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| ENFORCEMENT ACTION AGAINST | § | BEFORE THE |
| 2107 LINCOLN DRIVE, LLC | § | TEXAS DEPARTMENT OF |
| WITH RESPECT TO THE JONES | § | HOUSING AND COMMUNITY |
| (HTC FILE # 93063 / CMTS # 1137) | § | AFFAIRS |
| | § | |

AGREED FINAL ORDER

General Remarks and official action taken:

On this 7th day of December, 2023, the Governing Board (Board) of the Texas Department of Housing and Community Affairs (TDHCA or Department) considered the matter of whether enforcement action should be taken against **2107 LINCOLN DRIVE, LLC**, a Delaware limited liability company (Respondent).

This Agreed Order is executed pursuant to the authority of the Administrative Procedure Act (APA), Texas Government Code section 2001.056, which authorizes the informal disposition of contested cases. In a desire to conclude this matter without further delay and expense, the Board and Respondent agree to resolve this matter by this Agreed Final Order. The Respondent agrees to this Order for the purpose of resolving this proceeding only and without admitting or denying the findings of fact and conclusions of law set out in this Order.

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

WAIVER

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

FINDINGS OF FACT (FOF)

Jurisdiction:

1. During 1995, Two Northridge, Ltd. (Prior Owner) was awarded an allocation of Low Income Housing Tax Credits by the Board to acquire, rehabilitate, and operate The Jones (Property) (HTC file No. 93063 / CMTS No. 1137).
2. Prior Owner signed a Declaration of Land Use Restrictive Covenants For Low-Income Housing Credits (LURA) regarding the Property. The LURA was effective January 18,

1995, and filed of record at Volume 11984, Page 0554 of the Official Public Records of Real Property of Tarrant County, Texas (Records), as re-filed at Volume 12185, Page 1912, and as amended by an Agreement to Comply with and First Amendment to Declaration of Land Use Restrictive Covenants for Low-Income Housing Credits effective April 22, 2015, and filed of record at Instrument Number D215088683 of the Records.

3. Respondent purchased the Property on September 30, 2020. In accordance with Section 2 of the LURA, the LURA is a restrictive covenant/deed restriction encumbering the Property and binding on all successors and assigns for the full term of the LURA. These restrictions remain in place in accordance with Section 2 of the LURA, thereby binding Respondent to the terms of the agreement.
4. Representatives for Respondent signed an Owner Certification & Agreement to Comply with the LURA on August 5, 2020, acknowledging that the Property remained bound to the terms of the LURA, agreeing to assume the duties imposed by the LURA, and agreeing to comply fully with the terms thereof.
5. Respondent is subject to the regulatory authority of TDHCA.

Compliance Violations¹:

6. The Department conducted a Uniform Physical Condition Standards (UPCS) inspection on June 22, 2022. The inspection report showed numerous serious property condition violations, a violation of 10 TAC §10.621 (Property Condition Standards). The Department issued a notification of noncompliance on July 25, 2022, setting an October 23, 2022, corrective action deadline. That deadline was extended on February 13, 2023, providing ten days to correct remaining noncompliance, but no response was submitted and the noncompliance outlined at Exhibit 1 was referred for an administrative penalty. Final corrective documentation was uploaded to TDHCA by Respondent via the Compliance Monitoring and Tracking System (CMTS) on November 3, 2023, after intervention by the TDHCA Enforcement Committee.
7. All violations listed above are considered resolved at the time of this Order².

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

² This Agreed Final Order does not include the noncompliance identified during TDHCA's UPCS inspection conducted on August 29, 2023. That 2023 inspection is within a corrective action period that expires January 1, 2024, and is not eligible for an administrative penalty at this time.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503 and 10 TAC Chapter 2.
2. Respondent is a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14).
3. Pursuant to IRC §42(m)(1)(B)(iii), housing credit agencies are required to monitor for noncompliance with all provisions of the IRC and to notify the Internal Revenue Service of such noncompliance.
4. Pursuant to Tex. Gov't Code Chapter 2306, Subchapter DD and Tex. Gov't Code §2306.185, TDHCA is authorized to make Housing Tax Credit Allocations for the State of Texas and is required to monitor to ensure compliance.
5. Pursuant to 10 TAC §10.621(a), TDHCA has adopted HUD's Uniform Physical Condition Standards as the standard for its physical inspections;
6. Respondent violated 10 TAC 10.621 and I.R.C. §42, as amended, in 2022, by failing to comply with HUD's Uniform Physical Condition Standards when major violations were discovered and not timely corrected.
7. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules, the Board has personal and subject matter jurisdiction over Respondent pursuant to Tex. Gov't Code §2306.041 and §2306.267.
8. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
9. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code §2306.053 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to Tex. Gov't Code §2306.041.
10. An administrative penalty of \$20,000.00 is an appropriate penalty in accordance with 10 TAC Chapter 2.

