size ranged from 73 to 240 units.

The appraised value is based on the proposed increased HAP rents, which have been conditionally approved and will take effect at Closing.

## SITE INFORMATION

| | | | |
|---|---|---|---|
| Flood Zone: | A | Scattered Site? | No |
| Zoning: | Urban Neighborhood (UN) | Within 100-yr floodplain? | Yes |
| Re-Zoning Required? | No | Utilities at Site? | Yes |
| Year Constructed: | 1971 | Title Issues? | No |

Current Uses of Subject Site:

192 unit general family development.

Surrounding Uses:

Subject is in a mixed-use area with vacant land and railroad tracks to the north, Wright Cuney Recreation Center and single-family residences to the south, single-family residences and a cotton compress industrial building to the east, and single-family residences between vacant industrial buildings to the west.

Other Observations:

Subject development is in the 100-year Floodplain and was built with slab-on grade. Surrounding single-family residences were built with elevated pier and beam to mitigate flood potential.

## HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 3/6/2020

Recognized Environmental Conditions (RECs) and Other Concerns:

- Indication of potential impact to the subject property as a result of past documented hazardous substance release(s) from former transformers located at the subject property that may have contained PCBs.
- Asbestos containing materials.
- Lead-based paint.
- Recommended testing for lead in drinking water if original plumbing is to remain in place.
- Projected Day/Night Noise Level (DNL) of 72.4 decibels (dB) exceeds HUD threshold of 65 dB.

Comments:

Phase Engineering, Inc. stated that: "...additional appropriate investigation is necessary to detect the presence or likely presence of hazardous materials and/or petroleum products at the subject property under conditions that indicate an existing release or a material threat of a release. Further investigation including soil and groundwater sampling and analysis would be necessary to determine likely impact to the subject property from documented hazardous material releases associated with transformers located at the subject property."

Since the development was built in 1971, there is a likelihood that asbestos containing materials and lead-based paint were used in construction. Report states that a separate asbestos inspection as well as a separate lead-based paint inspection were being conducted. Applicant has budgeted $250K for asbestos abatement and $331K for lead-based paint abatement.

Since the on-site buildings were constructed prior to 1986, testing for lead in the drinking water is recommended if any of the existing plumbing systems are planned for use in future development of the subject property.

High DNL likely a result of proximity to Galveston Railway North and South located within 3,000 feet of subject property.

A natural gas gathering pipeline operated by Wagner Oil Company traverses the northwest adjoining property along with a sidetrack surface well and a plugged gas well. Also, a directional/ transmission line is indicated traversing the subject property. However, these pipelines and wells do not pose any hazard concerns.

## MARKET ANALYSIS

Provider: Valbridge Date: 8/4/2020

Market Analyst calculates a Gross Capture Rate of 3%, which is below the 10% maximum. Underwriter reviewed the market study for compliance. Capture rate limits do not apply to existing affordable housing that is at least 50% occupied and that provides a leasing preference to existing tenants. The Subject property is covered by a Housing Assistance Program contract, meaning that all households below the maximum income level are eligible. Subject is currently 90% occupied.

## OPERATING PRO FORMA

| SUMMARY- AS UNDERWRITTEN (Applicant's Pro Forma) | | | | | |
|---|---|---|---|---|---|
| NOI: | $1,406,357 | Avg. Rent: | $1,262 | Expense Ratio: | 48.5% |
| Debt Service: | $1,114,157 | B/E Rent: | $1,125 | Controllable Expenses: | $3,399 |
| Net Cash Flow: | $292,200 | UW Occupancy: | 92.5% | Property Taxes/Unit: | $1,122 |
| Aggregate DCR: | 1.26 | B/E Occupancy: | 82.6% | Program Rent Year: | 2020 |

All of the units are covered by a HAP contract. Applicant is seeking approval from HUD to terminate the existing contract and renew under a 20 year Mark-Up-To-Market contract.

Applicant's Pro Forma rents are based on a 6/16/20 Rent Comparability Study (RCS) performed by Appraisals Unlimited. Furthermore, concluded RCS rents were found to be acceptable by third party administrator Southwest Housing Compliance Corporation (SHCC) as stated in their 8/11/20 letter submitted by Applicant.

Sponsor's Pro Forma reflects the anticipated increase in HAP rents outlined as follows:

| Unit Type | Current Net HAP Rent | Anticipated Net HAP Rent | Increase | Variance |
|---|---|---|---|---|
| 1BR/1BA | $736 | $915 | $179 | 24% |
| 2BR/1BA | $995 | $1,120 | $125 | 13% |
| 3BR/1BA | $1,243 | $1,390 | $147 | 12% |
| 4BR/1BA | $1,312 | $1,575 | $263 | 20% |
| 5BR/1BA | $1,397 | $1,970 | $573 | 41% |

Average Pro Forma rent based on the RCS is $108 higher than if the rents were only restricted by 60% AMI tax credit rents.

Average RCS rents are also $108 higher than average rents concluded by Applicant's Market Study dated 8/04/20. If those rents were used in the Pro Forma, DCR would drop to 1.07, indicating that the project would be infeasible. However, HUD has typically approved conforming RCS concluded rents and these rents have also been found acceptable by SHCC as stated above.

If the HAP contract was canceled and the development no longer had project-based rental assistance, the underwriting analysis would have to be re-evaluated for feasibility and adjustment to the credit allocation could be warranted.

Applicant provided a staffing plan budget of $1,088/unit that is consistent with other properties we have underwritten so TDHCA's underwriting also used their estimate for payroll & payroll tax expense. Otherwise, TDHCA's analysis relied heavily on historical operating expenses reported at the subject property.

Landlord paid water, sewer & trash expense was based on historical operations and is significantly higher than area comparables ($963/unit vs. $708/unit). However, the renovation scope includes water saving fixtures, a new irrigation system and a tenant water metering system which should reduce water expense.

Insurance expense is also significantly higher than area comparables ($1.21/sf vs. $0.86/sf) but includes flood coverage since subject is in the 100 year floodplain.

The Texas State Affordable Housing Corporation (TSAHC) is the Bond Issuer and has an annual Issuer Administration Fee of 10 basis points. Applicant budgeted $22,500 as an operating expense based on 0.10% of the initial $22,500,000 in bonds expected to be issued on this deal. However, TDHCA has reclassified the 10 basis point fee to be a component of annual debt service.

Applicant also included TSAHC's annual Asset Oversight and Compliance Fee of $8,640 ($45/unit) as an annual operating expense, TDHCA considers that fee a partnership expense and therefore removed it from operating expenses.

Applicant's underwritten NOI is within 2.1% of TDHCA's estimate. Controllable expenses are comparable.

Lower than typical expense ratio is primarily facilitated by high RCS rents.

As presented, average rent with 1 month concession is $32 above break-even, but concessions should be unnecessary since all units are covered under HAP contract.

Breakeven occupancy occurs with 33 units vacant (underwritten at 14).

Pro Forma exhibits feasibility for over 35 years with a permanent loan rate of 4.03% fixed. Rate could increase by 71 basis points (to 4.74%) before first year DCR would drop below the minimum 1.15 threshold.

As underwritten, long-term Pro Forma exhibits a 15 year residual cash flow of $4.8M after repayment of deferred developer fee.

