



Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 602

Agenda Date: 5/9/2024

Agenda #:

Presentation, discussion, and possible action regarding a Material Amendment to the Housing Tax Credit Application, changes to the ownership structure, and a waiver of 10 TAC §11.9(b)(2) (A) for Avanti Legacy Parkview (HTC #22038/23803)

RECOMMENDED ACTION

WHEREAS, Avanti Legacy Parkview (Development) received a 9% Housing Tax Credit (HTC) award in 2022 and was approved for a reallocation of credits under Force Majeure in 2023 (HTC #23803) for the new construction of 108 multifamily units, of which 100 are low-income units, for the elderly population in Killeen, Bell County;

WHEREAS, Avanti Legacy Parkview, LP (Applicant) requests approval for a revision to the unit mix from 48 one-bedroom and one-bathroom units and 60 two-bedroom and two-bathroom units to 64 one-bedroom and one-bathroom units and 44 two-bedroom and two-bathroom units, which would result in a 5.76% (5,095 square feet) reduction to the Net Rentable Area, from 88,467 square feet to 83,372 square feet;

WHEREAS, the Applicant also requests a significant modification of the architectural design, including an increase in floors of the sole residential building from three to four, reconfiguration of the clubhouse including addition of a commercial kitchen space to be equipped and run by a local nonprofit that provides home delivered meals, removal of balconies from 40 units and reduction of balcony sizes for the 68 other units, and a reduction in the parking spaces from 180, including zero carports, to 168, including 15 carports;

WHEREAS, Board approval is required for a modification to the number of units or bedroom mix of units, a reduction of 3% or more in the square footage of the units or common areas, and a significant modification of the architectural design of the Development, as directed in 10 TAC §10.405(a)(4)(B), (D), and (E), and in Tex. Gov't Code §2306.6712(d)(2), (4), and (5), and the Applicant has complied with the amendment requirements therein;

WHEREAS, to improve the financial feasibility of the Development by obtaining a property tax exemption, Applicant is seeking to add the Killeen Public Facility Corporation as the new sole member of the General Partner;

WHEREAS, the HTC Application for the Development received two points for agreeing to include a certified Historically Underutilized Business (HUB) in the ownership structure of the General Partner and materially participating in the development and operation of the Development throughout the Compliance Period, and receiving a combination of ownership interest in the General Partner of the Applicant, cash flow from operations, and developer fee

which taken together equal at least 50% and no less than 5% for any category;

WHEREAS, Applicant is seeking to revise the ownership structure by adding a Special Limited Partner, Avanti Legacy Parkview I, LLC, and moving the HUB, Crimson Bulldog Development, Inc., from the ownership structure of Avanti Legacy Parkview GP, LLC, the General Partner, to the newly formed Special Limited Partner, which will be 85% owned and managed by the HUB as well as 10% owned by Perdue Development, LLC and 5% owned by Mama Bull, LLC;

WHEREAS, the Applicant requests a waiver of the specific requirement in 10 TAC §11.9(b)(2)(A) that states that the HUB must have an ownership interest in the General Partner, allowing the Development to continue to qualify for the two points for Sponsor Characteristics with the HUB in the ownership structure of the Special Limited Partner and continuing to meet the intent of 10 TAC §11.9(b)(2)(A) to have a HUB materially participate in the Development; and

WHEREAS, the requested changes and waiver do not negatively affect the Development, impact the viability of the transaction, impact Tex. Gov't Code §§2306.001, 2306.002, 2306.359, and 2306.6701, or affect the amount of the tax credits awarded;

NOW, therefore, it is hereby

RESOLVED, that the requested amendment to the Housing Tax Credit Application, changes to the ownership structure, and a waiver of 10 TAC §11.9(b)(2)(A) for Avanti Legacy Parkview are each approved as presented at this meeting, and the Executive Director and his designees are each hereby authorized, directed, and empowered to take all necessary action to effectuate the foregoing.

BACKGROUND

Avanti Legacy Parkview received a 9% HTC award in 2022 and a reallocation of credits under Force Majeure in 2023 for the new construction of 108 multifamily units, of which 100 units are low-income units, for the elderly in Killeen, Bell County. In a letter dated March 19, 2024, Enrique Flores, IV, representative and authorized signatory for the Applicant, requested approval for a material amendment to increase the number of one-bedroom units by 16 and decrease the number of two-bedroom units by 16 from what was originally proposed in the Application. Rent and income restrictions would remain unchanged at 20 units at 30% Area Median Income (AMI), 20 units at 50% AMI, 60 units at 60% AMI, and eight units at market rate.

The change will result in a reduction of 5,095 square feet (5.76%) in the Net Rentable Area, going from 88,467 square feet to 83,372 square feet. There will also be a significant modification of the architectural design, including an increase from three floors to four floors for the sole residential building, and an increase of 8,479 square feet (38.64%) in the Common Area, going from 21,944 square feet to 30,423 square feet, exclusive of the commercial kitchen space. A 1,052 square foot commercial kitchen space that is to be equipped and operated by a

local nonprofit is being added to the Development. The Applicant states they will provide the kitchen space at nominal cost to the Hill Country Community Action Agency (HCCAA), and HCCAA will equip the space with commercial grade kitchen equipment for the preparation of home-delivered meals for area residents. Additionally, balconies are removed from 40 units and balcony sizes are reduced for the 68 other units, and the number of parking spaces is reduced to 168, 15 of which are carport spaces, from the 180, none of which were carport spaces, identified at Application. The area of the Development site will also increase slightly from 5.286 acres to 5.433 acres, which will result in a 2.71% reduction to residential density, going from 20.43 units per acre to 19.88 units per acre. The enclosed table compares the site plan of the Development at Application and the revised site plan after the amendment.

The Applicant states that the reason for the requested changes is to reduce development costs to maintain feasibility, and indicates that without change to the unit mix and associated reduction to the overall net rentable area, along with achievement of a property tax exemption, the Development is no longer feasible. The Applicant cites increased construction costs, increased borrowing costs, decreased equity pricing, and increased operating expenses, namely property insurance, and states that these factors were not foreseeable or preventable by Applicant. The Applicant submitted letters of support from their lender and investor, which indicated that the adjustment to the number of units is necessary for feasibility.

In addition to the amendment for the redesign, the Applicant is requesting approval for changes to the ownership structure, which will require a waiver for the requirement related to ownership by a Historically Underutilized Business (HUB). The HTC Application for the Development received two points because the Development was structured to include a Historically Underutilized Business (HUB) in the ownership structure that would have some combination of ownership interest in the General Partner of the Owner, cash flow from operations, and Developer Fee, which taken together equal at least 50% and no less than 5% for any category. The HUB was also required to materially participate in the development and operation of the Development throughout the Compliance Period.

In a letter dated March 20, 2024, Enrique Flores, IV, representative and authorized signatory for the Applicant, proposed changes to the ownership structure for the Development, which requires a waiver of the provision in 10 TAC §11.9(b)(2)(A) that specifies that the HUB is required to have an ownership interest in the General Partner. The Applicant is seeking to add a Special Limited Partner, Avanti Legacy Parkview I, LLC, and move the HUB, Crimson Bulldog Development, Inc., from the ownership structure of Avanti Legacy Parkview GP, LLC, the General Partner, to the newly formed Special Limited Partner, which will be 85% owned and managed by Crimson Bulldog Development, Inc. Killeen Public Facility Corporation (PFC) will be added as the sole member of the General Partner. The requested changes to the ownership structure, along with a ground lease structure, will improve the financial feasibility of the Development by providing an ad valorem tax exemption. The Applicant explained that these changes are necessary due to decreased equity pricing and increased construction costs, interest rates, and operating expenses, particularly property insurance.

However, this change to the ownership structure would result in the HUB no longer meeting

the requirements for the two Sponsor Characteristics points awarded at Application because it will no longer be in the ownership structure of the General Partner. Therefore, the Applicant requests to waive this specific requirement and to allow the Development to continue to qualify for the two Sponsor Characteristics points with the HUB in the ownership structure of the Special Limited Partner. The HUB would continue to be required to meet all other requirements in 10 TAC §11.9(b)(2)(A), including the requirement to materially participate in the development and operation of the Development throughout the Compliance Period. This revised ownership requirement would be codified in the LURA for the Development.

The City of Killeen held a public meeting on March 5, 2024, confirming its continued support for the Development. A Memorandum of Understanding, effective as of March 19, 2024, between the Killeen PFC and the Applicant was signed for the agreement for the PFC to join the general partnership and provide the Development with a property tax exemption.

The Applicant states that the need for this waiver was not foreseeable at Application and that the granting of the waiver better serves the policies and purposes Tex. Gov't Code §§2306.001, 2306.002, 2306.359, and 2306.6701 by improving the feasibility of the Development, and the HUB will continue to materially participate in the Development as initially proposed. The Applicant indicates that the Special Limited Partner will be the functional equivalent of a general partner. Therefore, this proposed structure results in no change to the Development and is merely a change in title, not the HUB member's participation. Therefore, the Development will continue to comply with the intent, purpose and material provisions of the elected Sponsor Characteristics.

The Development was re-underwritten with the proposed amendment and revised financial information. The analysis supports no change to the HTC allocation and demonstrates the Development remains feasible, conditioned on the ad valorem tax exemption, without which the Development will be infeasible. Staff also confirmed that the revised design plans and parking will continue to meet accessibility requirements. Additionally, staff reviewed the original Application and scoring documentation against this amendment request and has concluded that none of the changes would have affected the scoring or selection of the Application in the competitive round, conditioned on Board approval of the waiver of 10 TAC §11.9(b)(2)(A). Had the two points for HUB participation been lost, the Application would not have been selected in the competitive round.

Staff recommends approval of the Application amendment, changes to the ownership structure and the waiver of 10 TAC §11.9(b)(2)(A) as presented herein.

**Material Alterations as defined in Tex. Gov't Code §2306.6712(d)(2), (4), and (5)
and 10 TAC §10.405(a)(4)(B), (D), and (E)**

Application

Amendment

Acres: 5.286

Residential Density: 20.43 units/acre

Unit Mix:

1BR/1BA – 48 units

2BR/2BA – 60 units

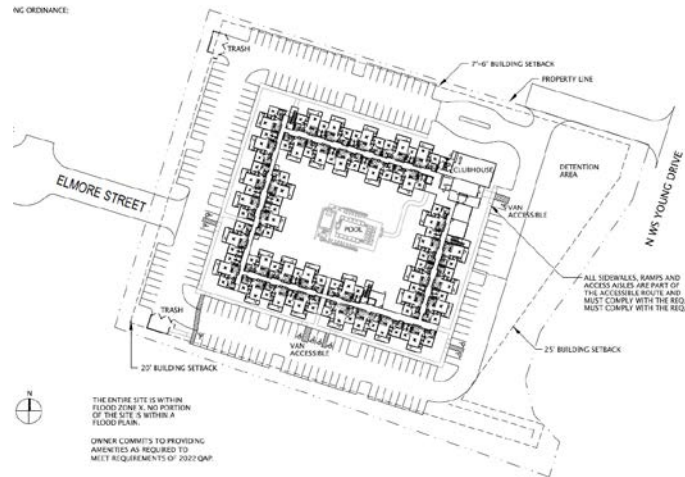
Total : 108 units

Net Rentable Area: 88,467 s.f.

Common Area: 21,944 s.f.

Parking Spaces: 180 surface parking spaces

Residential Buildings / Floors: One / Three



Site Plan

Acres: 5.433

Residential Density: 19.88 units/acre (2.71% reduction)

Unit Mix:

1BR/1BA – 64 units, an increase of 16 units

2BR/2BA – 44 units, a decrease of 16 units

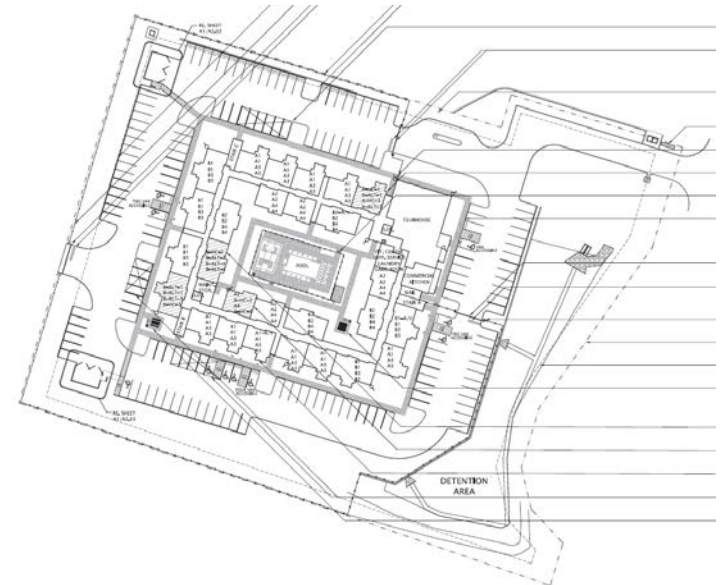
Total: 108 units – no change

Net Rentable Area: 83,372 s.f. (a 5.76% or 5,095 s.f. reduction)

Common Area, Exclusive of Commercial Kitchen Space: 30,423 s.f. (38.64% or 8,479 s.f. increase)

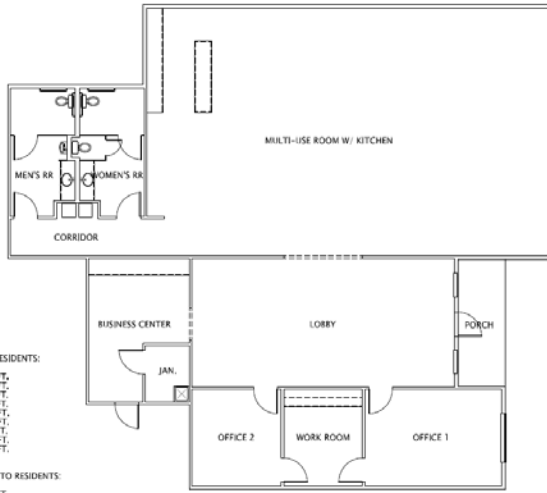
Parking Spaces: 153 surface parking spaces + 15 carports, for 168 total

Residential Buildings / Floors: One / Four



Site Plan

**Material Alterations as defined in Tex. Gov't Code §2306.6712(d)(2), (4), and (5)
and 10 TAC §10.405(a)(4)(B), (D), and (E)**



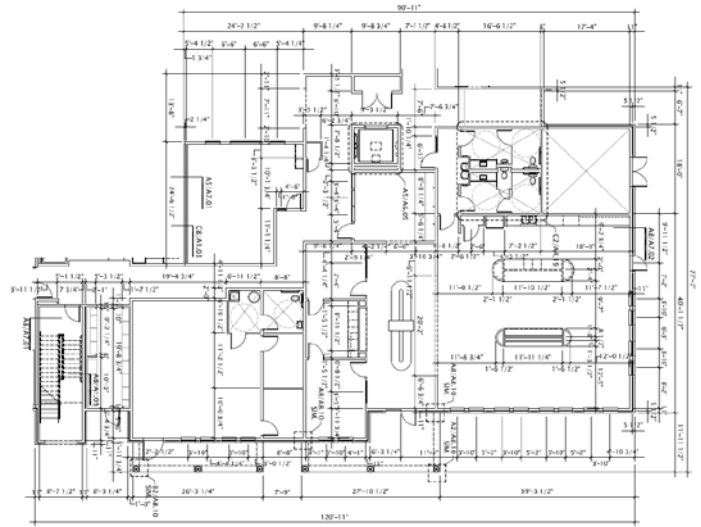
AREAS AVAILABLE TO RESIDENTS:

PORCH: 84 SQ. FT.
 LOBBY: 540 SQ. FT.
 OFFICE 1: 232 SQ. FT.
 OFFICE 2: 112 SQ. FT.
 BUS. CTR: 196 SQ. FT.
 MULTI-USE: 1,657 SQ. FT.
 CORRIDOR: 95 SQ. FT.
 WOMEN'S RR: 135 SQ. FT.
 MEN'S RR: 144 SQ. FT.

AREAS NOT AVAILABLE TO RESIDENTS:

JANITORIAL: 45 SQ. FT.
 WORK ROOM: 128 SQ. FT.

Original Clubhouse Floor Plan at Application



Amended Clubhouse With Commercial Kitchen Space



Addendum to Underwriting Report

TDHCA Application #: **23803_22038** Program(s): **9% HTC**

Avanti Legacy Parkview

Address/Location: SWC of N. WS Young Dr. and Atkinson Ave

City: Killeen County: Bell Zip: 76541

APPLICATION HISTORY	
Report Date	PURPOSE
04/11/24	9% HTC Amendment
08/05/22	Original Underwriting Report

ALLOCATION

TDHCA Program	Previous Allocation				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
LIHTC (9% Credit)	\$2,000,000				\$2,000,000				

CONDITIONS STATUS

- Receipt and acceptance by Cost Certification:
 - a: Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.
 - b: Attorney opinion validating federally sourced funds can be considered bona fide debt with a reasonable expectation that it will be repaid in full and further stating that the funds should not be deducted from eligible basis.

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

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	20
50% of AMI	50% of AMI	20
60% of AMI	60% of AMI	60

ANALYSIS

22038 Avanti Legacy Parkview received a \$2,000,000 LIHTC award from TDHCA in August 2022. The applicant has submitted a material amendment request related to a change in unit mix, ownership structure, rising interest rates, decrease in equity pricing, and an increase in construction costs.