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

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$20,000.00.

IT IS FURTHER ORDERED that Respondent shall pay and is hereby directed to pay the \$20,000.00 administrative penalty by cashier's check payable to the "Texas Department of Housing and Community Affairs" on or before January 8, 2024, to the following address:

| If via overnight mail (FedEx, UPS): | If via USPS: |
|---|--|
| TDHCA Attn: Ysella Kaseman 221 E 11 th St Austin, Texas 78701 | TDHCA Attn: Ysella Kaseman P.O. Box 13941 Austin, Texas 78711 |

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

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

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Approved by the Governing Board of TDHCA on December 7, 2023.

By: /s/ Leo Vasquez

Name: Leo Vasquez

Title: Chair of the Board of TDHCA

By: /s/ James "Beau" Eccles

Name: James "Beau" Eccles

Title: Secretary of the Board of TDHCA

THE STATE OF TEXAS §

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COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this 7th day of December, 2023, personally appeared Leo Vasquez, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

/s/ Nancy Dennis

Notary Public, State of Texas

THE STATE OF TEXAS §

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COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this 7th day of December, 2023, personally appeared James "Beau" Eccles, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

/s/ Nancy Dennis

Notary Public, State of Texas

STATE OF TEXAS §
§
COUNTY OF Dallas §

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

1. "My name is William Mitchell Voss, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I hold the office of President for Respondent. I am an authorized representative of Respondent, which is subject to a Land Use Restriction Agreement monitored by the TDHCA in the State of Texas, and I am duly authorized by Respondent to execute this document.
3. The Taxpayer ID for Respondent is 85-2451731.
4. The mailing address for Respondent is 3010 Crescent Ct Ste 1800, Dallas, TX 75201.
5. Respondent knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Governing Board of the Texas Department of Housing and Community Affairs."

RESPONDENT:

2107 LINCOLN DRIVE, LLC, a Delaware limited liability company

By: /s/ William Mitchell Voss

Name: William Mitchell Voss

Title: President

Given under my hand and seal of office this 18 day of December, 2023.

/s/ Katherine Faraldo
Signature of Notary Public

Katherine Faraldo
Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS
My Commission Expires: 8-26-2026

Exhibit 1

2022 UPCS Noncompliance

Corrected timely and not eligible for an administrative penalty = Grey

Not corrected timely and therefore eligible for an administrative penalty:

- Corrected 11/1/2023 = Yellow
- Corrected before 11/1/2023 = White

| Area | Bldg | Unit | Inspectable Item | Deficiency | Level | Note | Corrected date |
|-------------------|------------|-------|---------------------------|--|-------|--|-----------------|
| Site | | | Retaining Walls | Damaged/Falling/Leaning | L3 | near boiler #1 bldg 2105 | 11/1/2023 |
| Common Areas | Bldg 2101a | Doors | Laundry Room | Damaged Hardware/Locks | L3 | laundry room doors locked-vandalized | 11/1/2023 |
| Building Exterior | Bldg 2107 | | Roofs | Missing/Damaged Components from Downspout/Gutter | L3 | downspout not connected | 11/1/2023 |
| Common Areas | Bldg 2113 | Walls | Closet/Utility/Mechanical | Damaged | L2 | siding cut | 11/1/2023 |
| Site | | | Grounds | Erosion/Rutting Areas | L3 | near building foundations: 2103, 2101 near sidewalk 1016 | photo submitted |
| Site | | | Grounds | Overgrown/Penetrating Vegetation | L2 | vegetation growing in gutters:, bldg 2101, 2113 | photo submitted |
| Site | | | Health & Safety | Hazards - Tripping | L3 | near 1016, btwn bldgs 707 and 709, near #1030 | photo submitted |
| Site | | | Mailbox/Signs | Mailbox Missing/Damaged | L3 | mailboxes damaged | photo submitted |
| Site | | | Market Appeal | Graffiti | L1 | breezeway at 2071 | 10/17/2022 |