Related-Party Property Management Company: TBD

| Revisions to Rent Schedule: | 0 | Revisions to Annual Operating Expenses: | 2 |
|---|---|---|---|

# DEVELOPMENT COST EVALUATION

| SUMMARY- AS UNDERWRITTEN (TDHCA's Costs- Based on SCR) | | | | | |
|---|---|---|---|---|---|
| Acquisition | $271,720/ac | $86,599/unit | **$16,627,000** | Contractor Fee | **$2,014,959** |
| Off-site + Site Work | | $17,552/unit | **$3,369,912** | Soft Cost + Financing | **$5,343,276** |
| Building Cost | $61.66/sf | $50,595/unit | **$9,714,252** | Developer Fee | **$5,248,230** |
| Contingency | 10.00% | $6,815/unit | **$1,308,416** | Reserves | **$1,476,000** |
| **Total Development Cost** | $234,906/unit | **$45,102,045** | | **Rehabilitation Cost** | **$68,095/unit** |

| **Qualified for 30% Basis Boost?** | Located in QCT with < 20% HTC units/HH |
|---|---|

Acquisition:

Original Purchase and Sale Agreement (PSA) had a purchase price of $16,350,000. The contract has been amended 3 times. The 1st Amendment recognizes the assignment from ITEX Acquisitions, LLC to Galveston 3916 Winnie Street GP, LLC, while the 2nd Amendment extended closing to 12/31/20. Finally, the 3rd Amendment increased the purchase price by $277,000 to $16,627,000 and extended closing to 4/16/21.

Off-site:

Certified $10K ($52/unit) comprised of $2.5K for removal/replacement of concrete on top of curb over existing storm drain inlet and $7.5K for connecting a 24" storm sewer line to that inlet.

Site Work:

Certified Site Work cost of $2.8M ($14.7K/unit) is comprised of $16K for fine grading (walks & asphalt preparation), $330K for concrete (repair & replacement including ADA accessibility routes), $128K for paving (parking lot & driveway repairs), $1.36M for on-site utilities and electrical (replace telecom utility lines, repair/unblock sewer lines, new cold water supply lines and new main electrical distribution panel & wiring), $40K for bumper stops, striping & signs, and $948K for construction of a flood wall around the perimeter of the property.

Budgeted amenity cost of $540K ($2.8K/unit) is comprised of $260K for landscaping, $130K for playground equipment upgrades, $31K for fencing repairs and $119K for concrete trash enclosures, BBQ grills & picnic tables, mail kiosk refurbishment and new gazebo.

Building Cost:

Pursuant to §11.302(e) of the QAP, TDHCA's underwritten costs are based on the estimates provided in the Scope and Cost Review (SCR) for the proposed renovation scope of work.

Applicant's budgeted costs are also consistent with costs determined by the SCR provider.

Renovation must comply with Federal and State Historic guidelines. The following is an excerpt from the Historic Preservation Certification Application:

"The rehabilitation of this property as described in the Historic Certification Application will meet the Secretary of the Interior's Standards for Rehabilitation provided that the following condition(s) is/are met:

1. Community Center Floorplan: Details and evidence about past alterations to the floor plan In the community center are needed to understand the impact of proposed revisions included in this application. Any walls that are original to the building should be kept in place and minimally impacted by alterations.
2. Community Center Windows: The proposed window at the front elevation is inappropriate at such a prominent location. There are presently alternate locations of windows that appear to be boarded up that may be used for getting light into the community center .
3. Additions: The exterior cladding materials and detailing of the ADA additions should be very similar to (if not match) the historic buildings. The historic buildings are simplistic, symmetrical, and experienced from all directions. By detailing the additions to be similar to the existing buildings - with subtle variation - the visual impact of these small additions will be minimized. Cladding details as well as final floor plans of the ADA addition revisions must be submitted for review and approval."

| REHABILITATION COSTS / UNIT / % HARD COST | | | | | | | |
|---|---|---|---|---|---|---|---|
| Site Work | $2,830,087 | $14,740/unit | 20% | Finishes/Fixtures | $2,758,459 | $14,367/unit | 19% |
| Building Shell | $4,162,030 | $21,677/unit | 29% | HVAC | $2,347,572 | $12,227/unit | 16% |
| Amenities | $539,825 | $2,812/unit | 4% | Appliances | $446,191 | $2,324/unit | 3% |
| **Total Exterior** | **$7,531,942** | **$39,229/unit** | **58%** | **Total Interior** | **$5,552,222** | **$28,918/unit** | **42%** |

**SCOPE & COST REVIEW**

Provider: Phase Engineering, Inc. Date: 11/2/2020

**Site and Exterior renovations will include:**

**Off-Site Work**

- Connect 24" storm sewer line to existing storm drain inlet
- Remove/replace concrete on top of curb over the inlet

**Site & Amenity Improvements**

- Sidewalk repair/replacement (including ADA accessibility routes)
- Parking lot & driveway repair
- Bumper stops, striping & signs
- New monument sign
- Replace telecom utility lines
- Repair/unblock sewer lines
- New cold water supply lines
- New main electrical distribution panel & wiring
- New floodwall around development perimeter
- Landscaping & new irrigation system
- Playground improvements
- Fencing repair/replacement
- New BBQ grills & picnic tables
- New concrete trash enclosures
- Mail Kiosk refurbishment
- New gazebo

**Community Building & Laundry Facility Renovation**

- Interior/exterior painting
- New HVAC
- New hot water heating
- Replace plumbing
- New flooring
- Doors/windows

**Building Envelope**

- Brick pointing & minor repairs
- Siding & soffit repairs
- New exterior doors & hardware
- Lead-based paint abatement
- Exterior painting (all buildings)
- Repair metal stairs
- Roofing replacement (all buildings)
- Replace gutters, downspouts and splash blocks
- Install security system & cameras
- Install emergency lighting

**Interior renovations will include:**

**All units**

- Asbestos abatement
- General drywall repairs
- Interior painting
- New interior doors & hardware
- New cabinets & countertops
- New appliances
- New flooring
- New ceramic tub surrounds
- New sinks, tubs, toilets, faucets and fixtures
- New hot and cold water plumbing pipes
- New bathroom exhaust fans
- New window coverings
- New HVAC air handlers & condenser units
- New thermostats
- Install water meters
- New water heaters
- New smoke/CO detectors
- New fire extinguishers
- Fire alarm system
- Fire suppression system
- Termite & pest control
- Convert/update selected units to current ADA standards
- Convert selected units to vision and hearing impaired units

Contingency:

Full 10% contingency is budgeted.

Soft Costs:

As expected on a rehab, A&E costs are lower than typical at $1.4K/unit, as are total soft costs at $10.8K/unit (only 4.59% of total development cost).

Reserves:

Sponsor's total capital reserves represent approximately 7 months of operating expenses and debt service.

No reserves are being transferred with the acquisition of the property.

Credit Allocation Supported by Costs:

| Total Development Cost | Adjusted Eligible Cost | Credit Allocation Supported by Eligible Basis |
|---|---|---|
| $45,102,045 | $40,223,781 | $1,721,660 |

Related-Party Contractor: Yes

Related-Party Cost Estimator: Yes

| Revisions to Development Cost Schedule: | 3 |
|---|---|

# UNDERWRITTEN CAPITALIZATION

## BOND RESERVATION

| Issuer | Amount | Reservation Date | Priority |
|---|---|---|---|
| Texas State Affordable Housing Corporation | $37,500,000 | 10/20/2020 | Priority 3 |
| **Closing Deadline** | **Bond Structure** | | |
| 4/18/2021 | Private Placement | | |

| Percent of Cost Financed by Tax-Exempt Bonds | 80.8% |
|---|---|

Comments:

The tax exempt bonds are projected to finance approximately 81% of the aggregate basis of the development, which significantly exceeds the minimum 50% requirement to qualify for 4% tax credits under IRC§142.

TSAHC will charge an annual Asset Oversight and Compliance Fee of $8.6K ($45/unit).

Bonds will be privately placed.