The amendment includes increasing the site acreage from 5.286 to 5.433 acres (increase of 0.147 acres). The survey lists the total at 5.433 acres. The LURA is going to encumber the 5.433 acres and there are no land dedications. The density decreased from 20.4 units/acre to 19.9 units/acre.

The applicant changed 16 two-bedroom units into one-bedroom units, without a change to the 108 total number of units.

The Total Net Rentable Area per Sq. Ft. decreased from 88,467 Sq. Ft. to 83,372 Sq. Ft. (decrease of 5,095 Sq. Ft.). Total Common Area Sq. Ft. increased from 21,944 Sq. Ft. to 30,423 (increase of 8,479 Sq. Ft.). The building increased from three stories to four.

The applicant included a City of Killeen HOME Program Loan to add eight (8) HOME-Assisted units in the Project:

four units must be 30% AMFI or less;
three units must be 50% AMFI or less;
one units should be 60% AMFI or less.

The loan is 0% interest / 45 year term deferred payable.

Total parking has decreased from 180 spaces (original underwriting) to 168 spaces (decrease of 12). The required parking is 150 spaces with zoning Planned Unit Development (PUD) with "R-3A" (Multifamily Apartment Residential District). The development is still meeting the parking requirement and will add 15 carport spaces at a fee to the tenants.

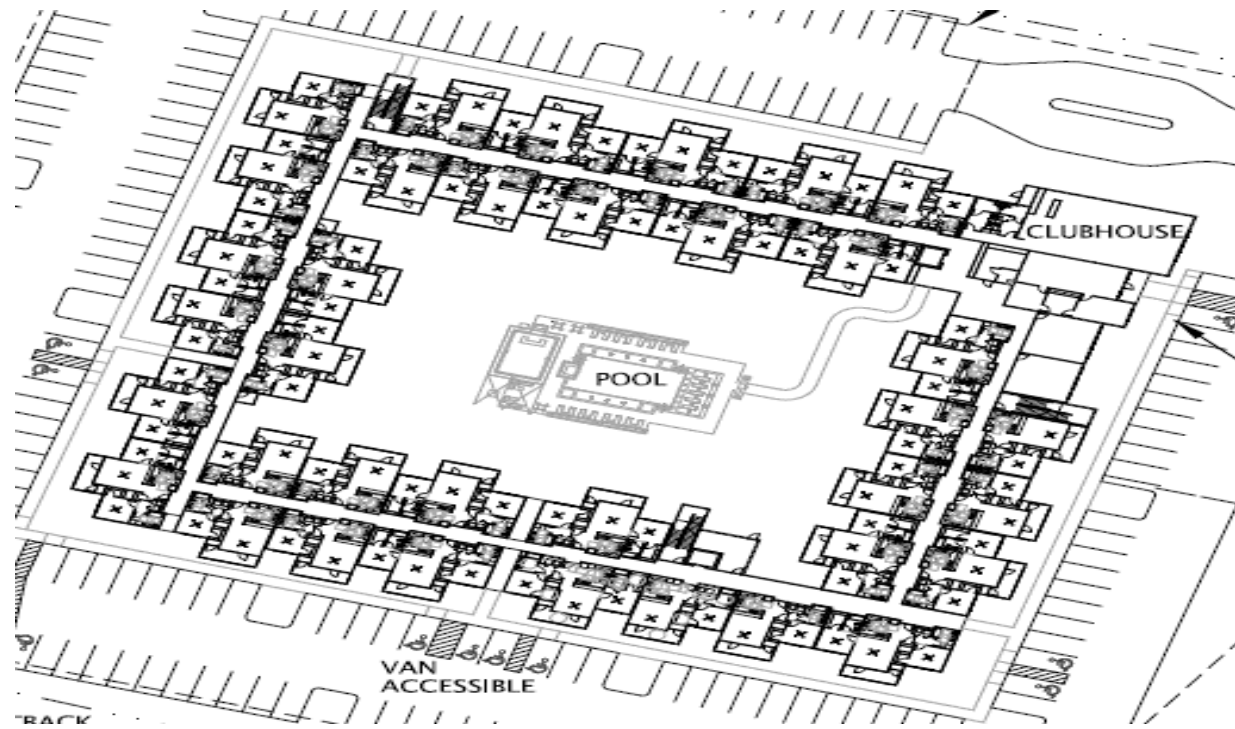
As part of the ownership change, the applicant added the Killeen Public Facility Corp as the managing member of the GP to achieve the 100% tax exemption.

The applicant has committed to providing a commercial kitchen space to Hill Country Community Action Agency (HCCAA) within the Avanti Legacy Parkview development. The Developer will provide the kitchen space and HCCAA will equip it with commercial grade kitchen equipment, pay their own utilities, and maintenance upkeep. The cost to build the commercial kitchen has been excluded from eligible basis.

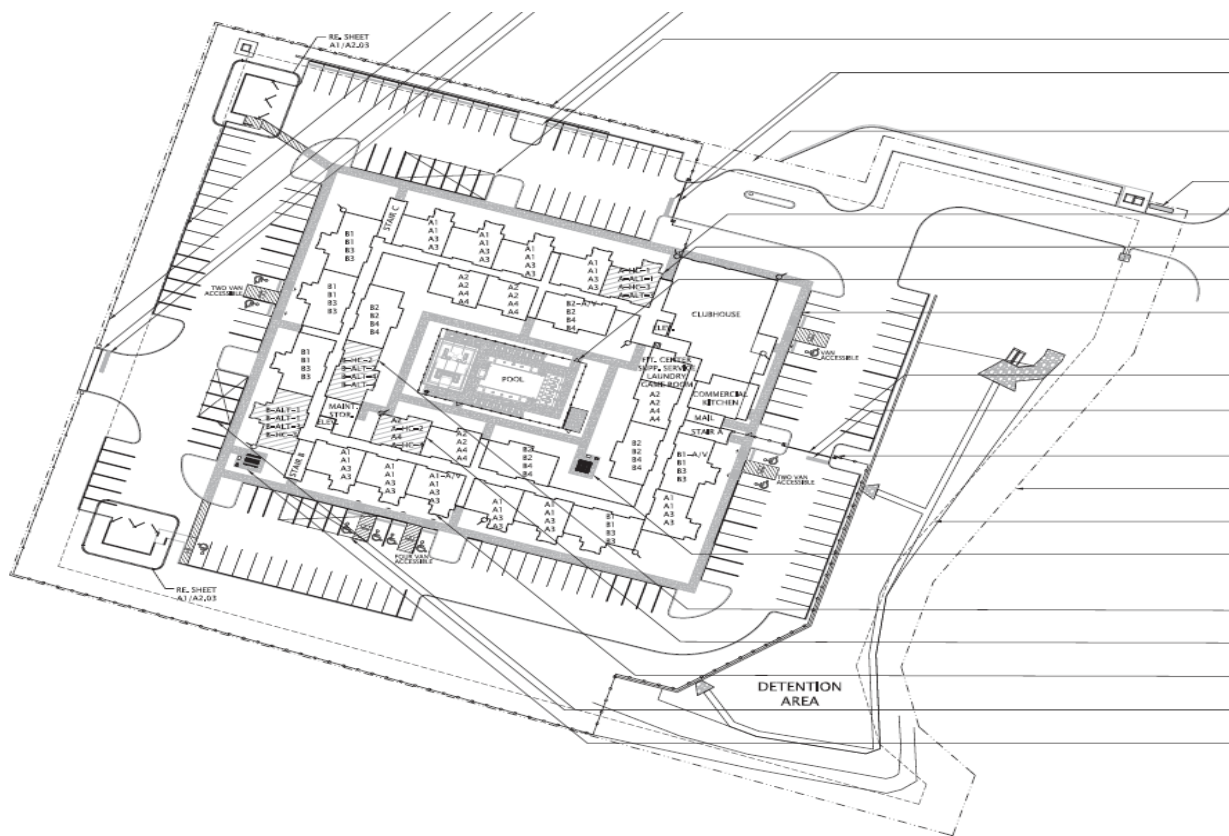
The commercial kitchen space will be 1,052 Sq. Ft. and it will be leased to HCCAA for the preparation of home delivered meals that are provided to City of Killeen community members. The tenants won't have direct access to the space, but can volunteer through the HCCAA. As a member of the community, tenants are able to apply for HCCAA's services, and if they qualify, receive meals free of charge. The qualifications are the same as the Meals on Wheels service.

The lease with HCCAA for the commercial kitchen is contemplated that it would be a 45-year term, triple net lease, with a nominal annual lease payment of \$1.00 per year.

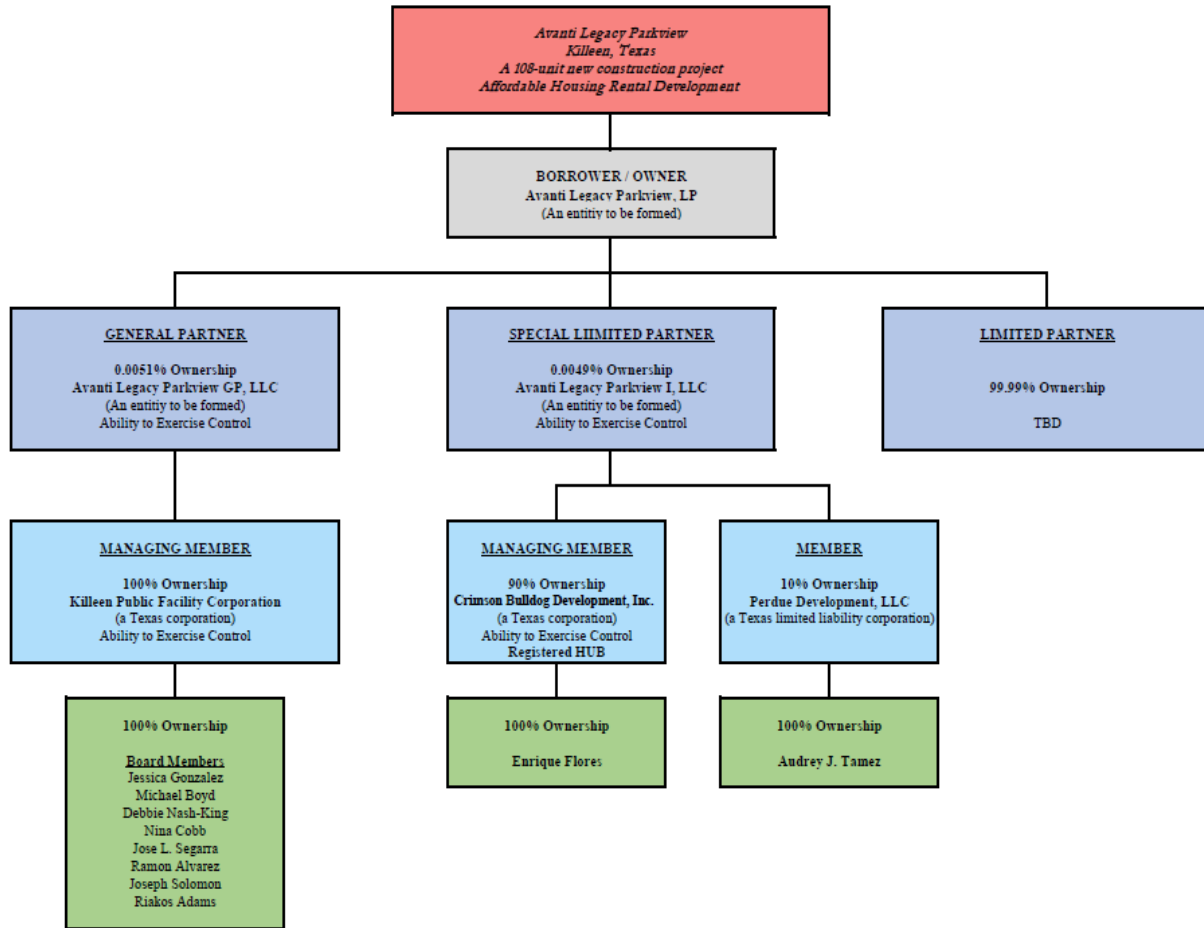
Old Site Plan



New Site Plan



New Ownership Structure



Operating Pro Forma

The total number of one bedroom units increased by 16 units from 48 units (original underwriting) to 64 units. The total number of two bedroom units decreased by 16 units from 60 units (original underwriting) to 44 units.

The applicant included a City of Killeen HOME Program Loan and now there will be eight (8) HOME-Assisted units in the Project.

The Utility Allowances for the one bedroom units increased by \$16 and the two bedroom units increased by \$21 from previous underwriting.

Underwriter is utilizing 2023 program rents. The 8 market rate units are limited to gross 80% AMI rents per the QAP.

Effective Gross Income increased by \$132,168, Total Expenses decreased by \$21,902 and as a result, Net Operating Income (NOI) increased by \$154,070. Expense per unit decreased from \$4,518 to \$4,316.

A 99-year ground lease is contemplated with Killeen Public Facility Corporation (PFC). In addition to the up-front rental payment (\$1,660,000), which PFC or its affiliate will use to pay the costs to purchase the Land, the Ground Lease will provide for nominal \$100 annual rent.

The contemplated ownership structure is expected to generate an ad valorem tax exemption for the Project. Feasibility is dependent on the tax exemption.

Development Cost

The applicant's Building Costs have increased by \$1,039,904 and Total Housing Development Costs have increased by \$1,385,811.

Off-Site costs decreased by \$9,225. The applicant provided an email from CPA Bakertilly indicating that the costs associated with Elmore Street improvements that will be owned by the municipality are still appropriately includible in eligible basis as allocable infrastructure costs.

Developer fee increased by \$180K from previous underwriting.

Total Acquisition Cost increased by \$60,600 due to an additional \$60K in consideration for the additional land incorporated into the Property. Applicant provided Amendment to Purchase Agreement.

There is \$157K of commercial kitchen space included in the total building costs but not included in eligible basis.

Eligible Contingency is overstated by \$14,351.

Eligible Contractor's Fee is overstated by \$2,009.

Eligible Developer Fee is overstated by \$1,840.

Sources of Funds

The construction loan lender changed from Regions Bank FHA 221(d)(4) to Churchill Mortgage Construction, LLC. Construction loan increased from \$5,640,000 to \$17,522,000 and the interest increased from 3.50% to 7.15%. A separate conventional Loan from Regions Bank was removed.

The permanent lender changed from Regions Bank FHA 221(d)(4) to Churchill Mortgage Construction, LLC - Conventional Loan. The permanent loan amount increased by \$104K. The interest rate increased from 3.5% to 6.65%.

The Equity Investor changed from Regions Affordable Housing, LLC to RBC Community Investments, LLC. The capital contribution decreased by \$1,399,860 and the credit price decreased from \$0.88 to \$0.81.

The Deferred Developer Fee increased by \$971,974 and pays off in 15 years.

\$1,709,704 from the City of Killeen (HOME Program Funding - Deferred Payable) was added to the funding sources at 0% interest rate, non-amortizing, and a 45 year term. This loan is 100% federal funds.

Underwriter recommends an annual tax credit allocation of \$2,000,000 as previously awarded.