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| Site | | | Parking/Drives | Cracks/Settlement/Heaving/Loose Materials/Potholes | L2 | near Bldgs 2117& 2115 | 10/21/2022 Invoice |
| Building Systems | Bldg 2100 | | Sanitary System | Broken/Leaking/Clogged Pipes or Drains | L3 | sewage backing up into tub of 1034 | 10/24/2022 Invoice |
| Unit | Bldg 2100 | Unit 1034 | Bathroom | Plumbing - Clogged Drains | L3 | tub backing up with sewage | 10/24/2022 |
| Unit | Bldg 2100 | Unit 1034 | Doors | Deteriorated/Missing Seals (Entry Only) | L3 | daylight visible at top of entry when closed | 10/13/2022 |
| Unit | Bldg 2100 | Unit 1034 | Health & Safety | Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable | L3 | dresser blocks window | 10/13/2022 |
| Unit | Bldg 2100 | Unit 1034 | Walls | Mold/Mildew/Water Stains/Water Damage | L1 | visible at baseboards/evidence of water intrusion | 10/13/2022 |
| Building Exterior | Bldg 2101 | | Roofs | Missing/Damaged Components from Downspout/Gutter | L2 | downspout broken & gutter clogged | 10/13/2022 (work order) |
| Building Systems | Bldg 2101 | | Electrical System | Missing Covers | L3 | 1131 a/c disconnect interior cover missing, exposed wires. | 10/22/2022 |
| Common Areas | Bldg 2101 | Health & Safety | Health & Safety | Garbage and Debris - Outdoors | L3 | patio with 5 bags of trash outside (2130?) | 10/22/2022 |
| Unit | Bldg 2101 | Unit 1131 | Doors | Damaged Hardware/Locks | L3 | glass sliding door-does not lock (handle does not lock) | 10/17/2022 |
| Unit | Bldg 2101 | Unit 1131 | Health & Safety | Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable | L3 | Blocked by desk | 10/22/2022 |
| Building Systems | Bldg 2101a | | Fire Protection | Missing/Damaged/Expired Extinguishers | L3 | laundry room missing extinguisher | 10/12/2022 |

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| Common Areas | Bldg 2101a | Ceiling | Patio/Porch/Balcony | Holes/Missing Tiles/Panels/Cracks | L3 | at balcony ceiling over 2010 | 6/14/2023 |
| Unit | Bldg 2101a | Unit 1011 | Health & Safety | Air Quality - Mold and/or Mildew Observed | L3 | under kitchen sink | 10/12/22 work order |
| Unit | Bldg 2101a | Unit 1012 | Ceiling | Peeling/Needs Paint | L2 | large patch in bathroom needs texture and paint | 10/20/2022 |
| Unit | Bldg 2101a | Unit 2012 | Kitchen | Dishwasher/Garbage Disposal - Inoperable | L2 | disposal inoperable | 10/22/2022 |
| Building Systems | Bldg 2103 | | Sanitary System | Broken/Leaking/Clogged Pipes or Drains | L3 | sewer leak | 10/22/2022 |
| Common Areas | Bldg 2103 | Ceiling | Halls/Corridors/Stairs | Holes/Missing Tiles/Panels/Cracks | L1 | sag at breezeway ceiling near 2120 | 10/11/2022 |
| Common Areas | Bldg 2103 | Health & Safety | Health & Safety | Electrical Hazards - Exposed Wires/Open Panels | L3 | breezeway exterior light at 1121-wires exposed | 10/22/2022 |
| Unit | Bldg 2103 | Unit 1123- vacant used as storage | Kitchen | Range/Stove - Missing/Damaged/Inoperable | L3 | missing | 10/28/2022 |
| Unit | Bldg 2103 | Unit 1123- vacant used as storage | Kitchen | Refrigerator- Missing/Damaged/Inoperable | L3 | missing | 10/28/2022 |
| Unit | Bldg 2103 | Unit 2117 | Bathroom | Plumbing - Leaking Faucet/Pipes | L1 | tub leaks will not turn off | 10/22/2022 |
| Unit | Bldg 2103 | Unit 2117 | Kitchen | Dishwasher/Garbage Disposal - Inoperable | L2 | leak at disposal | 10/22/2022 |
| Unit | Bldg 2103 | Unit 2117 | Kitchen | Range/Stove - Missing/Damaged/Inoperable | L2 | 1 burner missing | 10/22/2022 |