## INTERIM SOURCES

| Funding Source | Description | Amount | Rate | LTC |
|---|---|---|---|---|
| CitiBank - Tranche A | Tax Ex Bonds-Other Issuer | $22,500,000 | 4.03% | 50% |
| CitiBank - Tranche B | Tax Ex Bonds-Other Issuer | $8,000,000 | 2.95% | 18% |
| CitiBank - Taxable Tranche C | Conventional Loan | $5,600,000 | 3.50% | 13% |
| AHP | HTC | $3,029,818 | $0.88 | 7% |
| Galveston 3916 Winnie Street Developer, LLC | Deferred Developer Fee | $5,488,342 | 0.00% | 12% |
| | | **$44,618,160** | **Total Sources** | |

Comments:

The higher interim construction financing bridges the capitalization prior to when the remaining HTC equity, Federal Historic Equity and State Historic Equity are funded.

## PERMANENT SOURCES

| | PROPOSED | | | | UNDERWRITTEN | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Debt Source** | **Amount** | **Interest Rate** | **Amort** | **Term** | **Amount** | **Interest Rate** | **Amort** | **Term** | **LTC** |
| CitiBank - Tranche A | $20,500,000 | 4.03% | 35 | 18 | $20,500,000 | 4.03% | 35 | 18 | 45% |
| **Total** | **$20,500,000** | | | | **$20,500,000** | | | | |

Comments:

Interim construction financing gets reduced by $15.6M before conversion through equity contributions.

TSAHC will charge a 10 basis point annual Bond Administration Fee.

| | PROPOSED | | | UNDERWRITTEN | | | |
|---|---|---|---|---|---|---|---|
| **Equity & Deferred Fees** | **Amount** | **Rate** | **% Def** | **Amount** | **Rate** | **% TC** | **% Def** |
| AHP | $15,149,089 | $0.88 | | $15,149,089 | $0.88 | 34% | |
| AHP - Federal Historic Equity | $3,222,793 | | | $3,222,793 | | 7% | |
| Foss - State Historic Equity | $4,929,601 | | | $4,929,601 | | 11% | |
| Galveston 3916 Winnie Street Developer, LLC | $1,300,561 | | 24.78% | $1,300,562 | | 2.88% | 24.78% |
| **Total** | **$24,602,045** | | | **$24,602,045** | | | |
| | | | | **$45,102,045** | **Total Sources** | | |

Comments:

Project qualifies for Federal and State Historic Tax Credits. Applicant has received the requisite Part 1 and 2 approvals for the proposed building renovations. Part 1 and 2 approvals for the addition of the perimeter flood wall are pending. The final Part 3 approval remains, but cannot be granted until after all project renovations are completed.

The Federal Historic Equity proceeds of $3,222,793 have been excluded from eligible basis.

| Credit Price Sensitivity based on current capital structure | |
|---|---|
| **$0.955** | Maximum Credit Price before the Development is oversourced and allocation is limited |
| **$0.651** | Minimum Credit Price below which the Development would be characterized as infeasible |

| Revisions to Sources Schedule: | 3 |
|---|---|

## CONCLUSIONS

**Recommended Financing Structure:**

| **Gap Analysis:** | |
|---|---|
| Total Development Cost | $45,102,045 |
| Permanent Sources (debt + non-HTC equity) | $28,652,394 |
| **Gap in Permanent Financing** | $16,449,651 |

| **Possible Tax Credit Allocations:** | **Equity Proceeds** | **Annual Credits** |
|---|---|---|
| Determined by Eligible Basis | $15,149,089 | $1,721,660 |
| Needed to Balance Sources & Uses | $16,449,651 | $1,869,466 |
| Requested by Applicant | $15,149,089 | $1,721,660 |

| | **RECOMMENDATION** | |
|---|---|---|
| | **Equity Proceeds** | **Annual Credits** |
| **Tax Credit Allocation** | **$15,149,089** | **$1,721,660** |

| | | |
|---|---|---|
| **Deferred Developer Fee** | **$1,300,562** | **( 24.78% deferred)** |
| **Repayable in** | **5 year** | |

Comments:

Credit allocation is limited to $1,721,660 as requested by Applicant.

Applicant's original credit request was calculated using an applicable percentage of 3.23% under the 2020 guidelines. The application schedules have since been revised pursuant to the Consolidated Appropriations Act for 2021, under Section 42(b)(3), whereby the applicable percentage for LIHTC allocations made after Dec. 31, 2020, shall not be less than 4%.

| | |
|---|---|
| Underwriter: | *Gregg Kazak* |
| Manager of Real Estate Analysis: | *Thomas Cavanagh* |
| Director of Real Estate Analysis: | *Brent Stewart* |

# UNIT MIX/RENT SCHEDULE

***Sandpiper Cove, Galveston, 4% HTC #20705***

| LOCATION DATA | |
|---|---|
| CITY: | Galveston |
| COUNTY: | Galveston |
| Area Median Income | $78,800 |
| PROGRAM REGION: | 6 |
| PROGRAM RENT YEAR: | 2020 |

| UNIT DISTRIBUTION | | | | |
|---|---|---|---|---|
| # Beds | # Units | % Total | Assisted | MDL |
| Eff | - | 0.0% | 0 | 0 |
| 1 | 10 | 5.2% | 10 | 0 |
| 2 | 92 | 47.9% | 92 | 0 |
| 3 | 64 | 33.3% | 64 | 0 |
| 4 | 24 | 12.5% | 24 | 0 |
| 5 | 2 | 1.0% | 2 | 0 |
| | | | | |
| TOTAL | 192 | 100.0% | 192 | - |

| 60% Average Income | | |
|---|---|---|
| Income | # Units | % Total |
| 20% | - | 0.0% |
| 30% | - | 0.0% |
| 40% | - | 0.0% |
| 50% | - | 0.0% |
| 60% | 192 | 100.0% |
| 70% | - | 0.0% |
| 80% | - | 0.0% |
| MR | - | 0.0% |
| TOTAL | 192 | 100.0% |

| Pro Forma ASSUMPTIONS | |
|---|---|
| Revenue Growth | 2.00% |
| Expense Growth | 3.00% |
| Basis Adjust | 130% |
| Applicable Fraction | 100% |
| APP % Acquisition | 4.00% |
| APP % Construction | 4.00% |
| Average Unit Size | 821 sf |