Underwriter:	<u>Mario Castellanos</u>
Manager of Real Estate Analysis:	<u>Robert Castillo</u>
Director of Real Estate Analysis:	<u>Jeanna Adams</u>

UNIT MIX/RENT SCHEDULE
Avanti Legacy Parkview, Killeen, 9% HTC #23803_22038

LOCATION DATA	
CITY:	Killeen
COUNTY:	Bell
Area Median Income	\$76,000
PROGRAM REGION:	8
PROGRAM RENT YEAR:	2023

UNIT DISTRIBUTION				
# Beds	# Units	% Total	Assisted	MDL
Eff	-	0.0%	0	0
1	64	59.3%	0	0
2	44	40.7%	0	0
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
TOTAL	108	100.0%	-	-

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	92.38%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	772 sf

52%	Income	20%	30%	40%	50%	60%	70%	80%	EO / MR	TOTAL
Average	# Units	-	20	-	20	60	-	-	8	108
Income	% Total	0.0%	18.5%	0.0%	18.5%	55.6%	0.0%	0.0%	7.4%	100.0%

UNIT MIX / MONTHLY RENT SCHEDULE																					
HTC		Killeen HOME Units		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	Mrkt Analyst	
TC 30%	\$427	0		10	1	1	669	\$427	\$66	\$361	\$0	\$0.54	\$361	\$3,610	\$3,610	\$361	\$1	\$0	\$1,140	\$1.70	\$1,328
TC 30%	\$427	LH/30%	\$428	2	1	1	669	\$427	\$66	\$361	\$0	\$0.54	\$361	\$722	\$722	\$361	\$1	\$0	\$1,140	\$1.70	\$1,328
TC 50%	\$712	0		12	1	1	669	\$712	\$66	\$646	\$0	\$0.97	\$646	\$7,752	\$7,752	\$646	\$1	\$0	\$1,140	\$1.70	\$1,328
TC 50%	\$712	LH/50%	\$712	1	1	1	674	\$712	\$66	\$646	\$0	\$0.96	\$646	\$646	\$646	\$646	\$1	\$0	\$1,140	\$1.69	\$1,337
TC 60%	\$855	0		31	1	1	669	\$855	\$66	\$789	\$0	\$1.18	\$789	\$24,459	\$24,459	\$789	\$1	\$0	\$1,140	\$1.70	\$1,328
TC 60%	\$855	0		3	1	1	674	\$855	\$66	\$789	\$0	\$1.17	\$789	\$2,367	\$2,367	\$789	\$1	\$0	\$1,140	\$1.69	\$1,337
TC 60%	\$855	HH/60%	\$754	1	1	1	669	\$754	\$66	\$688	\$0	\$1.03	\$688	\$688	\$688	\$688	\$1	\$0	\$1,140	\$1.70	\$1,328
MR		0		4	1	1	669	\$0	\$66		NA	\$1.70	\$1,140	\$4,560	\$4,560	\$1,140	\$2	NA	\$1,140	\$1.70	\$1,328
TC 30%	\$513	0		6	2	2	920	\$513	\$87	\$426	\$0	\$0.46	\$426	\$2,556	\$2,556	\$426	\$0	\$0	\$1,368	\$1.49	\$1,536
TC 30%	\$513	LH/30%	\$513	2	2	2	920	\$513	\$87	\$426	\$0	\$0.46	\$426	\$852	\$852	\$426	\$0	\$0	\$1,368	\$1.49	\$1,536
TC 50%	\$855	0		5	2	2	920	\$855	\$87	\$768	\$0	\$0.83	\$768	\$3,840	\$3,840	\$768	\$1	\$0	\$1,368	\$1.49	\$1,536
TC 50%	\$855	LH/50%	\$855	2	2	2	920	\$855	\$87	\$768	\$0	\$0.83	\$768	\$1,536	\$1,536	\$768	\$1	\$0	\$1,368	\$1.49	\$1,536
TC 60%	\$1,026	0		20	2	2	921	\$1,026	\$87	\$939	\$0	\$1.02	\$939	\$18,780	\$18,780	\$939	\$1	\$0	\$1,368	\$1.49	\$1,536
TC 60%	\$1,026	0		3	2	2	921	\$1,026	\$87	\$939	\$0	\$1.02	\$939	\$2,817	\$2,817	\$939	\$1	\$0	\$1,368	\$1.49	\$1,536
TC 60%	\$1,026	0		1	2	2	937	\$1,026	\$87	\$939	\$0	\$1.00	\$939	\$939	\$939	\$939	\$1	\$0	\$1,368	\$1.46	\$1,570
TC 60%	\$1,026	0		1	2	2	936	\$1,026	\$87	\$939	\$0	\$1.00	\$939	\$939	\$939	\$939	\$1	\$0	\$1,368	\$1.46	\$1,570
MR		0		4	2	2	920	\$0	\$87		NA	\$1.49	\$1,368	\$5,472	\$5,472	\$1,368	\$1	NA	\$1,368	\$1.49	\$1,536
TOTALS/AVERAGES:				108			83,372				\$0	\$0.99	\$764	\$82,535	\$82,535	\$764	\$0.99	\$0	\$1,233	\$1.60	\$1,414

ANNUAL POTENTIAL GROSS RENT:	\$990,420	\$990,420
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STABILIZED PRO FORMA

Avanti Legacy Parkview, Killeen, 9% HTC #23803_22038

	STABILIZED FIRST YEAR PRO FORMA														
	COMPARABLES			APPLICANT				PRIOR REPORT		TDHCA				VARIANCE	
	Database	Bell County Comps		% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI	%	\$
POTENTIAL GROSS RENT				\$0.99	\$764	\$990,420	\$847,536	\$847,536	\$990,420	\$764	\$0.99		0.0%	\$0	
App Fees, Deposit Forfeitures, Storage					\$30.00	\$38,880	38,880								
Cable, Laundry, Vending, & Pet Fees.					\$0.00	\$0	0								
Total Secondary Income					\$30.00			38,880	\$38,880	\$30.00			0.0%	\$0	
POTENTIAL GROSS INCOME						\$1,029,300	\$886,416	\$886,416	\$1,029,300				0.0%	\$0	
Vacancy & Collection Loss					7.5% PGI	(77,198)	(66,481)	(66,481)	(77,198)	7.5% PGI			0.0%	-	
EFFECTIVE GROSS INCOME						\$952,103	\$819,935	\$819,935	\$952,103				0.0%	\$0	

General & Administrative	\$39,770	\$368/Unit	\$40,057	\$371	4.43%	\$0.51	\$391	\$42,200	\$35,750	\$40,881	\$39,770	\$368	\$0.48	4.18%	6.1%	2,430
Management	\$40,224	4.9% EGI	\$39,814	\$369	5.01%	\$0.57	\$441	\$47,661	\$40,997	\$40,997	\$47,605	\$441	\$0.57	5.00%	0.1%	56
Payroll & Payroll Tax	\$122,877	\$1,138/Unit	\$133,068	\$1,232	11.48%	\$1.31	\$1,012	\$109,273	\$108,568	\$108,568	\$109,273	\$1,012	\$1.31	11.48%	0.0%	-
Repairs & Maintenance	\$78,072	\$723/Unit	\$81,848	\$758	7.89%	\$0.90	\$695	\$75,096	\$57,268	\$70,200	\$70,200	\$650	\$0.84	7.37%	7.0%	4,896
Electric/Gas	\$19,066	\$177/Unit	\$22,439	\$208	2.27%	\$0.26	\$200	\$21,600	\$23,976	\$19,080	\$22,439	\$208	\$0.27	2.36%	-3.7%	(839)
Water, Sewer, & Trash	\$71,234	\$660/Unit	\$55,658	\$515	5.10%	\$0.58	\$450	\$48,588	\$47,192	\$49,261	\$55,658	\$515	\$0.67	5.85%	-12.7%	(7,070)
Property Insurance	\$49,714	\$0.60 /sf	\$75,160	\$696	7.94%	\$0.91	\$700	\$75,600	\$43,200	\$43,200	\$75,600	\$700	\$0.91	7.94%	0.0%	-
Property Tax (@ 0%) 2.2806	\$72,052	\$667/Unit	\$92,586	\$857	0.00%	\$0.00	\$0	\$0	\$84,969	\$74,594	\$0	\$0	\$0.00	0.00%	0.0%	-
Reserve for Replacements					2.84%	\$0.32	\$250	\$27,000	\$27,000	\$27,000	\$27,000	\$250	\$0.32	2.84%	0.0%	-
Supportive Services					1.58%	\$0.18	\$140	\$15,072	\$15,072	\$15,072	\$15,072	\$140	\$0.18	1.58%	0.0%	-
TDHCA Compliance fees (\$40/HTC unit)					0.42%	\$0.05	\$37	\$4,000	\$4,000	\$4,000	\$4,000	\$37	\$0.05	0.42%	0.0%	-
TOTAL EXPENSES					48.95%	\$5.59	\$4,316	\$466,090	\$487,992	\$492,853	\$466,617	\$4,321	\$5.60	49.01%	-0.1%	\$ (527)
NET OPERATING INCOME ("NOI")					51.05%	\$5.83	\$4,500	\$486,013	\$331,943	\$327,081	\$485,486	\$4,495	\$5.82	50.99%	0.1%	\$ 527

CONTROLLABLE EXPENSES		\$2,748/Unit										\$2,753/Unit				
------------------------------	--	--------------	--	--	--	--	--	--	--	--	--	--------------	--	--	--	--

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Avanti Legacy Parkview, Killeen, 9% HTC #23803 22038

DEBT / GRANT SOURCES																			
APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE									AS UNDERWRITTEN DEBT/GRANT STRUCTURE										
DEBT (Must Pay)	Fee	Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Prior Underwriting		Principal	Term	Amort	Rate	Pmt	Cumulative			
		UW	App						Applicant	TDHCA						DCR	LTC		
Churchill Mortgage Construction, LLC - Conventional Loan	0.00%	1.15	1.15	423,556	6.65%	35	18	\$5,744,000	\$5,640,000	\$5,640,000	\$5,744,000	18	35	6.65%	\$423,556	1.15	22.9%		
CASH FLOW DEBT / GRANTS																			
City of Killeen - In-kind Contribution		1.15	1.15		0.00%	0	0	\$500	\$500	\$500	\$500	0	0	0.00%		1.15	0.0%		
City of Killeen - HOME Program Funding - Deferred Payable		1.15	1.15		0.00%	0	45	\$1,709,704			\$1,709,704	45	0	0.00%		1.15	6.8%		
				\$423,556	TOTAL DEBT / GRANT SOURCES				\$7,454,204	\$5,640,500	\$5,640,500	\$7,454,204	TOTAL DEBT SERVICE				\$423,556	1.15	29.7%
NET CASH FLOW		\$61,930	\$62,457					APPLICANT NET OPERATING INCOME				\$486,013	\$62,457	NET CASH FLOW					

EQUITY SOURCES															
APPLICANT'S PROPOSED EQUITY STRUCTURE						AS UNDERWRITTEN EQUITY STRUCTURE									
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Prior Underwriting		Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method		
						Applicant	TDHCA								
RBC Community Investments, LLC	LIHTC Equity	64.5%	\$2,000,000	\$0.81	\$16,198,380	\$17,598,240	\$17,598,240	\$16,198,380	\$0.81	\$2,000,000	64.5%	\$18,519	Previous Allocation		
Avanti Legacy Parkview Development, LLC	Deferred Developer Fees	5.8%	(50% Deferred)		\$1,452,184	\$480,210	\$478,293	\$1,452,177	(50% Deferred)		5.8%	Total Developer Fee:	\$2,884,000		
Additional (Excess) Funds Req'd		0.0%				\$0	\$0	\$0			0.0%				
TOTAL EQUITY SOURCES		70.3%			\$17,650,564	\$18,078,450	\$18,076,533	\$17,650,557			70.3%				
TOTAL CAPITALIZATION					\$25,104,768	\$23,718,950	\$23,717,033	\$25,104,761						15-Yr Cash Flow after Deferred Fee:	\$53,048

DEVELOPMENT COST / ITEMIZED BASIS															
APPLICANT COST / BASIS ITEMS					Prior Underwriting				TDHCA COST / BASIS ITEMS				COST VARIANCE		
	Eligible Basis		Total Costs		Prior Underwriting		Total Costs		Eligible Basis			%	\$		
	Acquisition	New Const. Rehab			Applicant	TDHCA			New Const. Rehab	Acquisition					
Land Acquisition			\$15,370 / Unit	\$1,660,000	\$1,600,000	\$1,600,000	\$1,660,000	\$15,370 / Unit				0.0%	\$0		
Closing costs & acq. legal fees				\$16,600	\$16,000	\$16,000	\$16,600					0.0%	\$0		
Off-Sites		\$205,000	\$1,898 / Unit	\$205,000	\$214,225	\$214,225	\$205,000	\$1,898 / Unit	\$205,000			0.0%	\$0		
Site Work		\$1,745,937	\$16,166 / Unit	\$1,745,937	\$1,735,572	\$1,735,572	\$1,745,942	\$16,166 / Unit	\$1,745,937			0.0%	(\$5)		
Site Amenities		\$840,974	\$7,919 / Unit	\$855,281	\$850,203	\$850,203	\$855,281	\$7,919 / Unit	\$840,974			0.0%	\$0		
Building Cost		\$10,144,724	\$123.89 /sf	\$95,638/Unit	\$10,328,939	\$9,289,035	\$10,011,644	\$10,328,939	\$95,638/Unit	\$123.89 /sf	\$10,144,724		0.0%	\$0	
Contingency		\$905,565	7.00%	7.00%	\$919,461	\$846,232	\$846,232	\$919,461	7.00%	7.00%	\$905,564		0.0%	\$0	
Contractor Fees		\$1,937,908	14.00%	14.00%	\$1,967,646	\$1,810,937	\$1,810,937	\$1,967,646	14.00%	14.00%	\$1,937,908		0.0%	\$0	
Soft Costs	\$0	\$1,480,599		\$15,140 / Unit	\$1,635,088	\$2,013,756	\$2,013,756	\$1,635,088	\$15,140 / Unit		\$1,480,599	\$0	0.0%	\$0	
Financing	\$0	\$1,756,722		\$22,611 / Unit	\$2,442,014	\$2,638,990	\$2,638,990	\$2,442,014	\$22,611 / Unit		\$1,756,720	\$0	0.0%	\$0	
Developer Fee	\$0	\$2,852,000	15.00%	15.00%	\$2,884,000	\$2,704,000	\$2,702,083	\$2,884,000	15.00%	14.99%	\$2,850,160	\$0	0.0%	\$0	
Reserves			6 Months	\$444,795	\$0	\$0	\$444,795	6 Months				0.0%	\$0		
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)				\$0	\$21,869,429	\$232,451 / Unit	\$25,104,761	\$23,718,950	\$24,439,641	\$25,104,766	\$232,452 / Unit	\$21,867,586	\$0	0.0%	(\$5)
Acquisition Cost	\$0				\$0	\$0									
Contingency		(\$14,351)			\$0	\$0									
Contractor's Fee		(\$2,009)			\$0	\$0									
Financing Cost		(\$2)													
Developer Fee	\$0	(\$1,840)	15.00%		\$0	(\$1,917)									
Reserves					\$0	\$0									
ADJUSTED BASIS / COST				\$0	\$21,851,227	\$232,451/unit	\$25,104,761	\$23,717,033	\$24,439,641	\$25,104,766	\$232,452/unit	\$21,867,586	\$0	0.0%	(\$5)
TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):								\$25,104,761							

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Avanti Legacy Parkview, Killeen, 9% HTC #23803_22038

CREDIT CALCULATION ON QUALIFIED BASIS				
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction
ADJUSTED BASIS	\$0	\$21,851,227	\$0	\$21,867,586
Deduction of Federal Grants	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$21,851,227	\$0	\$21,867,586
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$28,406,596	\$0	\$28,427,862
Applicable Fraction	92.38%	92.38%	92%	92%
TOTAL QUALIFIED BASIS	\$0	\$26,240,973	\$0	\$26,260,618
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
ANNUAL CREDIT ON BASIS	\$0	\$2,361,688	\$0	\$2,363,456
CREDITS ON QUALIFIED BASIS	\$2,361,688		\$2,363,456	

Method	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION		
	Annual Credits	Proceeds	Credit Price \$0.8099	Variance to Request	
			Credit Allocation	Credits	Proceeds
Eligible Basis	\$2,361,688	\$19,127,756	----	----	----
Needed to Fill Gap	\$2,179,299	\$17,650,557	----	----	----
Previous Allocation	\$2,000,000	\$16,198,380	\$2,000,000	\$0	\$0

Long-Term Pro Forma

Avanti Legacy Parkview, Killeen, 9% HTC #23803_22038

	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%	\$952,103	\$971,145	\$990,567	\$1,010,379	\$1,030,586	\$1,137,851	\$1,256,279	\$1,387,034	\$1,531,397	\$1,690,786	\$1,866,765
TOTAL EXPENSES	3.00%	\$466,090	\$479,596	\$493,498	\$507,807	\$522,535	\$602,914	\$695,799	\$803,151	\$927,240	\$1,070,694	\$1,236,556
NET OPERATING INCOME ("NOI")		\$486,013	\$491,548	\$497,070	\$502,572	\$508,051	\$534,936	\$560,480	\$583,883	\$604,157	\$620,092	\$630,208
EXPENSE/INCOME RATIO		49.0%	49.4%	49.8%	50.3%	50.7%	53.0%	55.4%	57.9%	60.5%	63.3%	66.2%
MUST -PAY DEBT SERVICE												
Churchill Mortgage Construction, LLC - Conventional Loan		\$423,556	\$423,556	\$423,556	\$423,556	\$423,556	\$423,556	\$423,556	\$423,556	\$423,556	\$423,556	\$423,556
TOTAL DEBT SERVICE		\$423,556	\$423,556	\$423,556	\$423,556	\$423,556	\$423,556	\$423,556	\$423,556	\$423,556	\$423,556	\$423,556
DEBT COVERAGE RATIO		1.15	1.16	1.17	1.19	1.20	1.26	1.32	1.38	1.43	1.46	1.49
ANNUAL CASH FLOW		\$62,457	\$67,993	\$73,514	\$79,016	\$84,495	\$111,381	\$136,924	\$160,327	\$180,602	\$196,537	\$206,653
Deferred Developer Fee Balance		\$1,389,720	\$1,321,727	\$1,248,213	\$1,169,197	\$1,084,702	\$581,171	\$0	\$0	\$0	\$0	\$0
CUMULATIVE NET CASH FLOW		\$0	\$0	\$0	\$0	\$0	\$0	\$53,048	\$808,916	\$1,672,851	\$2,625,675	\$3,641,368

AVANTI LEGACY PARKVIEW, LP

March 19, 2024

Rosalio Banuelos
Multifamily Asset Division
Texas Department of Housing and Community Affairs
221 E. 11th Street
Austin, TX 78701

RE: Avanti Legacy Parkview (TDHCA #22038/23803) – Request for Material Amendment

Dear Mr. Banuelos,

In accordance with Section 10.405 of the Post Award and Asset Management Requirements, please accept this letter as our formal request for a material amendment to change the unit mix of the Avanti Legacy Parkview development (“Development”).

Avanti Legacy Parkview, LP (“Owner”), received a \$2MM 9% housing tax credit allocation in 2022 for Avanti Legacy Parkview, a proposed 108-unit development in Killeen, Texas. Below are the unit distributions for the 108-unit development as originally awarded and shown on the original application as well as the proposed unit distributions.

Original Submission:

	0			0
	1			48
	2			60
BEDROOMS	3			0
	4			0
	5			0

Proposed:

	0			0
	1			64
	2			44
BEDROOMS	3			0
	4			0
	5			0

The Economic Challenges

The Development Team has been diligently working to design and close Avanti Legacy Parkview while overcoming several economic hurdles. At application, underwriting assumed equity pricing of \$0.88, however, current pricing has fallen to \$0.81 for a total decrease in equity investment of \$1.39MM. Additionally, as originally designed, the development faced an increase in construction cost of \$3.38MM.