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| Building Exterior | Bldg 2104 | | Walls | Missing Pieces/Holes/Spalling | L2 | hole @ exterior near 1039 | 10/11/2022 |
| Building Systems | Bldg 2104 | | Electrical System | Missing Covers | L3 | a/c disconnect missing interior cover-exposed wires | 10/20/2022 |
| Unit | Bldg 2104 | Unit 1044 | Bathroom | Shower/Tub - Damaged/Missing | L2 | tub overflow missing | 10/22/2022 |
| Unit | Bldg 2104 | Unit 1044 | Ceiling | Holes/Missing Tiles/Panels | L3 | a/c cover missing/ceiling burned at kitchen | 10/22/2022 |
| Unit | Bldg 2104 | Unit 1044 | HVAC System | Not Operable | L3 | burned a/c | 10/20/2022 |
| Unit | Bldg 2104 | Unit 1044 | Walls | Mold/Mildew/Water Stains/Water Damage | L1 | water intrusion at bedroom baseboard/crack at sheetrock | 10/21/2022-Work order |
| Building Exterior | Bldg 2105 | | Foundations | Spalling/Exposed Rebar | L3 | exposed post-tension cable | 10/11/2022 |
| Building Exterior | Bldg 2105 | | Walls | Missing Pieces/Holes/Spalling | L3 | hole at exterior wall near 1111 | 10/11/2022 |
| Common Areas | Bldg 2105 | Walls | Closet/Utility/Mechanical | Damaged | L2 | large hole near boiler room floor | photo submitted |
| Common Areas | Bldg 2105 | Ceiling | Halls/Corridors/Stairs | Bulging/Buckling | L3 | breezeway support beam/lintel cracking near 2112 | 10/11/2022 |
| Common Areas | Bldg 2105 | | Health & Safety | Electrical Hazards - Exposed Wires/Open Panels | L3 | boiler room breaker panel missing interior cover | 10/3/2022 |
| Common Areas | Bldg 2105 | | Health & Safety | Garbage and Debris - Outdoors | L3 | 3 bags of trash stored at 1109 | 10/12/2022 |
| Unit | Bldg 2105 | Unit 1110 | Doors | Deteriorated/Missing Seals (Entry Only) | L3 | daylight visible when door is closed | 10/12/2022 |

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| Unit | Bldg 2105 | Unit 1110 | Kitchen | Range/Stove - Missing/Damaged/Inoperable | L2 | 1 burner inoperable | 10/12/2022 |
| Unit | Bldg 2105 | Unit 2110 | Bathroom | Plumbing - Leaking Faucet/Pipes | L3 | into lav cabinet-repaired during inspection | 6/22/2022 |
| Unit | Bldg 2105 | Unit 2110 | Ceiling | Bulging/Buckling | L3 | balcony ceiling bowed | 10/5/2022 RCC Invoice |
| Unit | Bldg 2105 | Unit 2110 | Health & Safety | Hazards - Sharp Edges | L3 | glass on balcony | 10/13/2022 |
| Building Exterior | Bldg 2107 | | Roofs | Damaged Soffits/Fascia/Soffit Vents | L3 | fascia damage | 10/11/2022 |
| Building Exterior | Bldg 2107 | | Roofs | Missing/Damaged Shingles | L1 | 10x10 square | 10/13/2022-Invoice |
| Unit | Bldg 2107 | Unit 2105 | Outlets/Switches | Missing | L3 | outlet and switch covers missing | 10/13/2022 |
| Unit | Bldg 2107 | Unit 2105 | Smoke Detector | Missing/Inoperable | L3 | repaired during inspection | 6/22/2022 |
| Building Systems | Bldg 2108 | | Electrical System | Missing Covers | L3 | 2045 a/c disconnect missing interior panel, exposed wires | 10/12/2022 (work order?) |
| Unit | Bldg 2108 | Unit 2045 | Doors | Damaged Surface (Holes/Paint/Rusting) | L1 | bedroom door separation | 10/12/2022 |
| Unit | Bldg 2108 | Unit 2045 | Outlets/Switches | Missing | L3 | removed by painters | 10/12/2022 |
| Unit | Bldg 2108 | Unit 2045 | Smoke Detector | Missing/Inoperable | L3 | all SD inoperable-rdi | 6/22/2022 |
| Building Exterior | Bldg 2109 | | Roofs | Damaged Soffits/Fascia/Soffit Vents | L3 | fascia damage | 10/11/2022 |