## UNIT MIX / MONTHLY RENT SCHEDULE

| HTC | | RENT ASSISTED UNIT | | UNIT MIX | | | | APPLICABLE PROGRAM RENT | | | APPLICANT'S PRO FORMA RENTS | | | | TDHCA PRO FORMA RENTS | | | | MARKET RENTS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Type | Gross Rent | Type | Gross Rent | # Units | # Beds | # Baths | NRA | Gross Rent | Utility Allow | Max Net Program Rent | Delta to Max | Rent psf | Net Rent per Unit | Total Monthly Rent | Total Monthly Rent | Rent per Unit | Rent psf | Delta to Max | Underwritten | | Mkt Analyst |
| TC 60% | $887 | Section 8 | $999 | 9 | 1 | 1.0 | 576 | $999 | $84 | $915 | $0 | $1.59 | $915 | **$8,235** | **$8,235** | $915 | $1.59 | $0 | $700 | $1.22 | $700 |
| TC 60% | $887 | Section 8 | $999 | 1 | 1 | 1.0 | 675 | $999 | $84 | $915 | $0 | $1.36 | $915 | **$915** | **$915** | $915 | $1.36 | $0 | $700 | $1.04 | $700 |
| TC 60% | $1,065 | Section 8 | $1,242 | 87 | 2 | 1.0 | 720 | $1,242 | $122 | $1,120 | $0 | $1.56 | $1,120 | **$97,440** | **$97,440** | $1,120 | $1.56 | $0 | $1,030 | $1.43 | $1,030 |
| TC 60% | $1,065 | Section 8 | $1,242 | 5 | 2 | 1.0 | 742 | $1,242 | $122 | $1,120 | $0 | $1.51 | $1,120 | **$5,600** | **$5,600** | $1,120 | $1.51 | $0 | $1,030 | $1.39 | $1,030 |
| TC 60% | $1,230 | Section 8 | $1,510 | 61 | 3 | 1.0 | 904 | $1,510 | $120 | $1,390 | $0 | $1.54 | $1,390 | **$84,790** | **$84,790** | $1,390 | $1.54 | $0 | $1,260 | $1.39 | $1,260 |
| TC 60% | $1,230 | Section 8 | $1,510 | 3 | 3 | 1.0 | 943 | $1,510 | $120 | $1,390 | $0 | $1.47 | $1,390 | **$4,170** | **$4,170** | $1,390 | $1.47 | $0 | $1,260 | $1.34 | $1,260 |
| TC 60% | $1,372 | Section 8 | $1,745 | 23 | 4 | 1.0 | 1,038 | $1,745 | $170 | $1,575 | $0 | $1.52 | $1,575 | **$36,225** | **$36,225** | $1,575 | $1.52 | $0 | $1,485 | $1.43 | $1,485 |
| TC 60% | $1,372 | Section 8 | $1,745 | 1 | 4 | 1.0 | 1,140 | $1,745 | $170 | $1,575 | $0 | $1.38 | $1,575 | **$1,575** | **$1,575** | $1,575 | $1.38 | $0 | $1,485 | $1.30 | $1,485 |
| TC 60% | $1,514 | Section 8 | $1,791 | 1 | 5 | 1.0 | 1,129 | $1,791 | $91 | $1,700 | $0 | $1.51 | $1,700 | **$1,700** | **$1,700** | $1,700 | $1.51 | $0 | $1,790 | $1.59 | $1,790 |
| TC 60% | $1,514 | Section 8 | $1,791 | 1 | 5 | 1.0 | 1,227 | $1,791 | $91 | $1,700 | $0 | $1.39 | $1,700 | **$1,700** | **$1,700** | $1,700 | $1.39 | $0 | $1,790 | $1.46 | $1,790 |
| **TOTALS/AVERAGES:** | | | | **192** | | | **157,552** | | | | **$0** | **$1.54** | **$1,262** | **$242,350** | **$242,350** | **$1,262** | **$1.54** | **$0** | **$1,154** | **$1.41** | **$1,154** |

| | | | |
|---|---|---|---|
| **ANNUAL POTENTIAL GROSS RENT:** | **$2,908,200** | **$2,908,200** | |

Avg. 60% HTC Rent

# STABILIZED PRO FORMA

***Sandpiper Cove, Galveston, 4% HTC #20705***

## STABILIZED FIRST YEAR PRO FORMA

| | COMPARABLES | | | | | | APPLICANT | | | | | TDHCA | | | | VARIANCE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Database | | Expense Comps | | Rolling 12 Mos. 8/31/19 to 8/31/20 | | % EGI | Per SF | Per Unit | Amount | Amount | Per Unit | Per SF | % EGI | % | $ |
| **POTENTIAL GROSS RENT** | | | | | | | | $1.54 | $1,262 | $2,908,200 | $2,908,200 | $1,262 | $1.54 | | 0.0% | $0 |
| Laundry, Vending, Pet Fees, Late Fees | | | | | | | | | $20.00 | $46,080 | | | | | | |
| Total Secondary Income | | | | | | | | | $20.00 | | $46,080 | $20.00 | | | 0.0% | $0 |
| **POTENTIAL GROSS INCOME** | | | | | | | | | | $2,954,280 | $2,954,280 | | | | 0.0% | $0 |
| Vacancy & Collection Loss | | | | | | | | | 7.5% PGI | (221,571) | (221,571) | 7.5% PGI | | | 0.0% | - |
| Rental Concessions | | | | | | | | | | - | - | | | | 0.0% | - |
| **EFFECTIVE GROSS INCOME** | | | | | | | | | | $2,732,709 | $2,732,709 | | | | 0.0% | $0 |
| General & Administrative | $79,019 | $412/Unit | $63,412 | $330/Unit | $98,427 | $513/Unit | 2.32% | $0.40 | $330 | $63,429 | $63,412 | $330 | $0.40 | 2.32% | 0.0% | 17 |
| Management | $78,672 | 5.1% EGI | $75,498 | 2.8% EGI | $61,648 | 2.3% EGI | 5.00% | $0.87 | $712 | $136,635 | $136,635 | $712 | $0.87 | 5.00% | 0.0% | - |
| Payroll & Payroll Tax | $259,961 | $1,354/Unit | $248,161 | $1,293/Unit | $143,108 | $745/Unit | 7.65% | $1.33 | $1,088 | $208,940 | $208,940 | $1,088 | $1.33 | 7.65% | 0.0% | - |
| Repairs & Maintenance | $141,707 | $738/Unit | $165,566 | $862/Unit | $184,326 | $960/Unit | 5.13% | $0.89 | $729 | $140,061 | $124,800 | $650 | $0.79 | 4.57% | 12.2% | 15,261 |
| Electric/Gas | $41,031 | $214/Unit | $35,188 | $183/Unit | $54,262 | $283/Unit | 1.99% | $0.34 | $283 | $54,262 | $54,262 | $283 | $0.34 | 1.99% | 0.0% | - |
| Water, Sewer, & Trash | $120,521 | $628/Unit | $134,996 | $703/Unit | $185,847 | $968/Unit | 6.80% | $1.18 | $968 | $185,849 | $185,847 | $968 | $1.18 | 6.80% | 0.0% | 2 |
| Property Insurance | $76,584 | $0.49 /sf | $135,363 | $0.86 /sf | $191,094 | $1.21 /sf | 6.99% | $1.21 | $995 | $191,094 | $191,094 | $995 | $1.21 | 6.99% | 0.0% | - |
| Property Tax (@ 100%) 2.261973 | $146,787 | $765/Unit | $81,936 | $427/Unit | $65,760 | $343/Unit | 7.89% | $1.37 | $1,122 | $215,514 | $259,655 | $1,352 | $1.65 | 9.50% | -17.0% | (44,141) |
| Reserve for Replacements | | | | | | | 2.11% | $0.37 | $300 | $57,600 | $57,600 | $300 | $0.37 | 2.11% | 0.0% | - |
| Cable TV | | | | | | | 0.00% | $0.00 | $0 | $0 | $0 | $0 | $0.00 | 0.00% | 0.0% | - |
| Supportive Services | | | | | | | 0.18% | $0.03 | $26 | $5,000 | $5,000 | $26 | $0.03 | 0.18% | 0.0% | - |
| TDHCA Compliance fees ($40/HTC unit) | | | | | | | 0.28% | $0.05 | $40 | $7,680 | $7,680 | $40 | $0.05 | 0.28% | 0.0% | - |
| Bond Trustee Fees | | | | | | | 0.18% | $0.03 | $26 | $5,000 | $5,000 | $26 | $0.03 | 0.18% | 0.0% | - |
| Security | | | | | | | 2.02% | $0.35 | $288 | $55,288 | $55,288 | $288 | $0.35 | 2.02% | 0.0% | - |
| Issuer Admin Fee | | | | | | | 0.00% | $0.00 | $0 | $0 | $0 | $0 | $0.00 | 0.00% | 0.0% | - |
| TSAHC Fees | | | | | | | 0.00% | $0.00 | $0 | $0 | $0 | $0 | $0.00 | 0.00% | 0.0% | - |
| **TOTAL EXPENSES** | | | | | | | **48.54%** | **$8.42** | **$6,908** | **$1,326,352** | **$1,355,213** | **$7,058** | **$8.60** | **49.59%** | **-2.1%** | **$ (28,861)** |
| **NET OPERATING INCOME ("NOI")** | | | | | | | **51.46%** | **$8.93** | **$7,325** | **$1,406,357** | **$1,377,496** | **$7,174** | **$8.74** | **50.41%** | **2.1%** | **$ 28,861** |
| **CONTROLLABLE EXPENSES** | | | | | | | | | $3,399/Unit | | | $3,319/Unit | | | | |

# CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

***Sandpiper Cove, Galveston, 4% HTC #20705***

## DEBT / GRANT SOURCES

| | | APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE | | | | | | | AS UNDERWRITTEN DEBT/GRANT STRUCTURE | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cumulative DCR | | | | | | | | | | | | Cumulative | |
| **DEBT (Must Pay)** | **Fee** | **UW** | **App** | **Pmt** | **Rate** | **Amort** | **Term** | **Principal** | **Principal** | **Term** | **Amort** | **Rate** | **Pmt** | **DCR** | **LTC** |
| CitiBank - Tranche A | 0.10% | 1.26 | 1.29 | 1,093,657 | 4.03% | 35 | 18 | $20,500,000 | $20,500,000 | 18 | 35 | 4.03% | $1,114,157 | 1.26 | 45.5% |
| | | | | **$1,093,657** | **TOTAL DEBT / GRANT SOURCES** | | | **$20,500,000** | **$20,500,000** | **TOTAL DEBT SERVICE** | | | **$1,114,157** | **1.26** | 45.5% |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **NET CASH FLOW** | | $283,839 | $312,700 | | | | | | **APPLICANT** | **NET OPERATING INCOME** | | **$1,406,357** | **$292,200** | **NET CASH FLOW** | |

## EQUITY SOURCES

| | | APPLICANT'S PROPOSED EQUITY STRUCTURE | | | | | AS UNDERWRITTEN EQUITY STRUCTURE | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EQUITY / DEFERRED FEES** | **DESCRIPTION** | **% Cost** | **Annual Credit** | **Credit Price** | **Amount** | | **Amount** | **Credit Price** | **Annual Credit** | **% Cost** | **Annual Credits per Unit** | **Allocation Method** | |
| AHP | LIHTC Equity | 33.6% | $1,721,660 | 0.88 | $15,149,089 | | $15,149,089 | $0.88 | $1,721,660 | 33.6% | $8,967 | Applicant Request | |
| AHP - Federal Historic Equity | | 7.1% | | | $3,222,793 | | $3,222,793 | | | 7.1% | | | |
| Foss - State Historic Equity | | 10.9% | | | $4,929,601 | | $4,929,601 | | | 10.9% | | | |
| Galveston 3916 Winnie Street Developer, LLC | Deferred Developer Fees | 2.9% | (24.8% Deferred) | | $1,300,561 | | $1,300,562 | (24.8% Deferred) | | 2.9% | **Total Developer Fee:** | | **$5,248,230** |
| Additional (Excess) Funds Req'd | | 0.0% | | | | | $0 | | | 0.0% | | | |
| **TOTAL EQUITY SOURCES** | | 54.5% | | | $24,602,045 | | $24,602,045 | | | 54.5% | | | |

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **TOTAL CAPITALIZATION** | | | | | | **$45,102,045** | **$45,102,045** | | | | | **15-Yr Cash Flow after Deferred Fee:** | | **$4,789,013** | |

## DEVELOPMENT COST / ITEMIZED BASIS

| | APPLICANT COST / BASIS ITEMS | | | | | TDHCA COST / BASIS ITEMS | | | | | COST VARIANCE | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Eligible Basis | | | | | | | | Eligible Basis | | | |
| | **Acquisition** | **New Const. Rehab** | **Total Costs** | | | **Total Costs** | | | **New Const. Rehab** | **Acquisition** | % | $ |
| Land Acquisition | | | $10,213 / Unit | $1,960,924 | | $1,920,000 | $10,000 / Unit | | | | 2.1% | $40,924 |
| Building Acquisition | $14,666,076 | | $76,386 / Unit | $14,666,076 | | $14,707,000 | $76,599 / Unit | | | $14,666,076 | -0.3% | ($40,924) |
| Off-Sites | | $0 | $52 / Unit | $10,000 | | $10,000 | $52 / Unit | | $0 | | 0.0% | $0 |
| Site Work | | $2,820,087 | $14,688 / Unit | $2,820,087 | | $2,820,087 | $14,688 / Unit | | $2,820,087 | | 0.0% | $0 |
| Site Amenities | | $539,825 | $2,812 / Unit | $539,825 | | $539,825 | $2,812 / Unit | | $539,825 | | 0.0% | $0 |
| Building Cost | | $9,714,252 | $61.66 /sf | $50,595/Unit | $9,714,252 | $9,714,252 | $50,595/Unit | $61.66 /sf | $9,714,252 | | 0.0% | $0 |
| Contingency | | $1,307,416 | 10.00% | 10.00% | $1,308,416 | $1,308,416 | 10.00% | 10.00% | $1,307,416 | | 0.0% | $0 |
| Contractor Fees | | $2,013,419 | 14.00% | 14.00% | $2,014,959 | $2,014,959 | 14.00% | 14.00% | $2,013,419 | | 0.0% | $0 |
| Soft Costs | 0 | $1,294,418 | | $10,794 / Unit | $2,072,418 | $2,072,418 | $10,794 / Unit | | $1,294,418 | $0 | 0.0% | $0 |
| Financing | 0 | $2,621,708 | | $17,036 / Unit | $3,270,858 | $3,270,858 | $17,036 / Unit | | $2,621,708 | $0 | 0.0% | $0 |
| Developer Fee | $2,199,911 | $3,046,669 | 15.00% | 15.00% | $5,248,230 | $5,248,230 | 15.00% | 15.00% | $3,046,669 | $2,199,911 | 0.0% | $0 |
| Reserves | | | | 7 Months | $1,476,000 | $1,476,000 | 7 Months | | | | 0.0% | $0 |
| **TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)** | **$16,865,987** | **$23,357,794** | | $234,906 / Unit | **$45,102,045** | **$45,102,045** | $234,906 / Unit | | **$23,357,794** | **$16,865,987** | **0.0%** | **$0** |
| **Acquisition Cost** | $0 | | | | $0 | | | | | | | |
| **Contingency** | | $0 | | | $0 | | | | | | | |
| **Contractor's Fee** | | $0 | | | $0 | | | | | | | |
| **Financing Cost** | | $0 | | | | | | | | | | |
| **Developer Fee** | $0 | ($0) | | | $0 | | | | | | | |
| **Reserves** | | | | | $0 | | | | | | | |
| **ADJUSTED BASIS / COST** | **$16,865,987** | **$23,357,794** | | $234,906/unit | **$45,102,045** | **$45,102,045** | $234,906/unit | | **$23,357,794** | **$16,865,987** | **0.0%** | **$0** |