To compound the construction cost increase, interest rates have risen to 7.15%. Due to the current financial market conditions, banks are also requiring developers to carry additional interest reserves. That means interest rates have added \$700,000 to project budgets.

Avanti Legacy Parkview, LP
8500 Shoal Creek Blvd, Bldg. 4, Ste. 208, Austin, TX 78757
Phone – (512) 982-1342 | Fax – (512) 900-2860
contact@madhousedevelopment.net

Lastly, because interest rates and insurance costs have increased, the lower-than-expected amount of income received by the Development also reduces the debt capacity. Without a significant modification to the deal structure, the Development is no longer financially feasible.

Proposed Unit Mix Changes

To combat the unexpected and significant economic changes, the Development Team has worked to create solutions. Through rounds of value engineering, the design has been streamlined as much as possible. However, the industry conditions mentioned above pose too great a challenge, and design changes alone will not make the Development feasible.

To respond effectively to the challenge requires a bifurcated strategy. In addition to requesting a change to the ownership structure to reflect the admission of an affiliate of the City of Killeen as a member to the Applicant's general partner (under separate cover), we are respectfully requesting a material amendment to the Application to change 16 two-bedroom units into one-bedroom units, without a change to the total number of units provided by the development.

Furthermore, the overall design of the building changed from Application leading to a change in the unit sizes. Additionally, balconies were removed in 40 units and with the remaining 68 balconies being reduced in size. These changes do not require a material amendment, however, we are providing the required notification to staff with this letter. Below is a proposed Unit and Income Distribution table showing the changes. Exhibit A includes an updated site plan and floor plans.

HTC Units	MF DL HOME Units	MF DL NHTF Units	TDHCA MRB Units	Other/ Subsidy Units	# 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
					(A)			(B)	(A) x (B)			(E)	(A) x (E)
TC 30%					10	1	1.0	669	6,690	427	66	361	3,610
TC 50%					12	1	1.0	669	8,028	712	66	646	7,752
TC 60%					31	1	1.0	669	20,739	855	66	789	24,459
TC 60%					3	1	1.0	674	2,022	855	66	789	2,367
TC 50%	HH/60%				1	1	1.0	674	674	712	66	646	646
TC 30%	LH/50%				2	1	1.0	669	1,338	427	66	361	722
TC 60%	HH/60%				1	1	1.0	669	669	855	66	789	789
									0				-
TC 30%					6	2	2.0	920	5,520	513	87	426	2,556
TC 50%					5	2	2.0	920	4,600	855	87	768	3,840
TC 60%					20	2	2.0	921	18,420	1,026	87	939	18,780
TC 60%					3	2	2.0	921	2,763	1,026	87	939	2,817
TC 50%	HH/60%				2	2	2.0	920	1,840	855	87	768	1,536
TC 30%	LH/50%				2	2	2.0	920	1,840	513	87	426	852
TC 60%					1	2	2.0	937	937	1,026	87	939	939
TC 60%					1	2	2.0	936	936	1,026	87	939	939
									0				-
MR					4	1	1.0	669	2,676	1,140		1,140	4,560
MR					4	2	2.0	920	3,680	1,368		1,368	5,472
									0				-
					TOTAL	108			83,372				82,636

In order to address the significant additional costs incurred, the Development Team believes that the change to the unit mix and modification of unit floor plans is the best way to address the additional construction costs. These changes combined lowers total development costs by approximately \$800,000, a significant savings. The developer, Architect and Contractor have worked together to

implement additional value engineering reducing the development cost further. With this reduction in construction costs, the Applicant can balance its sources and uses, as shown in Exhibit B.

Commercial Kitchen

In alignment with our ongoing commitment to our community, we have identified a unique opportunity to augment the services provided by the Hill Country Community Action Agency (HCCAA). The HCCAA, funded by the Texas Department of Health & Human Services (HHSC), provides essential home-delivered meals to an eight-county area, inclusive of a substantial number of community members within the City of Killeen.

During the application cycle, it came to our attention that the HCCAA was seeking to upgrade its kitchen facilities from a residential capacity to a commercial one. This upgrade is aimed at enhancing their ability to meet the growing demand for meals within the City of Killeen. In response, we committed to providing a space within the Avanti Legacy Parkview development, at no cost to the HCCAA. The Developer will provide the kitchen space and HCCAA will equip it with commercial-grade kitchen equipment. This dedicated kitchen space has been seamlessly integrated into the updated design of the development.

While this commitment imposes an additional financial obligation on an already constrained budget, we firmly believe that this enhancement will significantly improve the HCCAA's capacity to serve the community and aligns with our mission to contribute positively to the communities in which we operate. Given that this constitutes a modification from the original design, we deemed it necessary to notify the department of this change.

Conclusion

In light of the prevailing economic conditions, it is important to underscore that the proposed changes to the unit mix and ownership structure were not foreseeable. The development landscape was significantly impacted by unexpected increases in interest rates and construction costs. These unforeseen challenges have necessitated the need for adaptive strategies to ensure the financial feasibility of the Development. As developers, we find ourselves reiterating these challenges, which have become a common theme in recent times. However, it is crucial to emphasize the unique circumstances of each development project and the tailored solutions required to address these challenges.

The unit mix change and the addition of an affiliate of the City of Killeen to the general partner is the solution needed to make this Development financially feasible. Even with the changes requested, the Developer expects a deferred developer fee greater than that proposed in the Application. Our goal is not to accrue additional fee or even to expect the same fee proposed in the 2022 Application. Our only goal is to create a lower total development cost that allows the Development Team to address lender and investor concerns and ensures that quality, affordable housing is provided to a community in need.

Ultimately, the requested change (1) does not negatively impact the design of the site, (2) improves the financial impact of the development, and (3) would not have adversely affected the selection of the Development in the 2022 award cycle.

After your review of this amendment request, should you have any questions or require additional information, please do not hesitate to contact us at your convenience.

Enclosed please find the revised application documents for staff's consideration:

Exhibit A – Architectural Plans

Exhibit B – Financial Exhibits

- a. Rent Schedule
- b. Annual Operating Expenses
- c. 15 Year Rental Housing Operating Pro Forma
- d. Development Cost Schedule
- e. Schedule of Sources of Funds

Exhibit C – Financing Letters

Exhibit D – Support Letter from State Representative

Sincerely,

A handwritten signature in blue ink that reads "Enrique Flores". The signature is written in a cursive, slightly slanted style.

Enrique Flores

Authorized Signatory of Avanti Legacy Parkview, LP

AVANTI LEGACY PARKVIEW, LP

March 20, 2024

Rosalio Banuelos
Multifamily Asset Division
Texas Department of Housing and Community Affairs
221 E. 11th Street
Austin, TX 78701

RE: Avanti Legacy Parkview (TDHCA #22038/23803) – Request for Ownership Transfer

Dear Mr. Banuelos,

In accordance with Section 10.406(e) of the Post Award and Asset Management Requirements, please accept this letter as our formal request for an ownership transfer to change the ownership structure to reflect the admission to Applicant of the Killeen Public Facility Corporation (the “Killeen PFC”) as a new member to its general partner.

The Economic Challenges

The Development Team has been diligently working to design and close Avanti Legacy Parkview while overcoming several economic hurdles. At application, underwriting assumed equity pricing of \$0.88, however, current pricing has fallen to \$0.81 for a total decrease in equity investment of \$1.39MM. Additionally, as originally designed, the development faced an increase in construction cost of \$3.38MM.

To compound the construction cost increase, interest rates have risen to 7.15%. Due to the current financial market conditions, banks are also requiring developers to carry additional interest reserves. That means interest rates have added \$700,000 to project budgets.

Lastly, because interest rates and insurance costs have increased, the lower-than-expected amount of income received by the Development also reduces the debt capacity. Without a significant modification to the deal structure, the Development is no longer financially feasible.

Ownership Transfer

To combat the unexpected and significant economic changes, the Development Team has worked to identify creative solutions. Through rounds of value engineering, the design has been streamlined as much as possible. However, the industry conditions mentioned above prove too great a challenge, and design changes alone will not restore financial feasibility to the Development.

In addition to requesting site plan amendment for the Development under separate cover, the Development needs additional solutions for these severe economic conditions. As a result, we are respectfully requesting a change to the ownership structure to reflect the admission of Killeen PFC as a new member owing 100% of the general partner, thereby providing property tax exemption to the Development. Property tax exemption combined with the changes to the site plan allows the Development to be financially feasible. With the additional net operating income earned by the Development, the Applicant is able to increase permanent loan debt to help cover the financing gap.

The City of Killeen has been extremely underserved in the tax credit arena and continues to strive to provide affordable housing to its community. The City of Killeen has the 4th lowest unit per capita out of the 5 most populous cities in this region. Despite being the most populous city in the region, the City of Killeen has 40% fewer units than the City of Waco, which is the second most populous city in this region. With such disparity, it's imperative we provide affordable housing units to this underserved community. To meet its housing demands, the Killeen PFC agreed to partner with the Applicant to ensure the viability of this Development.

To ensure transparency, the City of Killeen held a public meeting on March 5, 2023, confirming its continued support for the development and providing the community the opportunity to provide feedback. A second public meeting was held on March 19, 2023, where it approved and signed a Memorandum of Understanding between the Killeen PFC and the Applicant, demonstrating its agreement to join the general partnership and provide the development with a property tax exemption. The Memorandum of Understanding is included under Exhibit A.

Satisfaction of HUB Requirements through Special Limited Partner

Under the legal analysis for the 100% property tax exemption, the Killeen PFC must own 100% of the general partner. The current general partner will instead become a special limited partner, Avanti Legacy Parkview I, LLC ("Avanti LLC"), owning 0.0049% of the Limited Partnership. See organization charts for more details. Crimson Bulldog Development, Inc. (the "HUB") is the sole member of Avanti LLC and a historically underutilized business. Although the HUB will no longer be a part of the general partner, the HUB will continue to be an active and participatory partner in the deal. As outlined in the Memorandum of Understanding, property operation and management will be delegated to the HUB.

Section 11.9(b)(2) of the QAP requires that the HUB participate in the general partner entity, receive certain cash flow and developer fees, and materially participate in the development. The HUB's participation through the general partner will no longer be possible in light of the property tax exemption requirements described above. However, the HUB will nevertheless continue to materially participate in the development as initially proposed, except that this participation would now occur through Avanti LLC as the special limited partner. In such capacity, the HUB will still be: (1) regularly, continuously, and substantially involved in providing services integral to the Development Team; and (2) involved with the Development Services or in the provision of on-site tenant services during the Development's Affordability Period.

Furthermore, "General Partner" is defined in the QAP to include "the functional equivalent of a general partner." In this instance, it is anticipated that the Applicant's operating agreement will provide that Avanti LLC, as a special limited partner, will have the substantial management and control authority typically associated with a general partner. In this way, the HUB will continue to materially participate, and Avanti LLC will be the functional equivalent of a general partner.

We believe these changes in the ownership structure comply with the intent and purpose of the elected Sponsorship Characteristics for the reasons described above. Consequently, we request a waiver of the requirement for the HUB to participate through the general partner, allowing the Sponsor Characteristic requirements to be met through the special limited partner instead.

Conclusion

The unit mix change and the addition of an affiliate of the Killeen PFC to the general partner is the solution needed to make this Development financially feasible. Additionally, although the HUB is no longer a member of the general partner, the HUB will continue to act essentially as a general partner and materially participate in the development. The lower total development cost and increase in debt capacity allow the Development Team to address lender and investor concerns and ensure that quality, affordable housing is provided to a community in need.

After your review of this amendment request, should you have any questions or require additional information, please do not hesitate to contact us at your convenience.

Sincerely,

A handwritten signature in blue ink that reads "Enrique Flores". The signature is written in a cursive, slightly slanted style.

Enrique Flores
Authorized Signatory of Avanti Legacy Parkview, LP



March 19, 2024

Rosalio Banuelos
Director of Asset Management
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: #22038/23803 Avanti Legacy Parkview Amendment Request

Dear Mr. Banuelos,

We represent Churchill Stateside Group as the lender for Avanti Legacy Parkview in Killeen, Texas. We have reviewed the updated budget for the Development and concur that the Development is no longer feasible as originally proposed. In order to make the transition feasible, the Development needs both property tax exemption and a unit mix change converting 16 two-bedroom units into one-bedroom units..

The attached 15-year pro forma was prepared by the Applicant for Avanti Legacy Parkview located in Killeen, Texas. The pro forma is consistent with the unit rental rate assumptions, total operating expenses, net operating income, and debt service coverage based on Churchill Stateside Group's current underwriting parameters and consistent with the loan terms indicated in the term sheet and is preliminarily considered feasible, pending further diligence review. The debt service for each year maintains no less than a 1.15 debt coverage ratio. Additionally, we have performed a preliminary review of the credit worthiness of Avanti Legacy Parkview, LP, and its Principals. At this time, we have no reservations with the Development Owner or any of the Principals. We anticipate no additional guarantors or financial strength will be needed to facilitate a loan to this borrower, other than those requirements disclosed herein.

The Applicant has worked diligently with us so that the transaction is feasible and ready for a debt and equity closing, subject to the amendment request's approval. If approved at the May 9th Board Meeting, a closing could be scheduled within approximately 30 days. Should you have any questions, please feel free to contact me at your convenience.

Sincerely,

Blair Henderson
[Blair Henderson \(Mar 21, 2024 16:18 EDT\)](#)

Blair Henderson, CPA
Vice President



RBC Capital Markets®

Royal Bank of Canada
Community Investments
Cleveland, Ohio, 44102
Telephone: (216) 875-2626
Fax: (216) 875-2612

March 19, 2024

Rosalio Banuelos
Director of Asset Management
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: #22038/23803 Avanti Legacy Parkview Amendment Request

Dear Mr. Banuelos,

RBC Community Investments is the tax credit syndicator for Avanti Legacy Parkview in Killeen, Texas. We have reviewed the updated budget for the Development and concur that the Development is no longer feasible as originally proposed. In order to make the transition feasible, the Development needs both property tax exemption and a unit mix change converting 16 two-bedroom units into one-bedroom units.

The attached 15-year pro forma was prepared by the Applicant for Avanti Legacy Parkview located in Killeen, Texas. The pro forma is consistent with the unit rental rate assumptions, total operating expenses, net operating income, and debt service coverage based on RBC's current underwriting parameters and consistent with the equity terms indicated in the term sheet and is preliminarily considered feasible, pending further diligence review. The debt service for each year maintains no less than a 1.15 debt coverage ratio. Additionally, we have performed a preliminary review of the credit worthiness of Avanti Legacy Parkview, LP, and its Principals. At this time, we have no reservations with the Development Owner or any of the Principals. We anticipate no additional guarantors or financial strength will be needed to facilitate a loan to this borrower, other than those requirements disclosed herein.

The Applicant has worked diligently with us so that the transaction is feasible and ready for a debt and equity closing, subject to the amendment request's approval. If approved at the May 9th Board Meeting, a closing could be scheduled within approximately 30 days. Should you have any questions, please feel free to contact me at your convenience.