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| Building Systems | Bldg 2109 | | Electrical System | Missing Covers | L3 | missing interior cover at a/c disconnect. | 10/22/2022 |
| Building Systems | Bldg 2109 | | Fire Protection | Missing/Damaged/Expired Extinguishers | L3 | missing extinguisher at office | 10/22/2022 |
| Common Areas | Bldg 2109 | Walls | Halls/Corridors/Stairs | Damaged | L3 | breezeway wall damaged | 10/11/2022 |
| Unit | Bldg 2109 | Unit 1098 | Bathroom | Plumbing - Leaking Faucet/Pipes | L3 | leak under bathroom sink | 10/13/2022 |
| Unit | Bldg 2109 | Unit 1098 | Ceiling | Mold/Mildew/Water Stains/Water Damage | L1 | paint at ceiling bubbling near kitchen (possible a/c leak) | 10/12/2022 |
| Unit | Bldg 2109 | Unit 1098 | Doors | Damaged Hardware/Locks | L2 | bedroom door broken | photo |
| Unit | Bldg 2109 | Unit 1098 | Doors | Damaged Surface (Holes/Paint/Rusting) | L3 | hole in bathroom door surface (taped) | photo |
| Unit | Bldg 2109 | Unit 1098 | Electrical | Missing Breakers/Fuses | L3 | missing breaker-repaired during inspection | 6/22/2022 |
| Unit | Bldg 2109 | Unit 1098 | Health & Safety | Emergency Fire Exits - Emergency/Fire Exits Blocked/Unusable | L3 | headboard blocks secondary window egress | 10/12/2022 |
| Unit | Bldg 2109 | Unit 1098 | Health & Safety | Hazards - Sharp Edges | L3 | broken window | 9/30/2022 |
| Unit | Bldg 2109 | Unit 1098 | Kitchen | Dishwasher/Garbage Disposal - Inoperable | L2 | disposal-repaired during inspection | 6/22/2022 |
| Unit | Bldg 2109 | Unit 1098 | Smoke Detector | Missing/Inoperable | L3 | repaired during inspection | 6/22/2022 |
| Unit | Bldg 2109 | Unit 1098 | Walls | Damaged | L3 | at bedroom near door entry/hole at kitchen | 10/13/2022 |

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| Unit | Bldg 2109 | Unit 1098 | Windows | Cracked/Broken/Missing Panes | L3 | window glass broken from interior | 9/30/2022 |
| Building Exterior | Bldg 2111 | | Health & Safety | Hazards - Sharp Edges | L3 | nails protrude from foundation near 1093 | 10/11/2022 |
| Building Systems | Bldg 2111 | | Domestic Water | Leaking Central Water Supply | L3 | hose bib leaks-will not turn off | 10/13/2022 |
| Common Areas | Bldg 2111 | | Health & Safety | Garbage and Debris - Outdoors | L3 | 2 bags of trash at 2096 | 10/11/2022 |
| Unit | Bldg 2111 | Unit 2095 | Bathroom | Water Closet/Toilet - Damaged/Clogged/Missing | L3 | X2 inoperable | 10/11/2022 |
| Unit | Bldg 2111 | Unit 2095 | Doors | Missing Door | L3 | bathroom door missing | 10/11/2022 |
| Unit | Bldg 2111 | Unit 2095 | Health & Safety | Infestation - Insects | L3 | Roaches | 9/7/2022 |
| Unit | Bldg 2112 | Unit 1053 | Bathroom | Lavatory Sink - Damaged/Missing | L1 | x2 tub stop missing | 10/11/2022 |
| Building Exterior | Bldg 2113 | | Roofs | Missing/Damaged Components from Downspout/Gutter | L2 | gutter down | 10/13/2022_ work order |
| Building Exterior | Bldg 2113 | | Roofs | Missing/Damaged Shingles | L1 | 10X10 square missing/damaged | 10/13/2022 |
| Building Exterior | Bldg 2113 | | Walls | Damaged Chimneys | L3 | stucco deteriorated near 1060 | 10/11/2022-Nman Invoice |
| Building Systems | Bldg 2113 | | Sanitary System | Missing Drain/Cleanout/Manhole Covers | L3 | missing sewer caps | 10/13/2022 |
| Common Areas | Bldg 2113 | Doors | Closet/Utility/Mechanical | Damaged Frames/Threshold/Lintels/Trim | L3 | door frame at boiler #2-frame/trim damaged | 10/11/2022 |