| | |
|---|---|
| **TOTAL HOUSING DEVELOPMENT COSTS BASED ON 3RD PARTY SCR/CNA** | **$45,102,045** |

# CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

***Sandpiper Cove, Galveston, 4% HTC #20705***

## CREDIT CALCULATION ON QUALIFIED BASIS

| | Applicant | | TDHCA | |
|---|---|---|---|---|
| | Acquisition | Construction Rehabilitation | Acquisition | Construction Rehabilitation |
| **ADJUSTED BASIS** | $16,865,987 | $23,357,794 | $16,865,987 | $23,357,794 |
| Deduction of Federal Grants | $0 | ($3,222,793) | $0 | ($3,222,793) |
| **TOTAL ELIGIBLE BASIS** | $16,865,987 | $20,135,001 | $16,865,987 | $20,135,001 |
| High Cost Area Adjustment | | 130% | | 130% |
| **TOTAL ADJUSTED BASIS** | $16,865,987 | $26,175,501 | $16,865,987 | $26,175,501 |
| Applicable Fraction | 100.00% | 100.00% | 100.00% | 100.00% |
| **TOTAL QUALIFIED BASIS** | $16,865,987 | $26,175,501 | $16,865,987 | $26,175,501 |
| Applicable Percentage | 4.00% | 4.00% | 4.00% | 4.00% |
| **ANNUAL CREDIT ON BASIS** | $674,639 | $1,047,020 | $674,639 | $1,047,020 |
| **CREDITS ON QUALIFIED BASIS** | $1,721,660 | | $1,721,660 | |

| | ANNUAL CREDIT CALCULATION BASED ON TDHCA BASIS | | FINAL ANNUAL LIHTC ALLOCATION | | |
|---|---|---|---|---|---|
| | | | Credit Price $0.8799 | Variance to Request | |
| Method | Annual Credits | Proceeds | Credit Allocation | Credits | Proceeds |
| **Eligible Basis** | $1,721,660 | $15,149,089 | ---- | ---- | ---- |
| **Needed to Fill Gap** | $1,869,466 | $16,449,651 | ---- | ---- | ---- |
| **Applicant Request** | $1,721,660 | $15,149,089 | **$1,721,660** | **$0** | **$0** |

| 50% Test for Bond Financing for 4% Tax Credits | | |
|---|---|---|
| **Tax-Exempt Bond Amount** | **$30,500,000** | |
| | **Applicant** | **TDHCA** |
| Land Cost | $1,960,924 | $1,920,000 |
| Depreciable Bldg Cost | $35,767,741 | $35,808,665 |
| **Aggregate Basis for 50% Test** | $37,728,665 | $37,728,665 |

| Percent Financed by Tax-Exempt Bonds | Applicant | TDHCA |
|---|---|---|
| | **80.8%** | **80.8%** |
| amount aggregate basis can increase before 50% test fails | $23,271,335 | $23,271,335 |
| | 61.7% | 61.7% |

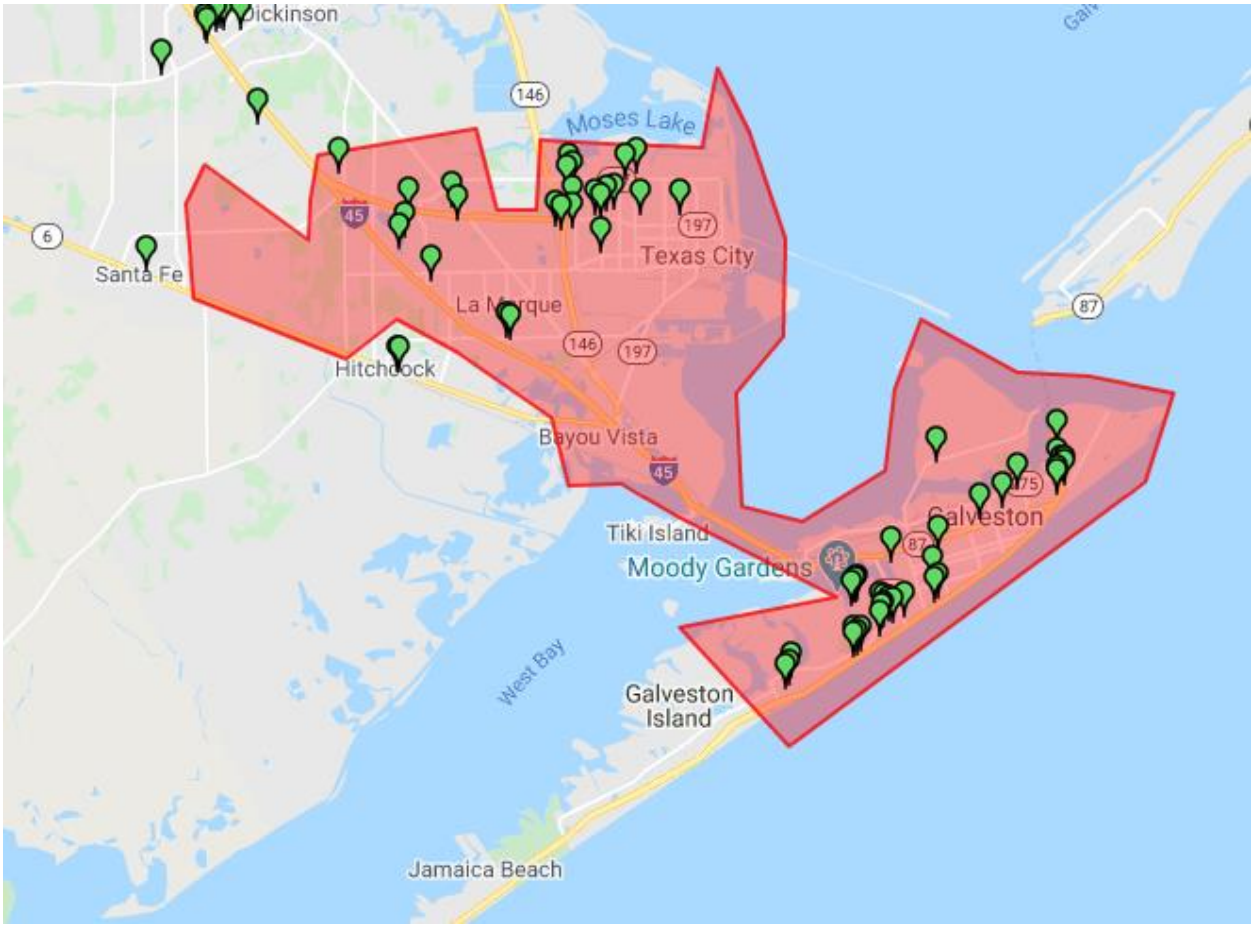
# Long-Term Pro Forma

***Sandpiper Cove, Galveston, 4% HTC #20705***

| | Growth Rate | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 | Year 20 | Year 25 | Year 30 | Year 35 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EFFECTIVE GROSS INCOME | 2.00% | $2,732,709 | $2,787,363 | $2,843,110 | $2,899,973 | $2,957,972 | $3,265,840 | $3,605,751 | $3,981,041 | $4,395,391 | $4,852,867 | $5,357,957 |
| TOTAL EXPENSES | 3.00% | $1,326,352 | $1,364,777 | $1,404,326 | $1,445,035 | $1,486,936 | $1,715,603 | $1,979,841 | $2,285,228 | $2,638,219 | $3,046,289 | $3,518,092 |
| **NET OPERATING INCOME ("NOI")** | | **$1,406,357** | **$1,422,587** | **$1,438,784** | **$1,454,938** | **$1,471,037** | **$1,550,237** | **$1,625,910** | **$1,695,813** | **$1,757,172** | **$1,806,577** | **$1,839,865** |
| EXPENSE/INCOME RATIO | | 48.5% | 49.0% | 49.4% | 49.8% | 50.3% | 52.5% | 54.9% | 57.4% | 60.0% | 62.8% | 65.7% |
| **MUST -PAY DEBT SERVICE** | | | | | | | | | | | | |
| TOTAL DEBT SERVICE | | $1,114,157 | $1,113,884 | $1,113,601 | $1,113,305 | $1,112,998 | $1,111,261 | $1,109,136 | $1,106,538 | $1,103,362 | $1,099,477 | $1,094,727 |
| DEBT COVERAGE RATIO | | 1.26 | 1.28 | 1.29 | 1.31 | 1.32 | 1.40 | 1.47 | 1.53 | 1.59 | 1.64 | 1.68 |
| **ANNUAL CASH FLOW** | | **$292,200** | **$308,702** | **$325,183** | **$341,633** | **$358,039** | **$438,977** | **$516,774** | **$589,275** | **$653,810** | **$707,100** | **$745,138** |
| Deferred Developer Fee Balance | | $1,008,363 | $699,660 | $374,477 | $32,844 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| **CUMULATIVE NET CASH FLOW** | | $0 | $0 | $0 | $0 | $325,194 | $2,359,084 | $4,789,013 | $7,592,996 | $10,736,768 | $14,170,930 | $17,827,550 |

## ALN Derived Statistics for TDHCA Required Entries

ALN Systems allows a polygon to define a market area, allowing us to search the approximate PMA for certain required numbers. Note that the 20 minute drive time mirrors the PMA more or less. Green dots are apartments.