Sincerely,

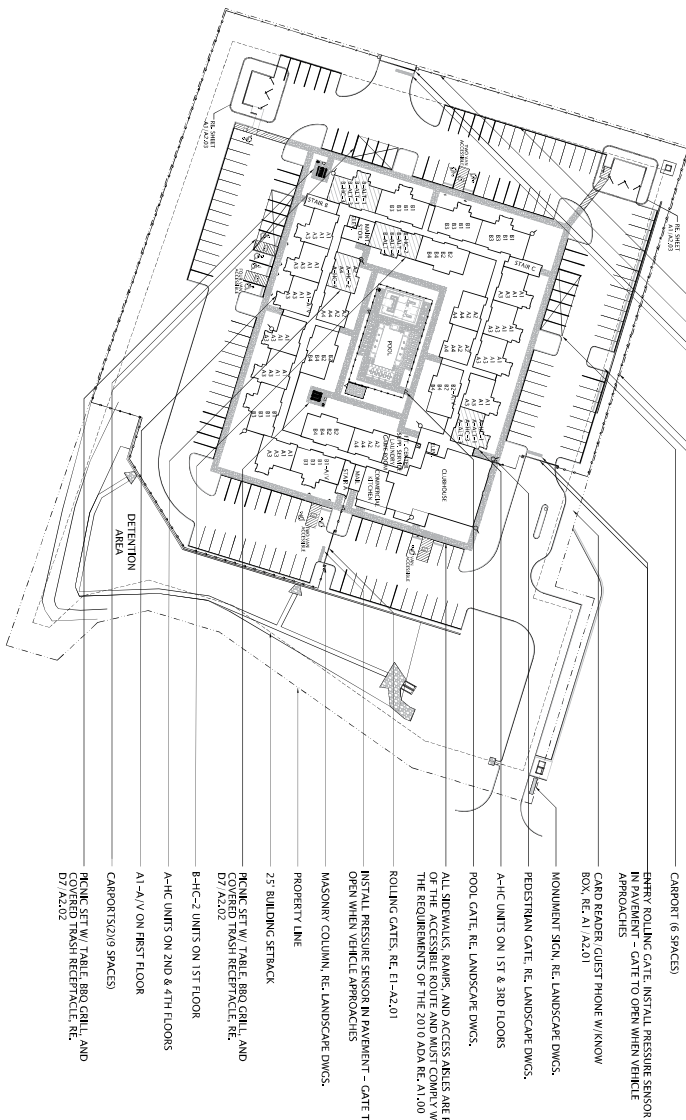
Daniel J Kierce

[Daniel J Kierce \(Mar 21, 2024 16:23 EDT\)](#)

Daniel J Kierce
Managing Director
RBC Capital Markets
Community Investments

SITE PLAN

A3 SITE PLAN - 5.433 ACRES
SHEET # 39-0



- 25' BUILDING SETBACK
- WOOD SCREEN FENCE, RE. LANDSCAPE DWGS.
- GATE W/ KNOX BOX FOR EMERGENCY ACCESS - INSTALL PRESSURE SENSOR IN PAVEMENT - GATE TO OPEN WHEN VEHICLE APPROACHES.
- PERIMETER FENCE, RE. LANDSCAPE DWGS.
- 15' BUILDING SETBACK
- CARPORT (6 SPACES)
- EMER. ROLLING GATE, INSTALL PRESSURE SENSOR APPROACHES - GATE TO OPEN WHEN VEHICLE CARD READER, GUEST PHONE W/ KNOX BOX, RE. AI, A2,01
- MONUMENT SIGN, RE. LANDSCAPE DWGS.
- PEDESTRIAN GATE, RE. LANDSCAPE DWGS.
- A-HC UNITS ON 1ST & 3RD FLOORS
- POOL GATE, RE. LANDSCAPE DWGS.
- ALL SIDEWALKS, RAMPS, AND ACCESS AREAS ARE PART OF THE ACCESSIBLE ROUTE AND MUST COMPLY WITH THE REQUIREMENTS OF THE 2010 ADA RE. A1,00
- ROLLING GATES, RE. E1-A2,01
- INSTALL PRESSURE SENSOR IN PAVEMENT - GATE TO OPEN WHEN VEHICLE APPROACHES
- MASONRY COLUMN, RE. LANDSCAPE DWGS.
- PROPERTY LINE
- 25' BUILDING SETBACK
- PCMC SET W/ TABLE, BBQ GRILL, AND COVERED TRASH RECEPTACLE, RE. D1, A2,02
- PCMC SET W/ TABLE, BBQ GRILL, AND COVERED TRASH RECEPTACLE, RE. D1, A2,02
- A-HC UNITS ON 2ND & 4TH FLOORS
- A1-A4 V ON FIRST FLOOR
- CARPORIS/219 SPACES

PROJECT INFORMATION		BUILDING TYPE	
A1 UNIT	669 SQ. FT. NET *	A1 UNIT	669 SQ. FT. NET *
A2 UNIT	669 SQ. FT. NET *	A2 UNIT	669 SQ. FT. NET *
A3 UNIT	670 SQ. FT. NET *	A3 UNIT	670 SQ. FT. NET *
A4 UNIT	669 SQ. FT. NET *	A4 UNIT	669 SQ. FT. NET *
A-ALT-1 UNIT	674 SQ. FT. NET *	A-ALT-1 UNIT	674 SQ. FT. NET *
A-ALT-3 UNIT	674 SQ. FT. NET *	A-ALT-3 UNIT	674 SQ. FT. NET *
A-HC-1 UNIT	674 SQ. FT. NET *	A-HC-1 UNIT	674 SQ. FT. NET *
A-HC-2 UNIT	669 SQ. FT. NET *	A-HC-2 UNIT	669 SQ. FT. NET *
A-HC-3 UNIT	674 SQ. FT. NET *	A-HC-3 UNIT	674 SQ. FT. NET *
A-HC-4 UNIT	669 SQ. FT. NET *	A-HC-4 UNIT	669 SQ. FT. NET *
B1 UNIT	920 SQ. FT. NET *	B1 UNIT	920 SQ. FT. NET *
B2 UNIT	920 SQ. FT. NET *	B2 UNIT	920 SQ. FT. NET *
B3 UNIT	921 SQ. FT. NET *	B3 UNIT	921 SQ. FT. NET *
B4 UNIT	935 SQ. FT. NET *	B4 UNIT	935 SQ. FT. NET *
B-ALT-1 UNIT	921 SQ. FT. NET *	B-ALT-1 UNIT	921 SQ. FT. NET *
B-ALT-2 UNIT	921 SQ. FT. NET *	B-ALT-2 UNIT	921 SQ. FT. NET *
B-ALT-3 UNIT	920 SQ. FT. NET *	B-ALT-3 UNIT	920 SQ. FT. NET *
B-ALT-4 UNIT	921 SQ. FT. NET *	B-ALT-4 UNIT	921 SQ. FT. NET *
B-HC-2 UNIT	937 SQ. FT. NET *	B-HC-2 UNIT	937 SQ. FT. NET *
B-HC-3 UNIT	936 SQ. FT. NET *	B-HC-3 UNIT	936 SQ. FT. NET *
1ST FLOOR SQUARE FOOTAGE		35,866	
2ND FLOOR SQUARE FOOTAGE		30,157	
3RD FLOOR SQUARE FOOTAGE		30,157	
4TH FLOOR SQUARE FOOTAGE		30,157	
BUILDING TOTAL SQUARE FOOTAGE		126,337	
TOTAL NUMBER OF BUILDINGS		1	
TOTAL SQ. FT. FOR BUILDING TYPE		126,937	

NET RENTABLE AREA CALCULATIONS			
UNIT TYPE	#	AREA	TOTAL
A1	20	669	13,380
A2	9	669	6,021
A3	20	669	13,380
A4	9	669	6,021
A-ALT-1	1	674	674
A-ALT-3	1	674	674
A-HC-1	1	674	674
A-HC-2	1	669	669
A-HC-3	1	674	674
A-HC-4	1	669	669
B1	10	920	9,200
B2	8	920	7,360
B3	10	921	9,210
B4	8	921	7,368
B-ALT-1	2	921	1,842
B-ALT-2	1	921	921
B-ALT-3	1	920	920
B-ALT-4	2	921	1,842
B-HC-2	1	937	937
B-HC-3	1	936	936
	108		83,372

BUILDING MATRIX:			
TYPE	#	STORIES	# TYPE
A1	20	1/1	20
A2	9	1/1	9
A3	20	1/1	20
A4	9	1/1	9
A-ALT-1	1	1/1	1
A-ALT-3	1	1/1	1
A-HC-1	1	1/1	1
A-HC-2	1	1/1	1
A-HC-3	1	1/1	1
A-HC-4	1	1/1	1
B1	10	2/2	10
B2	8	2/2	8
B3	10	2/2	10
B4	8	2/2	8
B-ALT-1	2	2/2	2
B-ALT-2	1	2/2	1
B-ALT-3	1	2/2	1
B-ALT-4	2	2/2	2
B-HC-2	1	2/2	1
B-HC-3	1	2/2	1

BUILDING COMMON AREA MATRIX:			
AREA	SQ. FT.	TYPE	#
CLUBHOUSE	3,220	1	1
CORRIDORS, STAIRS - 1ST FLOOR	6,393	1	1
CORRIDORS, STAIRS - 2ND FLOOR	5,694	1	1
CORRIDORS, STAIRS - 3RD FLOOR	5,963	1	1
CORRIDORS, STAIRS - 4TH FLOOR	5,968	1	1
FITNESS CENTER	5,398	1	1
SUPPORTIVE SERVICES	601	1	1
LOUNGE	28	1	1
GAME ROOM	601	1	1
MAIL CENTER	193	1	1
COMMERCIAL KITCHEN	1,052	1	1
STORAGE	743	1	1

- LEGEND:
- 6' BLACK ORNAMENTAL FENCE
 - 6' BLACK VINYL-COATED CHAIN LINK FENCE
 - 6' WOOD FENCE
 - SECURITY CAMERA - MOUNT ON SPOKE (ARROW INDICATES DIRECTION FOCUSED)
 - UNIT TYPE
 - A/V AUDIO VISUAL
 - BRICK COLUMN

- NOTES:
1. ALL UNITS NOT DESIGNATED AS ACCESSIBLE UNITS ARE FHA UNITS AND MUST COMPLY WITH THE REQUIREMENTS OF THE 2010 ADA STANDARDS AND DESIGN MANUAL.
 2. ALL ACCESSIBLE UNITS MUST COMPLY WITH THE REQUIREMENTS OF THE 2010 ADA STANDARDS.
 3. CLUBHOUSE MUST COMPLY WITH THE 2010 ADA STANDARDS AND T&S 2012.
 4. ALL PARKING, BUILDINGS AND UTILITIES TO BE LOCATED ON A CONTINUOUS ACCESSIBLE ROUTE, RE. SHEET A1,00 FOR ACCESSIBLE ROUTE DETAILS.
 5. SHOULD CONFLICTS EXIST BETWEEN CIVIL DRAWINGS AND ARCHITECTURAL DRAWINGS, CIVIL DRAWINGS SHALL GOVERN FOR PLANNING OF BUILDINGS, ROADWAYS, AND PARKING.
 6. RESIDENTIAL PORTION OF BUILDING TO BE SPANNED PER THE REQUIREMENTS OF SPANNED PER IRC, 601, 903.5.1, 12.11.
 7. RE. CIVIL DRAWINGS FOR UTILITY TIE-IN LOCATIONS.
 8. ALL SIDEWALKS AT BACK OF CURB ARE 5'-0" WIDE, ALL OTHER SIDEWALKS ARE 4'-0" WIDE UNO.

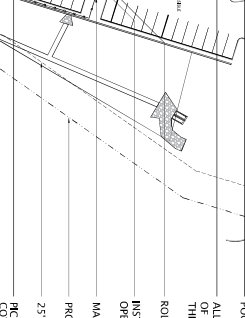
PARKING CALCULATIONS PER CITY REQ.:

TOTAL PARKING REQUIRED	=	150
OPEN SPACES PROVIDED	=	133
CARPORT SPACES PROVIDED	=	15
TOTAL PARKING PROVIDED	=	168
HC PARKING REQUIRED	=	7
HC PARKING PROVIDED	=	10
VAN ACCESSIBLE PROVIDED	=	9

AVANTI LEGACY PARKVIEW
51 N W S YOUNG DRIVE
KILLEEN, TX. 76541

AVANTI LEGACY PARKVIEW, LP
NDA PROJECT # 2022-18

A2.00 ARCHITECTURAL
SITE PLAN



DATE OF AFFIXATION: 03/11/24

Issue	Date	Description
1	01/31/23	ISSUE FOR PERMIT
2	08/25/23	ADDENDUM #1
3	11/11/23	ADDENDUM #2
4	03/11/24	ADDENDUM #4

nda northfield design associates, Inc.

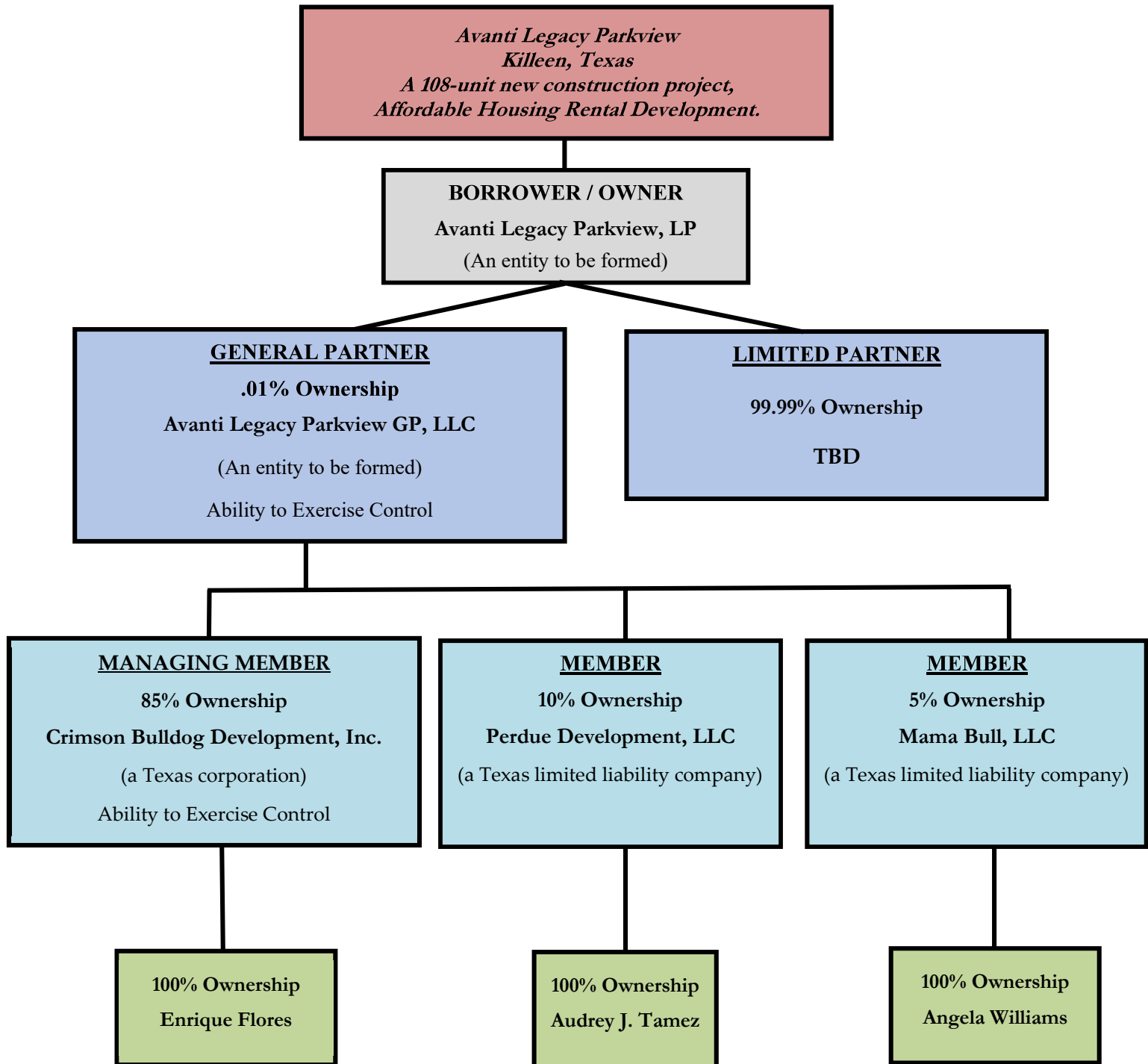
1524 S. IH-35, STE. 310 AUSTIN, TX 78704
512/302-1458 v dsmith@nda-austin.com

THESE DRAWINGS AND THEIR CONTENTS REMAIN THE PROPERTY OF NORTHFIELD DESIGN ASSOC. INC. AND MAY NOT BE USED FOR ANY PURPOSE EXCEPT THE CONSTRUCTION OF THE PROPERTY DESCRIBED HEREIN WITHOUT WRITTEN CONSENT FROM NORTHFIELD DESIGN ASSOCIATES, INC. ELECTRONIC COPIES OF DRAWINGS ARE ISSUED TO CONSULTANTS FOR COORDINATION ONLY. ARCHITECT ASSUMES NO RESPONSIBILITY FOR DRAWINGS WHEN USED OR MODIFIED BY OTHERS.