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| Common Areas | Bldg 2113 | Ceiling | Patio/Porch/Balcony | Bulging/Buckling | L3 | patio ceiling bowed | 10/11/2022 |
| Unit | Bldg 2115 | Unit 1090 | Doors | Deteriorated/Missing Seals (Entry Only) | L3 | daylight visible when entry door is closed | 10/11/2022 |
| Unit | Bldg 2115 | Unit 1090 | Laundry Area | Dryer Vent Missing/Damaged/Inoperable | L3 | Repaired during inspection | 6/22/2022 |
| Unit | Bldg 2115 | Unit 1090 | Smoke Detector | Missing/Inoperable | L3 | Repaired during inspection | 6/22/2022 |
| Unit | Bldg 2115 | Unit 2090 | Doors | Damaged Surface (Holes/Paint/Rusting) | L3 | bathroom door & bedroom door damage | 10/12/2022 |
| Unit | Bldg 2115 | Unit 2090 | Doors | Deteriorated/Missing Seals (Entry Only) | L3 | daylight visible when entry door is closed | 10/6/2022 |
| Unit | Bldg 2115 | Unit 2090 | Smoke Detector | Missing/Inoperable | L3 | removed | 10/12/2022 |
| Unit | Bldg 2115 | Unit 2090 | Walls | Damaged | L2 | behind bedroom door & laundry room | 10/12/2022 |
| Unit | Bldg 2115 | Unit 2090 | Windows | Cracked/Broken/Missing Panes | L3 | broken window at entry | 10/25/2022 |
| Building Exterior | Bldg 2117 | | Roofs | Missing/Damaged Components from Downspout/Gutter | L2 | downspout missing | 10/15/2022 |
| Unit | Bldg 2117 | Unit 1085 | Doors | Deteriorated/Missing Seals (Entry Only) | L3 | daylight visible when entry door is closed | 10/12/2022 |
| Unit | Bldg 2117 | Unit 1085 | Kitchen | Dishwasher/Garbage Disposal - Inoperable | L2 | disposal inoperable | 10/12/2022 |
| Unit | Bldg 2117 | Unit 1085 | Laundry Area | Dryer Vent Missing/Damaged/Inoperable | L3 | not connected | 10/12/2022 |

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| Unit | Bldg 2117 | Unit 1085 | Smoke Detector | Missing/Inoperable | L3 | repaired during inspection | 6/22/2022 |
| Unit | Bldg 2119 | Unit 1061 | Bathroom | Plumbing - Clogged Drains | L3 | toilet inoperable | 10/17/2022 |
| Unit | Bldg 2119 | Unit 1061 | Ceiling | Mold/Mildew/Water Stains/Water Damage | L3 | laundry room ceiling, bathroom wall (down stairs) , lav cabinet | 10/17/2022 |
| Unit | Bldg 2119 | Unit 1061 | Doors | Damaged Surface (Holes/Paint/Rusting) | L1 | hole in bedroom door | 10/22/2022 |
| Unit | Bldg 2119 | Unit 1061 | Doors | Missing Door | L2 | closet door broken off hinges & bathroom closet door | 10/17/2022 |
| Unit | Bldg 2119 | Unit 1061 | Health & Safety | Air Quality - Mold and/or Mildew Observed | L3 | laundry room ceiling | 10/17/2022 |
| Building Exterior | Bldg 700 | | Health & Safety | Flammable/Combustible Materials - Improperly Stored | L3 | gas can stored on BBQ grill near 1080 | 10/17/2022 |
| Building Exterior | Bldg 700 | | Windows | Cracked/Broken/Missing/Cracked Panes | L3 | window boarded- broken pane | 10/17/2022 |
| Common Areas | Bldg 700 | | Health & Safety | Flammable/Combustible Materials - Improperly Stored | L3 | oil stored on top of BBQ grill | 10/17/2022 |
| Unit | Bldg 700 | Unit 1073 | Outlets/Switches | Missing/Broken Cover Plates | L3 | missing under Kitchen sink for disposal | 10/12/2022 |
| Unit | Bldg 700 | Unit 1073 | Smoke Detector | Missing/Inoperable | L3 | smoke detector missing | 10/12/2022 |
| Unit | Bldg 700 | Unit 1073 | Stairs | Broken/Missing Hand Railing | L3 | interior stair rail missing | 10/22/2022 |
| Building Exterior | Bldg 701 | | Roofs | Damaged Soffits/Fascia/Soffit Vents | L2 | soffit separation near | photo submitted |