**MULTIFAMILY HOUSING in PMA page _____**

| | # Developments | Total Units | Avg Occupancy |
|---|---|---|---|
| All Multifamily Housing | 60 | 10,322 | 92.4% |
| All Placed-in-Service after 2015 | 0 | 0 | N/A |
| All LIHTC Developments | 8 | 1,526 | 94.9% |
| Unstabilized Comparable LIHTC | 0 | 0 | N/A |
| Other Subsidized / Affordable | 0 | 0 | N/A |

We note that both ALN and ADS do not report any projects in the submarket in lease-up, under construction, or proposed.

# Project Summary

Applicant ITEX Group and Jeshurun Development
Project Name Sandpiper Cove

## Location

Address 3916 Winnie Street City Galveston
County: Galveston State Texas 77550
Census Tract: 48167724600

## Bonds

Max. Par Amount: $ 37,500,000 Bond Type: PAB
Term of Bonds: 3 yrs Allocation Year: 2020

## Perm Funding Souces

| | Amount | % of Total |
|---|---|---|
| Citi - Perm Loan Tranche A | $ 22,500,000 | 45.56% |
| | $ - | 0.00% |
| RBC - Housing Tax Credit Equity | $ 14,617,516 | 29.60% |
| RBC - Federal Historic Credits | $ 3,951,228 | 8.00% |
| Foss - State Historic Credits | $ 5,983,381 | 12.11% |
| Income During Construction | $ - | 0.00% |
| Deferred Dev Fee | $ 2,338,021 | 4.73% |
| **Totals** | **$ 49,390,146** | **100%** |

* not included in total

## Market Summary

| | City | County | State | Census Tract |
|---|---|---|---|---|
| Population: | 50,039 | 327,089 | 27,885,195 | 1,791 |
| Median Age: | 39 | 38 | 34 | 33 |
| Diversity Index: | - | 59 | - | 57 |
| % Hispanic: | 30% | 24% | 39% | 25% |
| % Persons with Disability: | 18% | 14% | 12% | 25% |
| % Households that Rent: | 56% | 34% | 38% | 76% |
| Median Rents: | 803 | 844 | 863 | 325 |
| % Renters Who are Cost Burdened: | 47% | 45% | 44% | 53% |
| Median Home Price: | $ 122,900 | $ 97,750 | $ 161,700 | NA |
| Median Household Income: | $ 44,902 | $ 69,369 | $ 59,570 | $ 15,625 |
| Unemployment: | 0.00% | 4.00% | 3.50% | 0.00% |
| Persons w/o Insurance: | 20% | 14% | 17% | 21% |
| Medically Underserved Area: | Yes | - | - | - |
| % Attending Public Schools: | 91% | 92% | 93% | 93% |
| Graduation Rate (Galveston ISD) | 65% | | | |

CRA Eligible Census Tract: Yes - LI
# of LI Projects and Units: 16 749

## Summary of Sources and Uses

**Applicant** ITEX Group and Jeshurun Development
**Project Name** Sandpiper Cove
**Number of Units** 192

| Sources | Amount | Amount Per Unit | Percentage of Total |
|---|---|---|---|
| Citi - Perm Loan Tranche A | $ 22,500,000 | $ 117,188 | 46% |
| | $ - | $ - | 0% |
| RBC - Housing Tax Credit Equity | $ 14,617,516 | $ 76,133 | 30% |
| RBC - Federal Historic Credits | $ 3,951,228 | $ 20,579 | 8% |
| Foss - State Historic Credits | $ 5,983,381 | $ 31,163 | 12% |
| Income During Construction | $ - | $ - | 0% |
| Deferred Dev Fee | $ 2,338,021 | $ 12,177 | 5% |
| | | | |
| **Total Sources** | $ 49,390,146 | $ 257,240.34 | 100% |

**Uses**

| | | | |
|---|---|---|---|
| Acquisition | $ 16,134,985 | $ 84,036.38 | 33% |
| Off-Site Construction | $ 10,000 | $ 52.08 | 0% |
| On-Site Work | $ 3,171,895 | $ 16,520.29 | 6% |
| Site Amenities | $ 539,825 | $ 2,811.59 | 1% |
| Building Costs | $ 12,549,805 | $ 65,363.57 | 25% |
| Other Const/Contingency | $ 4,132,966 | $ 21,525.86 | 8% |
| Soft Costs | $ 2,449,990 | $ 12,760.36 | 5% |
| Financing Costs | $ 3,649,532 | $ 19,007.98 | 7% |
| Developer Fees | $ 5,267,148 | $ 27,433.06 | 11% |
| Reserve Accounts | $ 1,484,000 | $ 7,729.17 | 3% |
| | | | |
| Total Uses | $ 49,390,146 | $ 257,240.34 | 100% |

| | |
|---|---|
| (Gap) / Reserve | $ - |
| Percent of Developer Fee Deferred | 44.39% |

Note: This budget does not include the cost of a proposed $1.3 million flood wall to be constructed around the perimeter of the property. Staff has not received an updated budget, but does believe the additional cost can be offset by additional deferred developer fees and tax credit equity.

# Sandpiper Cove - Underwriting JUly - Operating Proforma

## Operating Proforma

Applicant ITEX Group and Jeshurun Development

Project Name Sandpiper Cove

| | | | | | |
|---|---|---|---|---|---|
| Number of Units | 192 | Affordable Units | 192 | Min. Set Aside | 77 |
| Min. Set-Aside Requirement | 77 | Affordable % | 100% | Accessible Unit Min. | 10 |