**INITIAL
ORGANIZATION
CHARTS**

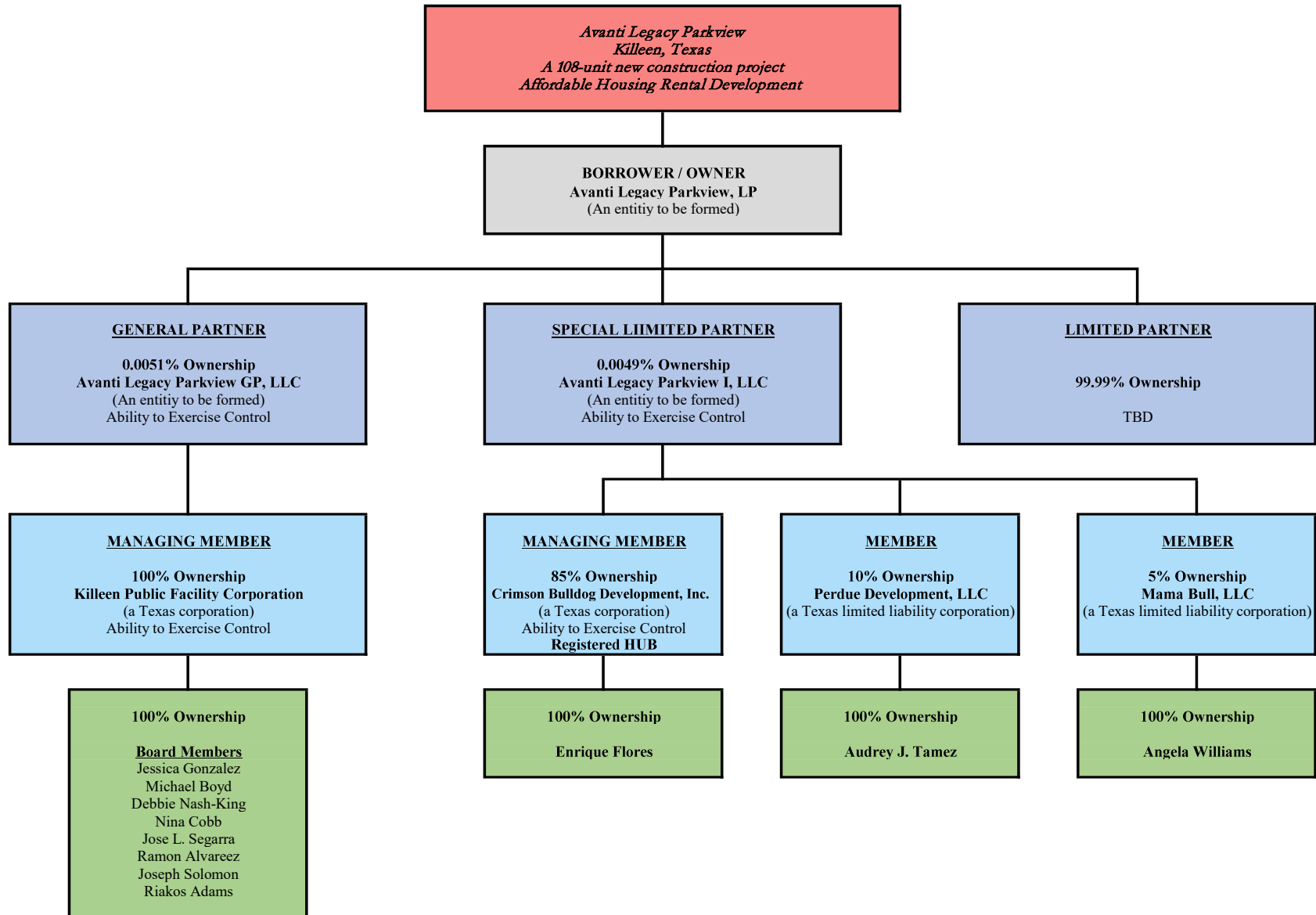
AVANTI LEGACY PARKVIEW, LP

PROJECT OWNERSHIP ORGANIZATIONAL SUMMARY



**NEW
ORGANIZATION
CHARTS**

AVANTI LEGACY PARKVIEW, LP



**MEMORANDUM OF UNDERSTANDING
BETWEEN
KILLEEN PUBLIC FACILITY CORPORATION
AND
CRIMSON BULLDOG DEVELOPMENT, INC.
(AVANTI LEGACY PARKVIEW)**

This Memorandum of Understanding (the “**MOU**”) is between the Killeen Public Facility Corporation, a Texas public facility corporation organized under Chapter 303 of the Texas Local Government Code (“**PFC**”), and Crimson Bulldog Development, Inc., a Texas corporation (“**Developer**”), and is dated effective as of March 19, 2024.

Developer is a developer of affordable housing in the State of Texas. PFC is a public housing facility corporation that, as a part of its mission, provides safe, decent and sanitary housing for low-income persons and manages resources efficiently and effectively. PFC or its affiliate will be the owner of certain real property located in the City of Killeen, Bell County, Texas as more particularly described below. Developer and PFC hereby agree to work cooperatively to develop and operate affordable housing in accordance with the terms of this MOU:

A senior multifamily development in Killeen, Texas to be known as “Avanti Legacy Parkview,” expected to contain approximately 108 residential units (the “**Project**”). The Project is intended to be financed, in part, with low-income housing tax credits (“**Tax Credits**”) under Section 42 of the Internal Revenue Code of 1986, as amended (the “**Code**”). The Project will be located at the 51 N W S Young Drive, Killeen, Texas, 76541. as more particularly described on **Exhibit A** attached hereto and made a part hereof (the “**Land**,” collectively with the Project, the “**Property**”).

In order to accomplish this purpose, the parties agree as follows:

AGREEMENTS:

1. **Ownership Structure.**

1. The Developer has formed Avanti Legacy Parkview, LP, a Texas limited partnership (the “**Partnership**”) for the purpose of owning the fee interest in the Project leasehold interest in the land on which the Project is located. PFC will form a single-member limited liability company to serve as the General Partner (herein so called) of the Partnership after Closing (as defined herein). Under no circumstances will the PFC execute documents on behalf of the Partnership that are effective prior to PFC’s admission to the General Partner. An affiliate of the Developer will own a special limited partner (herein so called) interest (“**Special Limited Partner**”) in the Partnership, and the Special Limited Partner (as hereinafter defined) shall be the special limited partner of the Partnership as set forth in Section B.3 below. In recognition of the guaranties to be provided by the Developer and its affiliates, the Special Limited Partner will be delegated authority to enter into and execute documents on behalf of the Partnership after meaningful consultation with General Partner (provided, however, that if General Partner has not responded within 10 business days after notice by Special Limited Partner, the Special Limited

Partner shall be entitled to proceed based upon such authority) and be delegated primary decision-making authority for matters that could impact the financial obligations of the Developer or its affiliates under any guarantees. Such rights shall be set forth in the Partnership Agreement (as hereinafter defined). In addition, the Special Limited Partner shall have consent rights over major decisions regarding the Partnership and the Project. A low-income housing tax credit investor will have an investor limited partner (“**Investor Limited Partner**”) interest in the Partnership and will have certain consent and approval rights as are customary for such low-income housing tax credit investors. The full duties of the General Partner and the Developer Partner shall be set forth in the Partnership Agreement, including without limitation those terms included on Schedule 2, attached hereto and incorporated herein for all purposes.

The Partnership, General partner, the Special Limited Partner and Investor Limited Partner have been formed or will be formed before Closing (as hereinafter defined).

2. PFC (or its designee) will receive a Right of First Refusal (herein so called) to acquire the Property at the end of the 15th year of the LIHTC compliance period (the “**Compliance Period**”) for the statutory minimum price in accordance with Section 42(i)(7) of the Internal Revenue of 1986, as amended (the “Code”). No consent from any other partners will be required for PFC to either (a) market the Project for sale or (b) subsequently acquire the property at the end of the Compliance Period pursuant to the Right of First Refusal. The Partnership will be structured to minimize or eliminate potential exit taxes at the end of the Compliance Period. For clarity, the statutory minimum price referenced above is intended to include the industry-standard price amounts as follows: (i) the amount of outstanding indebtedness secured by the Project, (ii) the amount of federal, state and local tax liability projected to be imposed on the partners in the Partnership as a result of the sale pursuant to the Right of First Refusal, including federal income tax liability incurred due to the payment of amounts pursuant to this clause (ii), (iii) the amount of any unreimbursed deficiency in tax credits owed to the Investor Limited Partner, and (iv) reimbursable guaranty obligations or other loan amounts owed to the Investor Limited Partner or the Special Limited Partner pursuant to the Partnership Agreement.

3. Long Term Ownership and Project Disposition: In addition to the aforementioned Right of First Refusal, throughout the life of the Partnership, PFC or its designated affiliate shall have the following purchase option (collectively, the “**Purchase Option**”) as follows:

a. throughout the life of each Partnership, PFC shall have an option to acquire the Property (the “**Project Option**”) for a price equal to the greater of (i) 100% of the then fair market value of the Partnership's leasehold interest in the Land and fee simple title in the Project (subject to the then existing rent and other restrictions on the Project), reduced by customary costs of sale, including customary sales commissions, as determined by an appraisal and taking into account (1) the existence of continued income and rent restrictions on the Property, (2) any deferred maintenance and capital need requirements set forth in a physical needs assessment, or (3) the existence of the right of first refusal requirements; or (ii) the sum of (i) all then outstanding amounts under all of the Partnership's, (ii) plus the amount of all federal, state and local taxes which Investor Limited Partner and Special Limited Partner would be obligated to pay arising out

of such sale, (iii) repayment of other amounts owing pursuant to the Partnership Agreement, including loans or advances made by a partner or its affiliate, (iv) the amount necessary to obtain an [12]% internal rate of return for Investor Limited Partner and Special Limited Partner, (v) all costs and expenses incurred in connection with the exercise of the Project Option. In addition, if the Project Option is exercised during the Compliance Period, the purchase price for the Property will be calculated to include a full return of all investment capital, payment of any Tax Credit recapture, penalties, interest, and repayment of all indebtedness, including repayment of reimbursable guaranty obligations to the Special Limited Partner and its Affiliates and any other indebtedness owed to the Investor Limited Partner and the Special Limited Partner or their respective affiliates, payment of Deferred Development Fee (as hereinafter defined), and payment of projected cash flow to the Investor Limited Partner and Special Limited Partner; and

b. upon the expiration of the Compliance Period, an option to acquire the collective interests of the Investor Limited Partner and the Special Limited Partner and any other limited partner interests in each Partnership (the “**Interest Option**”), if applicable, for an amount equal to the greater of (i) 100% of the then fair market value of such interest, determined by an appraisal and based on a going concern basis and taking into account (1) the existence of continued income and rent restrictions on the Property, (2) any deferred maintenance and capital need requirements set forth in a physical needs assessment, (3) the existence of the right of first refusal requirements, (4) the lack of control rights inherent in the limited partner's interest, or (ii) the amount of any income tax which Investor Limited Partner (or other limited partner, if applicable) would be obligated to pay arising out of such sale. The purchase price with respect to the interest of the Special Limited Partner shall also include repayment of all guaranty obligations and other loans advanced by the Special Limited Partner or its affiliates to the extent not already covered by the foregoing calculation.

c. The Purchase Option and the Right of First Refusal are all subject to PFC or its designated affiliate assuming all remaining guarantees in favor of third-party lenders and causing a release of Special Limited Partner and its affiliates from such guaranties (or providing an indemnity to the Special Limited Partner and its affiliates if a release is not permitted).

d. The parties acknowledge that PFC's long-term ownership of the Property is partially in consideration for the Exemption (as hereinafter defined), and they agree to work together to achieve these goals. Notwithstanding any of the foregoing, if the Exemption terminates or is not obtainable as to the Property and/or General Partner is removed as the general partner of the Partnership for an act or omission of General Partner or its affiliate, the Right of First Refusal, the Project Option, the Interest Option, and any other rights of PFC and General Partner with respect to long-term ownership of the Project will terminate, along with PFC's interest in the Ground Lease for the Project. In such event, all of PFC's interest in the Project and the Land will be transferred to a party designated by the Special Limited Partner.

e. In addition, if PFC has not acquired the Project through the exercise of either the Project Option or the Right of First Refusal, the Project Option, the Right of First Refusal, and the Interest Option will all terminate upon the sale of the Project to a third party. PFC shall cooperate, at no expense to PFC, with the Special Limited Partner and the buyer as necessary in order to facilitate the sale to such third party, including but not limited to, executing a release

or termination of the Project Option, the Right of First Refusal, the Interest Option, and the Ground Lease, and executing any conveyance documents related to the transfer of the Land to the third party, at the Partnership's sole cost and expense, including any expenses of PFC counsel.

f. Notwithstanding anything to the contrary set forth herein, Developer shall remain responsible for providing certain development and asset management services relating to the Project and shall earn the fees set forth in Exhibit 4 attached hereto. Upon the end of the Compliance Period, the PFC shall have a put option, subject to any Right of First Refusal set forth herein, to require Developer to acquire (i) the General Partner's interest in the Partnership and (ii) fee title to the Property in exchange for an amount equal to the portion of property taxes abated during the Compliance Period that would have otherwise been payable (such amount to earn simple interest throughout the Compliance Period at a rate of prime at the time of Closing plus 1%), currently expected to be approximately \$600,000 plus interest (the "**Abated Taxes**").

g. Developer shall procure title insurance for the Project, including a fee owner policy on behalf of PFC from a reputable title company authorized to operate in Bell County, Texas.

B. **Financing.**

1. Prior to closing, Developer intends to obtain either debt or equity pre-development financing. Developer shall notify PFC of any such financing within five business days of obtaining any commitment for such financing and at least five business days prior to closing on such financing.

2. The development of the Project will be financed using 9% low-income housing tax credits ("**Tax Credits**"), and/or other sources of affordable housing financing as mutually agreed upon by PFC and the Developer.

3. The Tax Credits will be utilized to obtain equity investment for the construction of the Project. Partnership has received a housing tax credit commitment from TDHCA in program year 2022 for 9% Tax Credits, as supplemented by a force majeure requested granted by TDHCA on June 5, 2023. It is anticipated that an affiliate of RBC Community Investments, LLC, will be admitted as the equity investor (the "**Investor Limited Partner**") with an up to 99.99% limited partner interest in the Partnership pursuant to an Amended and Restated Agreement of Limited Partnership (the "**Partnership Agreement**"). PFC will have the right to meaningfully review and approve the financing arrangements and the terms and conditions of any equity financing documents, which review and approval shall not be unreasonably withheld, conditioned, or delayed.

4. On behalf of the Partnership, Developer will apply for construction and permanent debt financing for the Project, as well as other financing as may be necessary, which may include, without limitation, leveraged funds from private, non-governmental sources (collectively, the "**Loans**"). It is anticipated that Churchill Stateside Group will provide the construction and permanent Loans for the Project. PFC will have the right to meaningfully review and approve the

financing arrangements and the terms and conditions of any debt financing documents, which review and approval shall not be unreasonably withheld, conditioned, or delayed.

5. Subject to the terms and conditions hereof, the parties anticipate that the Partnership will enter into documents for the Loan(s) and the equity financing (including the Partnership Agreement). The execution of such documents and the funding of the Loans and the equity financing is collectively referred to herein as the “**Closing.**”

7. Developer and/or its affiliates shall provide all required guaranties for the Loans and Equity. Developer and its affiliates shall have sole discretion in their consent to the terms of any such guaranties.

8. Developer and PFC (at Developer’s sole cost and expense) will cooperate as reasonably necessary and appropriate with respect to responding to due diligence and underwriting requirements for the Loans and equity financing.

C. Ground Lease; Ad Valorem Tax Exemption.

1. Ground Lease. An affiliate of Developer purchased the Land, which shall be conveyed to PFC or its affiliate at Closing. At Closing, fee simple title to the buildings and other improvements constituting the Project that are to be constructed on the Land will be owned by the Partnership and fee simple title to the Land will be owned by PFC, or an affiliate of PFC, and concurrently with the acquisition of the Land such party will, as ground lessor, enter into a 99-year ground lease (the “**Ground Lease**”) with the Partnership, as ground lessee of the Property. Funding for the development of the Property will come from the Loan(s), and the Equity financing, and will be paid to PFC or its affiliate in the form of an up-front Ground Lease payment, the amount of which will be equal to the purchase price of the Land. In addition to the up-front rental payment, which PFC or its affiliate will use to pay the costs to purchase the Land, the Ground Lease will provide for nominal \$100.00 annual rent that will be deferred so long as the Property is used for affordable housing purposes, provided such deferral does not have an adverse impact for federal income tax purposes. Upon termination of the Ground Lease, ownership of the Property will revert to PFC or its affiliate. The terms and provisions of the Ground Lease will be subject to the approval of Developer.

2. Ad Valorem Tax Exemption. The contemplated ownership structure is expected to generate an ad valorem tax exemption for the Project (the “**Exemption**”). Prior to entering into the Ground Lease, PFC, on behalf of the Partnership, will use commercially reasonable efforts to work with the applicable appraisal district to obtain a pre-determination letter confirming the availability of the Exemption; provided, however, that failure to obtain such letter shall not constitute a breach or default of PFC hereunder. The Ground Lease, combined with PFC’s service as the general partner of the Partnership and the Right of First Refusal and a Purchase Option described above are intended to establish PFC’s equitable ownership of the Project in order for the Project to qualify for the Exemption. PFC shall not have any right to terminate the Ground Lease during the 15-year Tax Credit compliance period without the approval of the Investor Limited Partner, the Special Limited Partner, and any third-party Lender(s); provided, however, that PFC shall have the right to enforce certain remedies against Tenant,

including rights to indemnification, reimbursement and enforcement of any use restrictions via specific performance.

D. Design and Construction.

1. Developer and the Partnership will enter into a development agreement for the Project that will cover all aspects of the development of the Project but will follow this MOU as an essential guide.

2. Reserved.

3. PFC shall have the right to review and reasonably approve in writing any construction contract relating to the Project prior to the execution thereof. PFC shall have the right to review, comment upon and approve the form of general contract which shall be provided with a reasonable amount of time to allow for meaningful review by PFC or its advisors.

4. Developer shall be responsible for the development of the Project, including obtaining all governmental approvals and permits needed in order to construct and operate the Project, including without limitation any entitlements and permits required in connection with the Project. PFC shall reasonably cooperate with Developer at Developer's sole cost and expense (unless otherwise reimbursed or paid by Partnership) in obtaining all such approvals as needed and shall respond to any requests for assistance from Developer by no later than five business days of receiving such request.

5. The Project shall be constructed so as to comply with applicable ADA and section 504 requirements, as well as any other federal, state or local requirements applicable to the Property.

E. Management and Operation.

1. Asset Living shall be designated as the initial property manager for the Project and shall remain in such capacity so long as any affiliate of Developer has guarantees related to the Project. Accordingly, Asset Living may only be removed for cause. Following Closing, any change of property manager will require the approval of PFC, General Partner, the Special Limited Partner (unless the Management Company is removed for cause), Project Lender(s) and Investor Limited Partner.

2. Provisions will be negotiated to help the PFC assure that the Project remains a Well-Maintained Tax Credit Project throughout the Term of the Lease, including conducting periodic physical needs assessments by an engineer experienced in such assessments at seven (7) year intervals, and at any point in time when there is a change in occupancy below the 85% level. For avoidance of doubt, the parties agree that maintaining the Project as a Well-Maintained Tax Credit Project means keeping the Project as originally designed and constructed in appropriate condition to compete with other Well-Maintained Tax Credit Projects of the same age as the Project, but does not mean adding amenities, making structural or other changes to the exterior or interior of the Project to make it consistent with newly constructed Projects at a future date. Furthermore, in

order for the Project to be a Well-Maintained Tax Credit Project, the Developer shall complete the items identified as needing repair or replacement in the physical needs assessment; if such items are not repaired or replaced, the Partnership shall be in default under the Lease and shall not make any distributions or other payments to its partners except to pay deferred developer fee.