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| Building Exterior | Bldg 701 | | Roofs | Missing/Damaged Components from Downspout/Gutter | L3 | gutter torn from building roof (hanging) | 10/13/2022 |
| Building Exterior | Bldg 701 | | Walls | Missing Pieces/Holes/Spalling | L2 | small hole at stucco near 1008 a/c disconnect | 10/4/2022 |
| Building Systems | Bldg 701 | | Electrical System | Missing Covers | L3 | a/c disconnect missing interior cover-exposed wires @ 1008 | 10/22/2022 |
| Building Systems | Bldg 701 | | Sanitary System | Broken/Leaking/Clogged Pipes or Drains | L3 | sewer leak near 1002 | 10/22/2022 |
| Building Systems | Bldg 701 | | Sanitary System | Missing Drain/Cleanout/Manhole Covers | L3 | | 10/17/2022 |
| Unit | Bldg 701 | Unit 2004 | Windows | Damaged/Missing Screens | L1 | window screens missing | 10/12/2022 |
| Building Exterior | Bldg 705 | | Roofs | Damaged Soffits/Fascia/Soffit Vents | L3 | northeast side of building-deteriorated | 10/11/2022 |
| Building Exterior | Bldg 705 | | Walls | Cracks/Gaps | L2 | separation of wall and deterioration of stucco near 2014, exterior siding loose | 10/11/2022 |
| Building Exterior | Bldg 705 | | Walls | Missing Pieces/Holes/Spalling | L3 | 2 large holes near 1015 and 1013: | 10/11/2022 |
| Common Areas | Bldg 705 | Stairs | Halls/Corridors/Stairs | Broken/Missing Hand Railing | L3 | near 2018-balester loose | Photo submitted |
| Unit | Bldg 705 | Unit 1016 | Smoke Detector | Missing/Inoperable | L3 | repaired during inspection | 6/22/2022 |
| Building Exterior | Bldg 707 | | Walls | Missing Pieces/Holes/Spalling | L3 | holes cut into exterior wall for plumbing repairs | 10/11/2022 |

| | | | | | | | |
|-------------------|----------|-----------|------------------------|--|----|--|-----------------|
| Unit | Bldg 707 | Unit 1023 | Ceiling | Holes/Missing Tiles/Panels | L2 | hole at laundry room ceiling-previous a/c leak | 10/12/2022 |
| Unit | Bldg 707 | Unit 1023 | Ceiling | Peeling/Needs Paint | L1 | bathroom ceiling | 10/12/2023 |
| Building Exterior | Bldg 708 | | Health & Safety | Hazards - Tripping | L3 | cord across sidewalk/walkway | 10/22/2022 |
| Building Exterior | Bldg 708 | | Roofs | Missing/Damaged Components from Downspout/Gutter | L2 | gutter broken | Photo submitted |
| Common Areas | Bldg 708 | Stairs | Halls/Corridors/Stairs | Broken/Damaged/Missing Steps | L3 | stairwell loose/not secure | Photo submitted |
| Common Areas | Bldg 708 | Walls | Halls/Corridors/Stairs | Damaged | L2 | bowing near 2072 | Photo submitted |
| Common Areas | Bldg 709 | Ceiling | Patio/Porch/Balcony | Bulging/Buckling | L3 | from balcony directly over entry of 1031 | Photo submitted |
| Unit | Bldg 709 | Unit 1031 | Bathroom | Lavatory Sink - Damaged/Missing | L1 | stop inoperable | 10/14/2022 |
| Unit | Bldg 709 | Unit 1031 | Ceiling | Mold/Mildew/Water Stains/Water Damage | L3 | leak over tub | 10/14/2022 |
| Unit | Bldg 709 | Unit 1031 | Doors | Deteriorated/Missing Seals (Entry Only) | L3 | daylight visible | 10/14/2022 |
| Unit | Bldg 709 | Unit 1031 | Health & Safety | Air Quality - Mold and/or Mildew Observed | L3 | @ laundry room; under kitchen sink | 10/14/2022 |
| Unit | Bldg 709 | Unit 1031 | Outlets/Switches | Missing/Broken Cover Plates | L3 | outlet covers missing | 10/14/2022 |
| Unit | Bldg 709 | Unit 1031 | Walls | Mold/Mildew/Water Stains/Water Damage | L3 | | 10/14/2022 |

Exhibit 2:

Texas Administrative Code

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

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

(b) Exceptions. The exceptions to the ownership transfer process in this subsection are applicable.