**Residential Income**

| Unit Type | Unit Sq. Ft. | Net Sq. Ft. | # units | Rent | Mo. Income | Inflator | Rent Limiter | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1/1 | 573 | 5,730 | 10 | $ 915 | $ 9,150 | 1.02 | 60% AMI | $ 109,800 | $ 111,996 | $ 114,236 | $ 116,521 | $ 118,851 | $ 131,221 | $ 144,879 |
| 2/1 | 684 | 62,928 | 92 | $ 1,120 | $ 103,040 | 1.02 | 60% AMI | $ 1,236,480 | $ 1,261,210 | $ 1,286,434 | $ 1,312,162 | $ 1,338,406 | $ 1,477,708 | $ 1,631,509 |
| 3/1 | 858 | 54,912 | 64 | $ 1,390 | $ 88,960 | 1.02 | 60% AMI | $ 1,067,520 | $ 1,088,870 | $ 1,110,648 | $ 1,132,861 | $ 1,155,518 | $ 1,275,785 | $ 1,408,570 |
| 4/2 | 999 | 23,976 | 24 | $ 1,575 | $ 37,800 | 1.02 | 60% AMI | $ 453,600 | $ 462,672 | $ 471,925 | $ 481,364 | $ 490,991 | $ 542,094 | $ 598,516 |
| 5/2 | 1084 | 2,168 | 2 | $ 1,700 | $ 3,400 | 1.02 | 60% AMI | $ 40,800 | $ 41,616 | $ 42,448 | $ 43,297 | $ 44,163 | $ 48,760 | $ 53,835 |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| | | | | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Subtotals: | | 149,714 | 192 | | $ 242,350 | | | | | | | | | |
| Other income: | | | | $ 20.00 | $ 3,840 | 1.02 | | $ 46,080.00 | $ 47,002 | $ 47,942 | $ 48,900 | $ 49,878 | $ 55,070 | $ 60,802 |
| Potential gross income | | | | | | | | $ 2,954,280 | $ 3,013,366 | $ 3,073,633 | $ 3,135,106 | $ 3,197,808 | $ 3,530,638 | $ 3,898,110 |
| Residential vacancy loss | | | | | | 7.50% | | $ (221,571) | $ (226,002) | $ (230,522) | $ (235,133) | $ (239,836) | $ (264,798) | $ (292,358) |
| **Effective Gross Residential Income** | | | | | | | | $ 2,732,709 | $ 2,787,363 | $ 2,843,110 | $ 2,899,973 | $ 2,957,972 | $ 3,265,840 | $ 3,605,751 |

| **Operating Expenses** | | TSAHC est. | Borrower Yr 1 | % EGI | Variance | Per Unit | Inflator | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 10 | Year 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| General & Administrative | | $ 87,936 | $ 63,429 | 2.32 | -28% | $ 330 | 1.03 | $ 63,429 | $ 65,332 | $ 67,292 | $ 69,311 | $ 71,390 | $ 82,760 | $ 95,942 |
| Management Fee | | $ 101,376 | $ 136,635 | 5.00 | 35% | $ 712 | 1.03 | $ 136,635 | $ 140,734 | $ 144,956 | $ 149,305 | $ 153,784 | $ 178,278 | $ 206,673 |
| Payroll and Related | | $ 250,560 | $ 208,940 | 7.65 | -17% | $ 1,088 | 1.03 | $ 208,940 | $ 215,208 | $ 221,664 | $ 228,314 | $ 235,164 | $ 272,619 | $ 316,040 |
| Maintenance & Repair | | $ 144,576 | $ 140,061 | 5.13 | -3% | $ 729 | 1.03 | $ 140,061 | $ 144,263 | $ 148,591 | $ 153,048 | $ 157,640 | $ 182,748 | $ 211,855 |
| Utilities | | $ 160,704 | $ 240,111 | 8.79 | 49% | $ 1,251 | 1.03 | $ 240,111 | $ 247,314 | $ 254,734 | $ 262,376 | $ 270,247 | $ 313,290 | $ 363,189 |
| Insurance | | $ 76,416 | $ 191,094 | 6.99 | 150% | $ 995 | 1.03 | $ 191,094 | $ 196,827 | $ 202,732 | $ 208,814 | $ 215,078 | $ 249,334 | $ 289,047 |
| Taxes | | $ 99,648 | $ 215,514 | 7.89 | 116% | $ 1,122 | 1.03 | $ 215,514 | $ 221,979 | $ 228,639 | $ 235,498 | $ 242,563 | $ 281,197 | $ 325,984 |
| Operating Debt Service Reserves | | | | 0.00 | #DIV/0! | $ - | 1.03 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Replacement reserves | | $ 57,408 | $ 57,600 | 2.11 | 0% | $ 300 | 1.03 | $ 57,600 | $ 59,328 | $ 61,108 | | $ - | $ - | $ - |
| HTC/HOME Compliance Fees | | $ 7,680 | $ 7,680 | 0.28 | n/a | $ 40 | 1.03 | $ 7,680 | $ 7,910 | $ 8,148 | $ 8,392 | $ 8,644 | $ 10,021 | $ 11,617 |
| Bond Compliance Fees | | $ 8,640 | $ 8,640 | 0.32 | 0% | $ 45 | 1.03 | $ 8,640 | $ 8,899 | $ 9,166 | $ 9,441 | $ 9,724 | $ 11,273 | $ 13,069 |
| Other (specify): | SupServ/Secuirty | $ 71,911 | $ 71,911 | 2.63 | 0 | $ 375 | 1.03 | $ 71,911 | $ 74,068 | $ 76,290 | $ 78,579 | $ 80,936 | $ 93,828 | $ 108,772 |
| **Total Operating Expenses** | | $ 1,066,855 | $ 1,341,615 | | 26% | $ 6,987.58 | | $ 1,341,615 | $ 1,381,863 | $ 1,423,319 | $ 1,403,078 | $ 1,445,170 | $ 1,675,348 | $ 1,942,188 |
| | | | | | state avg | $ 5,251.00 | *per unit* | *$ 6,988* | *$ 7,197* | *$ 7,413* | *$ 7,308* | *$ 7,527* | *$ 8,726* | *$ 10,116* |
| | | | | | *Operating Expenses as a percentage of Effective Gross Income* | | | *49.1%* | *49.6%* | *50.1%* | *48.4%* | *48.9%* | *51.3%* | *53.9%* |
| **NET OPERATING INCOME** | | | | | | | | **$ 1,391,094** | **$ 1,405,500** | **$ 1,419,791** | **$ 1,496,895** | **$ 1,512,802** | **$ 1,590,492** | **$ 1,663,564** |

# Sandpiper Cove - Underwriting JUly - Operating Proforma

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **NET OPERATING INCOME** | | | | | | **$ 1,391,094** | **$ 1,405,500** | **$ 1,419,791** | **$ 1,496,895** | **$ 1,512,802** | **$ 1,590,492** | **$ 1,663,564** |
| **PRIMARY DEBT SERVICE** | Principal | Rate | Amort | Term | | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** | **Year 10** | **Year 15** |
| Citi - Perm Loan Tranche A | $ 22,500,000 | 4.00% | 35 | 18 | | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Total Primary Debt | $ 22,500,000 | | | | | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 | $ 1,195,492 |
| TSAHC Issuer Fee | $ 22,500 | | | | | $ 22,500 | $ 22,500 | $ 22,500 | $ 22,500 | $ 22,500 | $ 22,500 | $ 22,500 |
| Net Cashflow After Primary Debt | | | | | | $ 173,102 | $ 187,508 | $ 201,799 | $ 278,903 | $ 294,810 | $ 372,500 | $ 445,572 |
| DSCR Primary Debt | | | | | | 1.14 | 1.15 | 1.17 | 1.23 | 1.24 | 1.31 | 1.37 |
| **SOFT SUBORDINATE DEBT & EQUITY** | | | | | | | | | | | | |
| RBC - Housing Tax Credit Equity | $ 14,617,516 | | | | | | | | | | | |
| RBC - Federal Historic Credits | $ 3,951,228 | | | | | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Foss - State Historic Credits | $ 5,983,381 | | | | | | | | | | | |
| Income During Construction | $ - | | | | | | | | | | | |
| Deferred Dev Fee | $ 2,338,021 | | | | | | | | | | | |
| | | | | | | | | | | | | |
| Total Secondary Debt | $ 26,890,146 | | | | Net Cash Flow of Secondary Debts | $ 173,102 | $ 187,508 | $ 201,799 | $ 278,903 | $ 294,810 | $ 372,500 | $ 445,572 |

# Tab 6

Review, Discussion and Possible Approval of the Annual Performance Review of the President of the Corporation and related actions.