3. Subject to termination for reasonable cause, Developer shall provide accounting services (including but not limited to: (i) bookkeeping, monitoring reporting requirements and processing construction loan draws and change orders, and (ii) preparation of and/or coordinating preparation of cost certification, carryover, 10% test, tax returns and the Partnership's audit and audited financial statements for filing or certification by the Partnership's outside accountants,) to the Project and (iii) preparing and filing General Partner and Partnership federal income tax returns and franchise tax filings. Partnership shall be responsible for paying any costs incurred by PFC in connection with compliance or filings (including, without limitation, tax returns) related to the Project.

Upon a reasonable request, the General Partner shall have access to all records and financial reports and budgets within a reasonable time after such documents have been prepared. Specifically with respect to financial reports of the Project, such reports shall be provided as reasonably requested by the General Partner and in a manner that PFC prescribes.

F. **Fees and Expenses.**

1. For its development of the Project, Developer shall be entitled to receive a Developer's Fee of 15% of the Project's actual total development cost as calculated pursuant to TDHCA guidelines. The Developer Fee shall be split 5% to PFC and 95% to Developer. At the Closing, the Partnership shall establish the amount of developer's fee that is expected to be paid from debt and equity financing proceeds (the "**Current Portion**") and the amount of the developer's fee that is expected to be deferred and paid out of the Partnership's net cash flow (the "**Deferred Development Fee**").

2. Neither party shall enter into any contractual relationship or agreement relating to the Property that would cause either financial or legal liability to the other, without the other party's prior written consent. The parties acknowledge and agree that Developer has no authority to execute documentation on behalf of PFC.

3. All expenses and costs incurred by PFC and Developer for the Project in reliance upon this MOU (including reasonable legal fees) shall be paid out of the Property budget at the Closing; provided, that if Closing does not occur, Developer shall pay any expenses of the PFC, including without limitation, legal fees of PFC counsel based on actual hours worked to the time it is communicated that Closing will not occur.

4. After payment of any other priority net cash flow payments established in the Partnership Agreement, cash flow or proceeds from sale or refinance of the Project shall be paid to 5% to PFC (or its affiliate) and 95% to Developer. All Operating Deficit Loans or partner loans shall be repaid prior to payment of incentive or management fees.

5. Any amounts of Developer Fee (whether cash or deferred), cash flow or proceeds from sale or refinance of the Project that are due and payable to the PFC or any of its affiliates shall be deposited in an escrow account at an institution chosen by PFC. Such amount shall be applied toward the Abated Taxes and interest thereon payable to the PFC upon its exercise of the put option as set forth in Section 1.3(f), or shall be paid to PFC upon its determination to exercise its Right of First Refusal set forth in Section 1.2.

G. **Community Support.**

PFC and Developer will be responsible for interfacing with the local governmental officials in connection with garnering support for the Project. Developer will consult with PFC and coordinate the response to any media inquiries and/or public opposition to the Project that may arise.

H. **Termination.**

This MOU shall continue until terminated upon the occurrence of one of the following conditions:

- (i) PFC and Developer sign a mutual consent to terminate this MOU, effective as of the date set forth in such consent;
- (ii) Any consent or approval required hereunder is specifically denied, including but not limited to the consent of TDHCA to the documents of the transactions described herein;
- (iii) Either party breaches its obligations under this MOU, the non-breaching party provides the breaching party notice of such fact and a 30-day opportunity to cure, and the breaching party fails to do so;
- (iv) Either party files for bankruptcy protection, makes an assignment for the benefit of creditors, has a receiver appointed as to its assets, or generally becomes insolvent;
- (v) If Developer determines that the transactions contemplated by this MOU are not economically feasible;
- (vi) If Developer determines that that the Project is unlikely to qualify for the Exemption;
- (vii) A party is ineligible to participate in the Tax Credit program pursuant to TDHCA's rules, then the other part may terminate this MOU by providing written notice thereof to the party being found ineligible; or
- (viii) Any legal, administrative or governmental action (including without limitation, a failure of the PFC Board of Directors to approve the

transaction) prohibits a party from consummating the transactions contemplated herein.

Upon termination of this MOU for any of the reasons above, neither party shall have any ongoing obligations to the other with respect to this MOU and the Project, except as set forth in Section F.3.

If not earlier terminated, this MOU shall terminate upon the Closing when PFC and Developer and their affiliates, as applicable, enter into definitive agreements with respect to the governance of the Partnership and the development, construction, financing, and operation of the Project as contemplated herein. The terms in such agreements, once finalized, shall control over any inconsistent or conflicting provisions in the MOU.

In the event this MOU is terminated prior to Closing or the transaction fails to close as contemplated herein, the Developer shall retain the sole right to control of the Land and any future development thereof.

I. Miscellaneous.

1. Developer represents and warrants it is a limited liability company duly organized, validly existing and in good standing under the laws of the state of Texas, and has all requisite limited liability company power and authority to carry on its business. The execution, delivery and performance of this MOU by Developer and the consummation by Developer of the transactions contemplated hereby, have been or will be duly authorized by all requisite action and no further action or approval will be required in order to permit Developer to consummate the transactions contemplated hereby, except the consents contemplated herein. This MOU constitutes the legal, valid and binding obligation of Developer, enforceable in accordance with its terms. The making and performance of this MOU, and the consummation of the transactions contemplated hereby are in accordance with the terms hereof and will not (i) conflict with the organizational and governance documents of Developer, or (ii) result in the violation of any provisions of law applicable to the Developer, the violation of which could have an adverse effect upon the business of Developer, the Partnership, or the Project. Developer has not received any notice to indicate that it is or may be ineligible to apply for any of the proposed financing for the Project.

2. PFC represents and warrants that it is duly organized and validly existing under the laws of the state of Texas, with all requisite power and authority to carry on its business. Subject to approval by the Board of Directors of PFC, the execution, delivery and performance of this MOU by PFC will be duly authorized by all requisite action and no further action or approval will be required in order to permit PFC to consummate the transactions contemplated hereby, except the consents contemplated herein. This MOU constitutes the legal, valid and binding obligation of PFC, enforceable in accordance with its terms. The making and performance of this MOU, and the consummation of the transactions contemplated hereby are in accordance with the terms hereof and will not (i) conflict with its organizational and governance documents, or (ii) result in the violation of any provisions of law applicable to it, the violation of which could have an adverse effect upon the ability of PFC to perform its obligations hereunder. PFC has not received any notice to indicate that it is or may be ineligible to apply for any of the proposed financing for the

Project.

3. THIS MOU SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS, EXCLUSIVE OF CONFLICT OF LAWS PRINCIPLES. THE PARTIES HERETO EXPRESSLY CONSENT AND AGREE THAT ANY DISPUTE, CONTROVERSY, LEGAL ACTION OR OTHER PROCEEDING THAT ARISES UNDER, RESULTS FROM, CONCERNS OR RELATES TO THIS MOU MAY BE BROUGHT IN THE FEDERAL AND STATE COURTS IN AND OF THE COUNTY OF BELL, STATE OF TEXAS. THE PARTIES HERETO HEREBY ACKNOWLEDGE THAT SAID COURTS HAVE JURISDICTION OVER ANY SUCH DISPUTE OR CONTROVERSY, AND THAT THEY HEREBY WAIVE ANY OBJECTION TO PERSONAL JURISDICTION OR VENUE IN THESE COURTS OR THAT SUCH COURTS ARE AN INCONVENIENT FORUM. ALL REMEDIES AT LAW, IN EQUITY, BY STATUTE OR OTHERWISE SHALL BE CUMULATIVE AND MAY BE ENFORCED CONCURRENTLY OR FROM TIME TO TIME AND, SUBJECT TO THE EXPRESS TERMS OF THIS AGREEMENT, THE ELECTION OF ANY REMEDY OR REMEDIES SHALL NOT CONSTITUTE A WAIVER OF THE RIGHT TO PURSUE ANY OTHER AVAILABLE REMEDIES.

4. This MOU reflects the entire understanding between the parties and may only be amended in writing, signed by both parties. This MOU shall be binding upon and inure to the benefit of each party hereto and is not merely an "agreement to agree."

5. The parties hereto are each prohibited from assigning any of its interests, benefits or responsibilities hereunder to any third party or related third party, without the prior written consent of the other party. The terms and conditions of this MOU shall inure to the benefit of and be binding upon any permitted successors and assigns. Nothing in this MOU, express or implied, is intended to confer upon any party, other than the parties hereto and their permitted successor and assigns any rights, remedies, obligations or liabilities.

6. In case any one or more of the provisions contained in this MOU for any reason are held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision hereof, and this MOU will be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

7. (Reserved.)

8. Any subject headings contained in this MOU are for reference purposes only and do not affect in any way the meaning or interpretation hereof.

9. Any terms or conditions of this MOU may be waived in writing at any time by the party which is entitled to the benefits thereof, and this MOU may be modified or amended by a written instrument executed by the parties hereto. No supplement, modification or amendment of this MOU shall be binding unless executed in writing by all of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

10. All notices of communication required or permitted hereunder shall be in writing and shall be effective (a) three (3) business days after deposit when sent by United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or (b) the following business day when sent by a nationally recognized overnight delivery service to the addresses set forth below:

PFC:	Killeen Public Facility Corporation c/o City of Killeen 101 N. College Street Killeen, Texas 76541 Attention: City Manager
With a copy to:	Bracewell LLP 300 Convent Street, Suite 2700 San Antonio, Texas 78205 Attn: Summer B. Greathouse
Developer:	Crimson Bulldog Development, Inc. c/o Madhouse Development Services 3933 Steck Ave, Suite B-120 Austin, Texas 78759 Attention: Henry Flores, Sr.
With copies to:	Locke Lord LLP 600 Colorado Street, Suite 2100 Austin, Texas 78701 Attn: Cynthia L. Bast

or at such other address or counsel as any party hereto shall specify in writing from time to time and provide notice of such address change as set forth above for other notices. In the event a notice or communication delivered in accordance with this provision is not accepted by the recipient or is not received because the recipient failed to properly notify of a change of address, the notice shall be deemed delivered hereunder, nonetheless.

11. This MOU may be executed in counterparts and all such counterparts shall constitute one single MOU. An electronic copy of a signature attached to this MOU shall be deemed to be an original signature.

12. In each instance in which PFC or its affiliate has the right to approve or consent to the item set forth in each respective paragraph, such approval or consent shall not be unreasonably withheld, delayed or conditioned, and PFC or its affiliate will have fifteen (15) business days following receipt of notice of the item requiring approval or consent in which to review the matter and to make comments. If PFC or its affiliate fails within such fifteen (15) business days to approve or consent or make comments with respect to the subject matter in which approval or consent is required, then approval or consent shall be deemed given with respect to such matter. **Any matter**

requiring PFC Board approval shall not be subject to the 15-business day approval requirement.

13. The parties agree that to the maximum extent allowed by the law including the rules and regulations governing the funding applications contemplated in this MOU, to keep this MOU and all terms and conditions of the development strictly confidential. Parties acknowledge that the development, design, financing structure and details of this Project have significant value and are to be treated as a confidential and valuable resource of both PFC and Developer. This MOU may be expressly shared with the Investor Limited Partner and/or prospective construction and permanent lender(s) and professionals providing legal, accounting, or similar services to either PFC or Developer provided that the engagement of such professionals is subject to confidentiality requirements. Notwithstanding the foregoing, Developer acknowledges that PFC is subject to the Texas Public Information Act, Texas Government Code Section 552 and PFC may be compelled to disclose all or part of this MOU pursuant thereto.

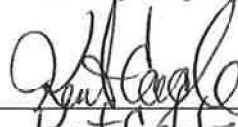
Any challenges to such disclosure shall be the sole responsibility, and at the sole cost and expense, of the Developer.

14. Neither Developer nor PFC shall enter into any contractual relationship or agreement relating to the Project that would cause either financial or legal liability to the other without the other party's prior written consent.


[Remainder of page intentionally left blank for signature]

EXECUTED to be effective as of the date above shown.

KILLEEN PUBLIC FACILITY CORPORATION,
a Texas public facility corporation

By: 
Name: Reat Cagle
Title: Assistant Secretary

CRIMSON BULLDOG DEVELOPMENT, INC.,
a Texas corporation

By: 
Name: Enrique Flores
Title: President

SCHEDULE 1

LIMITED PARTNERSHIP AGREEMENT TERMS

The following is a preliminary summary of provisions that Killeen Public Facility Corporation (“PFC”) will require in any Limited Partnership Agreement (“Limited Partnership Agreement”) creating the Partnership (the “Partnership”) which is to involve a PFC-affiliated entity. The following list is not intended to be exhaustive and is intended to supplement and not limit the terms of the Memorandum of Understanding (“MOU”) entered into relating to the subject project(s) (the “Residential Development”).

Representations

- The General Partner (the “General Partner”) will make representations only as to its own existence and due authorization and execution of Partnership documents or such other items personal to and actually known by the General Partner. To the extent the Organizational Documents require the General Partner to give any representations not actually known by it, Developer Partner shall make such representations to the General Partner in the assignment of memberships interests of the General Partner to the PFC and shall indemnify the General Partner and PFC for any breaches, costs, expenses or losses based upon such representations.
- The General Partner is not performing due diligence on the Residential Development. Therefore, any representations regarding the Residential Development must be provided by the Developer Partner.
- Any General Partner’s representations are only as to its own knowledge. The knowledge of the General Partner may not be qualified by phrases such as “after due inquiry.” The General Partner will make no inquiry.

Covenants

- The General Partner may covenant not to take affirmative actions, but the General Partner cannot covenant not to permit or allow others to take actions. The General Partner cannot covenant to maintain the property tax exemption, but the General Partner may agree to cooperate with the Developer Partner in making any required filings.
- Any covenants relating to the operation of the Partnership, or the construction or operation of the Residential Development should be made by the Developer Partner (including, but not limited to, qualification for tax credits).
- The General Partner will not covenant to maintain adequate capital.

Indemnities and Guaranties

- The General Partner and PFC shall be indemnified by the Partnership and by the Developer Partner for all losses, costs, damages, expenses and liability of any nature (including but not limited to attorneys’ fees, litigation and court costs,

amounts paid in settlement and amounts paid to discharge judgments) directly or indirectly resulting from, arising out of or related to the design, construction, installation, operation, use, occupancy, maintenance or ownership of the Residential Development, other than those caused by its gross negligence or willful misconduct.

- The General Partner's indemnification shall not be conditioned on a court determination.
- The General Partner will not indemnify for actions or inactions of the Developer Partner. Any indemnification by the General Partner will be limited to losses caused directly and exclusively by the General Partner's own gross negligence or willful misconduct, and will be further limited as follows which shall be set forth in the Limited Partnership Agreement:

“Limitation of Liability of the General Partner and the Owner of the General Partner.

The Partners acknowledge and agree that the General Partner has been adequately capitalized to fulfill its obligations under the documents governing the Partnership. The obligations and liabilities of the General Partner under this Agreement are solely the obligations and liabilities of the General Partner and not of the owner of the General Partner, which shall have no liability under this Agreement. The clawback of payments made to the General Partner prior to the time a liability of General Partner accrues shall be prohibited. The liability of General Partner under this Agreement shall be limited to the positive balance of its Capital Account, provided, however, that in all events, the full amount of the insurance policy maintained by Partnership on General Partner's behalf shall apply and be accessible and subrogated as necessary to cover the liability of General Partner, to the extent such liability is covered by the applicable policy.”

- Neither the General Partner nor PFC will provide completion guaranties, environmental guaranties, credit guaranties, or covenant to make up for cash flow short falls.
- The General Partner will not be required to make loans to the Partnership.
- If the Partnership is required to provide a guaranty, the guaranty should either be limited to the assets of the Partnership or should explicitly state that the guaranty is not intended to be recourse to the General Partner.

INSURANCE

- The Developer Partner will be responsible for obtaining any insurance required by the Limited Partnership Agreement or other Partnership documents and will name PFC, General Partner and any contractor as additional insured parties where applicable.
- The Partnership or the Developer Partner shall obtain and maintain a liability insurance policy covering the Development with umbrella coverage covering PFC and the General Partner with a policy limit of \$5,000,000 and the Partnership shall pay the premium for the same each year.

Duties and Obligations for Administration of Partnership

- PFC or its affiliate will only become the sole member of the General Partner at the closing of the transaction, therefore pre-closing items must be addressed by the Developer Partner or another affiliate of the Developer. Under no circumstances will the General Partner execute documents on behalf of the Partnership that are effective prior to PFC's admission to the General Partner. Developer and Developer Partner shall indemnify the General Partner and PFC for any actions taken prior to the admission of the General Partner or PFC into the ownership structure, and such indemnification obligations shall be set forth in the assignment of ownership interest and any major agreement or similar agreement between Developer and PFC.
- The General Partner will approve changes to the Project budget and plans and specifications for the Project except for Minor Field Changes and change orders under \$200,000 per incident and \$600,000 cumulatively; otherwise, the General Partner will make a broad delegation to the Developer Partner with respect to the administration of the Partnership and the operation of the Residential Development which shall include, but not be limited to, the right of the Developer Partner to execute any documents related to construction draws, trust requisitions, and capital contributions.
- The Developer Partner will be responsible for ensuring any requirements for maintaining the ad valorem tax exemption are met other than those requirements related to the qualification of PFC as a public facility corporation under Texas law, which shall be the sole responsibility of PFC. The General Partner will agree to provide reasonable cooperation at the direction of the Developer Partner with respect to the ad valorem tax exemption.
- All reports that are required shall be made by the Developer Partner, and any penalties imposed for late reports shall be imposed only on the Developer Partner.