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

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

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

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

(c) General Requirements.

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

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

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

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

(d) Transfer Actions Warranting Debarment. If the Department determines that the transfer, involuntary removal, or replacement was due to a default by the General Partner under the Limited Partnership Agreement, or other detrimental action that put the Development at risk of failure or the Department at risk for financial exposure as a result of non-compliance, staff will refer the matter to the Enforcement Committee for debarment consideration pursuant to §2.401 of this title (relating to Enforcement, Debarment

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

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

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

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

(2) If the LURA requires ownership or material participation in ownership by a nonprofit organization or CHDO, the Development Owner must show that the transferee is a nonprofit organization or CHDO, as applicable, that complies with the LURA. If the transferee has been certified as a CHDO by TDHCA prior to 2016 or has not previously been certified as a CHDO by TDHCA, a new CHDO certification package must be submitted for review. If the transferee was certified as a CHDO by TDHCA after 2016, provided no new federal guidance or rules concerning CHDO have been released and the proposed ownership structure at the time of review meets the requirements in 24 CFR Part 92, the CHDO may instead submit a CHDO Self-Certification form with the Ownership Transfer package.

(3) Exceptions to paragraphs (1) and (2) of this subsection may be made on a case by case basis if the Development (for MFDL) is past its Federal Affordability Period or (for HTC Developments) is past its Compliance Period, was not reported to the IRS as part of the Department's Nonprofit Set Aside in any HTC Award year, and follows the procedures outlined in §10.405(b)(1) - (5) of this subchapter. The Board must find that:

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

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

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

(g) Historically Underutilized Business (HUB) Organizations. If a HUB is the general partner or special limited partner of a Development Owner and it determines to sell its ownership interest, after the issuance of IRS Form(s) 8609, the purchaser of that partnership interest or the general or special limited partner is not required to be a HUB as long as the LURA does not require it or the procedure described in §10.405(b)(1) of this subchapter has been followed and approved. The removal of a HUB requirement prior to filing of IRS Form(s) 8609 is subject to the procedure described in §10.405(b)(2) of this subchapter.

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

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

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

(3) Pre and post transfer organizational charts with TINs of each organization down to the level of natural persons in the ownership structure as described in §11.204(13)(B) of Subchapter C of this title (relating to Required Documentation for Application Submission);

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

(5) Previous Participation information for any new Principal as described in §11.204(13)(C) of this title (relating to Required Documentation for Application Submission);

(6) Agreements among parties associated with the transfer;

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

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

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

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

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

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

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

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

(k) Penalties, Past Due Fees and Underfunded Reserves. The Development Owner must comply with any additional documentation requirements as stated in Subchapter F of this chapter (relating to Compliance Monitoring) and Subchapter G of this chapter (relating to Affirmative Marketing Requirements and Written Policies and Procedures). The Development Owner on record with the Department will be liable for any penalties or fees imposed by the Department (even if such penalty can be attributable to the new Development Owner) unless an ownership transfer has been approved by the Department. In the event a transferring Development has a history of uncorrected UPCS violations, ongoing issues related to keeping housing sanitary, safe, and decent, an account balance below the annual reserve deposit amount as specified in §10.404(a) of this subchapter (relating to Replacement Reserve Accounts), or that appears insufficient to meet capital expenditure needs as indicated by the number or cost of repairs included in a PNA or SCR, the prospective Development Owner may be required to establish and maintain a replacement reserve account or increase the amount of regular deposits to the replacement reserve account by entering into a Reserve Agreement with the Department. The Department may also request a plan and timeline relating to needed repairs or renovations that will be completed by the departing and/or incoming Owner as a condition to approving the Transfer. A PNA or SCR may be requested if one has not already been received under §10.404 of this subchapter.

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

Source Note: The provisions of this §10.406 adopted to be effective February 3, 2022, 47 TexReg 266