Limitations on Transfers of Partnership Interests

- The Investor will be prohibited from selling its interest to a Prohibited Actor. "Prohibited Actor" means any party, or their affiliates, who (a) is listed as a prohibited/debarred party by any state finance agency as a result of its interactions with respect to year 15 issues; or (b) the General Partner can provide evidence acceptable to the Investor that the party has attempted to impede, failed to permit, or unreasonably delayed the exercise, pursuant to the terms of the documents as drafted, of the Section 42(i)(7) ROFR in an agreement with a non-profit sponsor/grantee.
- The Developer Partner will have to obtain the consent of the General Partner to sell its interest. The Developer Partner will be prohibited from selling its interest to any entity with whom PFC, the Issuer or General Partner or an Affiliate of any of the foregoing has actively engaged in litigation.

Taxes and Allocations

- Losses in excess of capital accounts are allocated to the Developer Partner rather than the General Partner.
- The Developer Partner will be responsible for the preparation, organization, and filing of the tax return and tax filings including the General Partner's, if any. The General Partner will cooperate with the Developer Partner to the extent its signature is required. Any fees relating to the preparation or filing of the tax return or other tax filings will be the sole responsibility of the Partnership.
- The General Partner will not have a deficit restoration obligation either annually or on liquidation.
- The Developer Partner will be the "Partnership representative" for the purposes of tax audits.
- If the Partnership has an adjustment on audit, the General Partner will pay its allocated share out of future distributions but will not put additional funds into the Partnership.

Removal

- Unless a removal is caused by its own gross negligence or willful misconduct, the General Partner will not be liable for the costs related to removal or replacement.
- Notwithstanding the removal or replacement of the General Partner, (i) any indebtedness resulting from a loan by the General Partner or PFC to the Partnership shall remain outstanding and subject to the terms of the documents evidencing such loans and (ii) the Partnership will remain obligated to repay any loan(s) made to the Partnership by the General Partner or PFC.
- The General Partner will not be liable for events after removal.
- Any indebtedness resulting from a loan by the General Partner or PFC to the Partnership or Project shall remain outstanding and subject to the terms of the documents evidencing such loans, notwithstanding the removal of the General Partner for any reason.

Miscellaneous

- PFC may require the entering of a master agreement between the general partner and the special limited partner relating to the further division of duties and responsibilities.
- Developer Partner is responsible for communicating the terms of the Memorandum of Understanding and this Schedule to any proposed lenders or equity investors for the Project.

The governing law, jurisdiction, and venue will be Bell County, Texas.

City of Killeen
Killeen Public Facility Corporation
Killeen City Hall Council Chambers
March 5, 2024 at 5:00 p.m.

Presiding: President Jessica Gonzalez

Attending: Debbie Nash-King, Riakos Adams, Michael Boyd, Jose Segarra and Ramon Alvarez

Absent: Nina Cobb and Joseph Solomon

Also attending were City Manager/Assistant Secretary Kent Cagle, City Attorney Holli Clements, Secretary Laura Calcote and Treasurer Judith Tangalin

Approval of Agenda

Motion was made by Board Member Nash-King to approve the agenda, as presented. Motion was seconded by Board Member Adams. The motion carried unanimously (5-0).

Citizen Comments

Michael Fornino spoke regarding PFC-24-2 and PFC-24-3.

Mellisa Brown spoke regarding PFC-24-4.

Camron Cochran spoke regarding PFC-24-4.

Approval of Minutes

PFC-24-2 Consider Minutes of the Killeen Public Facility Corporation Meeting of August 22, 2023.

Motion was made by Board Member Boyd to approve PFC-24-2, as written. Motion was seconded by Board Member Segarra. The motion carried unanimously (5-0).

PFC-24-3 Consider Minutes of the Killeen Public Facility Corporation Meeting of January 23, 2024.

Motion was made by Board Member Nash-King to approve PFC-24-3, as written. Motion was seconded by Board Member Adams. The motion carried unanimously (5-0).

Agenda Items

PFC-24-4 Discuss and take possible action regarding a Resolution inducing the

Avanti Legacy Parkview Apartments transaction, including authorizing the execution of all documentation necessary to obtain the financing for such transaction; authorizing all filings and agreements with Texas Department of Housing and Community Affairs in connection with applications for low income housing tax credits; authorizing the formation of any limited liability companies in connection with such transaction; and other matters in connection therewith.

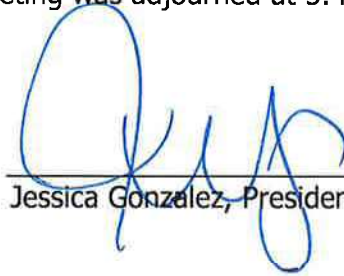
City Attorney, Holli Clements, and Madhouse Development Inc. Representative, Henry Flores, presented this item. Avanti Parkview LP filed an application for finance requesting that the PFC participate in acquisition, construction and equipping of a proposed 108-unit multifamily housing facility. Avanti requested the PFC create a subsidiary limited liability company to serve as general partner and the PFC or

subsidiary will own the land on which the project is to be located. The resolution would constitute the PFC's preliminary non-binding commitment to proceed.

Motion was made by Board Member Nash-King to approve PFC-24-4. Motion was seconded by Board Member Segarra. The motion carried unanimously (5-0).

Adjournment

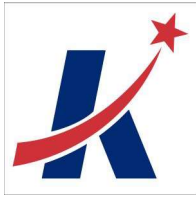
With no further business, upon motion being made by Board Member Nash-King, seconded by Board Member Adams, and unanimously approved, the meeting was adjourned at 5:45 p.m.



Jessica Gonzalez, President



Laura J. Calcote, City Secretary



City of Killeen

Staff Report

File Number: PFC-24-4

Discuss and take possible action regarding a Resolution inducing the Avanti Legacy Parkview Apartments transaction, including authorizing the execution of all documentation necessary to obtain the financing for such transaction; authorizing all filings and agreements with Texas Department of Housing and Community Affairs in connection with applications for low income housing tax credits; authorizing the formation of any limited liability companies in connection with such transaction; and other matters in connection therewith.

DATE: March 5, 2024

TO: Kent Cagle, City Manager

FROM: Holli Clements, City Attorney

SUBJECT: Inducement Resolution regarding Avanti Legacy Parkview Apartments transaction

BACKGROUND AND FINDINGS:

Pursuant to the Texas Public Facility Corporations Act, the City Council created the Killeen Public Facility Corporation (the "PFC"). The PFC is empowered to finance the costs of public facilities that will provide safe housing at affordable prices for residents of the City.

Avanti Parkview LP ("Avanti") filed an Application for financing requesting that the PFC participate in acquisition, construction, and equipping of a proposed approximately 108-unit multifamily housing facility to be located on W.S. Young Drive and to be known as the Avanti Legacy Parkview Apartments. Avanti intends to finance the project in part with 9% housing tax credits and possibly a direct loan competitively procured from the Texas Department of Housing and Community Affairs.

Avanti has requested that the PFC create a subsidiary limited liability company to serve as general partner and the PFC or subsidiary will own the land on which the project is to be located. The proposed Resolution will constitute the PFC's preliminary non-binding commitment to proceed.

THE ALTERNATIVES CONSIDERED:

N/A

Which alternative is recommended? Why?

Staff recommends that Killeen Public Facility Corporation consider taking action regarding a Resolution inducing the Avanti Legacy Parkview Apartments transaction, including authorizing the execution of

all documentation necessary to obtain the financing for such transaction; authorizing all filings and agreements with Texas Department of Housing and Community Affairs in connection with applications for low income housing tax credits; authorizing the formation of any limited liability companies in connection with such transaction; and other matters in connection therewith.

CONFORMITY TO CITY POLICY:

This item conforms to city policy and state law.

FINANCIAL IMPACT:

What is the amount of the revenue/expenditure in the current fiscal year? For future years?

At the end of fifteen years, Avanti will purchase the property from the PFC for a payment equal to the amount of the foregone property taxes for the fifteen years.

Is this a one-time or recurring revenue/expenditure?

One time

Is this revenue/expenditure budgeted?

N/A

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this revenue/expenditure?

N/A

RECOMMENDATION:

Staff recommends that Killeen Public Facility Corporation consider taking action regarding a Resolution inducing the Avanti Legacy Parkview Apartments transaction, including authorizing the execution of all documentation necessary to obtain the financing for such transaction; authorizing all filings and agreements with Texas Department of Housing and Community Affairs in connection with applications for low income housing tax credits; authorizing the formation of any limited liability companies in connection with such transaction; and other matters in connection therewith.

DEPARTMENTAL CLEARANCES:

Click or tap here to enter text.

ATTACHED SUPPORTING DOCUMENTS:

Avanti Inducement Resolution

**AVANTI LEGACY PARKVIEW APARTMENTS
Inducement**

CERTIFICATE FOR RESOLUTION

The undersigned officer of the Killeen Public Facility Corporation (the "PFC") hereby certifies as follows:

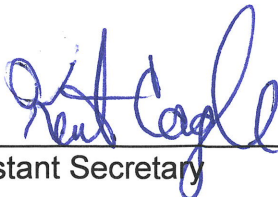
1. In accordance with the bylaws of the PFC, the Board of Directors of the PFC (the "Board") held a meeting on March 5, 2024 (the "Meeting") of the duly constituted officers and members of the Board, at which a duly constituted quorum was present. Whereupon among other business transacted at the Meeting, a written

RESOLUTION INDUCING THE AVANTI LEGACY PARKVIEW APARTMENTS TRANSACTION, INCLUDING THE EXECUTION OF ALL DOCUMENTATION NECESSARY TO OBTAIN THE FINANCING FOR SUCH TRANSACTION; AND AUTHORIZING ALL FILINGS AND AGREEMENTS WITH TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS IN CONNECTION WITH APPLICATIONS FOR LOW INCOME HOUSING TAX CREDITS; AND AUTHORIZING THE FORMATION OF ANY LIMITED LIABILITY COMPANIES IN CONNECTION WITH SUCH TRANSACTION; AND OTHER MATTERS IN CONNECTION THEREWITH

(the "Resolution") was duly introduced for the consideration of the Board and discussed. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of the Resolution, prevailed and carried by a majority vote of the Board.

2. A true, full, and correct copy of the Resolution adopted at the Meeting is attached to and follows this Certificate; the Resolution has been duly recorded in the Board's minutes of the Meeting; each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting; and the Meeting was held and conducted in accordance with the Articles of Incorporation and the Bylaws of the PFC.

SIGNED AND SEALED March 5, 2024.



Assistant Secretary

RESOLUTION INDUCING THE AVANTI LEGACY PARKVIEW APARTMENTS TRANSACTION, INCLUDING THE EXECUTION OF ALL DOCUMENTATION NECESSARY TO OBTAIN THE FINANCING FOR SUCH TRANSACTION; AND AUTHORIZING ALL FILINGS AND AGREEMENTS WITH TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS IN CONNECTION WITH APPLICATIONS FOR LOW INCOME HOUSING TAX CREDITS; AND AUTHORIZING THE FORMATION OF ANY LIMITED LIABILITY COMPANIES IN CONNECTION WITH SUCH TRANSACTION; AND OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the City Council of the City of Killeen, Texas (the "City"), has, pursuant to the Texas Public Facility Corporations Act, Chapter 303, Texas Local Government Code, as amended (the "Act"), approved and created the Killeen Public Facility Corporation, a nonstock, nonprofit public facility corporation (the "PFC");

WHEREAS, the PFC, on behalf of the City, is empowered to finance the costs of public facilities that will provide decent, safe, and sanitary housing at affordable prices for residents of the City;

WHEREAS, Avanti Legacy Parkview, LP, a Texas limited partnership (the "User"), has filed an Application for financing (the "Application"), requesting that (i) the PFC participate in the acquisition, construction, and equipping of a proposed approximately 108-unit multifamily housing facility to be located at as LOT 002, BLOCK 001, DESTINY WORLD OUTREACH AND AVANTI LEGACY PARKVIEW ADDITION, KILLEEN, BELL COUNTY, TEXAS aka 00000 W.S. YOUNG DRIVE, KILLEEN, BELL COUNTY, TEXAS and to be known as the Avanti Legacy Parkview Apartments (the "Project");

WHEREAS, the User intends to finance the Project in part with 9% housing tax credits and possibly a direct loan competitively procured from the Texas Department of Housing and Community Affairs ("TDHCA");

WHEREAS, this Resolution shall constitute the PFC's preliminary, non-binding commitment, subject to the terms hereof, to proceed;

WHEREAS, the User has requested that the PFC create a subsidiary limited liability company to serve as a general partner of the User;

WHEREAS, the User has requested that the PFC or a subsidiary thereof own the land on which the Project is to be located;

WHEREAS, the User has requested authorization to make all filings necessary to obtain and maintain equity and debt financing for the Project, including 9% tax credits and a direct loan from the TDHCA;

WHEREAS, the members of the Board of Directors of the PFC (collectively, the "Board") and their respective offices are as follows:

<u>Name of Director/Officer</u>	<u>Position</u>
Jessica Gonzalez	President
Michael Boyd	Vice-President
Debbie Nash-King	Director
Nina Cobb	Director
Riakos Adams	Director
Joseph Solomon	Director
Ramon Alvarez	Director
Jose Segarra	Director
Kent Cagle	Assistant Secretary/City Manager
Laura Calcote	Secretary
Judith Tangalin	Treasurer

WHEREAS, the Board has determined that it is in the public interest and to the benefit of the citizens and residents of Killeen for the various entities to enter into the transactions described above so that the User may construct the Project; and

WHEREAS, this Board has reviewed the foregoing and determined that the action herein authorized is in furtherance of the public purposes of the PFC; now, therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE KILLEEN PUBLIC FACILITY CORPORATION THAT:

Section 1. Subject to the terms hereof, the PFC agrees that it will, acting in either its own capacity or as the party controlling the general partner of the User:

(a) cooperate with the User with respect to the Project, and, if arrangements therefor satisfactory to the User and the PFC can be made, take such action and authorize the execution of such documents and take such further action as may be necessary or advisable for the authorization, execution, and delivery of any applications, notices, contracts or agreements deemed necessary and desirable by the User or the PFC in connection with the Project, specifically including any applications, agreements, documents, certificates and instruments necessary to obtain low income housing tax credits and a direct loan from the TDHCA (collectively, the "Contracts"), providing among other things for financing, acquisition, construction, equipping, and improvement of the Project; and use, operation, and maintenance of the Project, all as shall be authorized, required, or permitted by law and as shall be satisfactory to the PFC and the User;

(b) work with a HUB if requested by User, including sharing ownership in the general partner of the User, sharing developer fees and cash flow of the User to enable the Project to earn additional points awarded by TDHCA for such HUB participation;

(c) own the real estate either itself or through a subsidiary and create or acquire membership interest in the general partner of User and/or serve as the general contractor for the Project to obtain tax exemptions;

(d) take or cause to be taken such other actions as may be required to implement the aforesaid undertakings or as it may deem appropriate in pursuance thereof.

Neither the State of Texas (the "State"), the City, the PFC nor any political, subdivision, or agency of the State shall be obligated to pay any debt or other obligation of the User or the Project and that neither the faith and credit nor the taxing power of the State, the City, or any political, subdivision, or agency thereof is pledged to any obligation relating to the Project.

Section 2. It is understood by the PFC, and the User has represented to the PFC, that in consideration of the PFC's adoption of this Resolution, and subject to the terms and conditions hereof, the User has agreed that

(a) the User will (1) pay all Project costs which are not or cannot be paid or reimbursed from the proceeds of any debt and (2) indemnify and hold harmless the PFC and the City against all losses, costs, damages, expenses, and liabilities of whatsoever nature (including but not limited to reasonable attorneys' fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from, arising out of or related to the Project, or the design, construction, equipping, installation, operation, use, occupancy, maintenance, or ownership of the Project (other than claims arising from the gross negligence or willful misconduct of the PFC or the City); and

Section 3. This Resolution shall be deemed to constitute the acceptance of the User's proposal that it be further induced to proceed with providing the Project **provided that neither the User nor any other party is entitled to rely on this Resolution as a commitment to enter into the proposed transaction, and the PFC reserves the right not to enter into the proposed transaction either with or without cause and with or without notice, and in such event the PFC shall not be subject to any liability or damages of any nature. Neither the User nor anyone claiming by, through or under the User, nor any investment banking firm or potential purchaser shall have any claim against the PFC whatsoever as a result of any decision by the PFC not to enter into the proposed transaction.**

Section 4. The Board authorizes the President, Vice President, Secretary, Treasurer, Executive Director, or Assistant Secretary of the Board to execute any Contracts and take any and all actions required to obtain tax credits, equity financing and debt financing (including a direct loan from the TDHCA).

Section 5. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

Section 6. All resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict,

and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

Section 7. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Board hereby declares that this Resolution would have been enacted without such invalid provision.

Section 8. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 9. This Resolution shall be in force and effect from and after its passage.

* * *