



**DALLAS HOUSING FINANCE CORPORATION
REGULAR MEETING**

**Tuesday, February 14, 2023 at 12:00 PM
Dallas City Hall – L1FN Auditorium
Video Conference :**

<https://dallascityhall.webex.com/dallascityhall/j.php?MTID=m6e5639be9e4d358775d87f5df91f0f5e>

Telephone: (408) 418-9388, Access Code: 2489 719 4298

The City of Dallas will make “Reasonable Accommodations” to programs and/or other related activities to ensure any and all residents have access to services and resources to ensure an equitable and inclusive meeting. Anyone requiring auxiliary aid, service, and/or translation to fully participate in the meeting should notify the Department by calling (214) 670-4557 or TTY (800) 735-2989, forty-eight (48) hours prior to the scheduled meeting. A video stream of the meeting will be available two business days after adjournment by visiting <https://dallascityhall.com/government/Pages/Live.aspx>.

Individuals and interested parties wishing to speak must register with the Department by email to aaron.eaquinto@dallas.gov or call (214) 670-4941, twenty-four (24) hours prior to the meeting date and time.

AGENDA

- I. **Call to Order** - Marcy Helfand, President
- II. **Roll Call** – Aaron Eaquinto, Assistant General Manager
- III. **Public Comments on items 4-7**
- IV. **Approval of the Minutes for the January 24, 2023 City of Dallas Housing Finance Corporation (“the Corporation”) Meeting** – Marcy Helfand, President
- V. **Consider and Adopt a Resolution Approving a Memorandum of Understanding (“MOU”) with Opportunity Housing Group (“OHG”) for the Acquisition of Fitzhugh Urban Flats, a Multifamily Residential Development Located at 2707 N Fitzhugh Ave and the Creation with the Texas Secretary of State of a Limited Liability Company to Own the Development with the Corporation as the Sole Member to be Named DHFC Fitzhugh Urban Flats, LLC and Approving the Form of a Limited Liability Company Agreement** – Aaron Eaquinto, Assistant General Manager, George Rodriguez, Bond Counsel, Bracewell LLP, Ryan Bowen, Corporation Counsel, Chapman and Cutler LLP and Tim Nelson, Managing Director, Hilltop Securities Inc.
- VI. **Consider and Adopt a Resolution Approving a Memorandum of Understanding (“MOU”) with Waterford Property Company (“Waterford”) for the Acquisition of Everra Midtown, a Multifamily Residential Development Located at 8250**

Meadow Road and the Creation with the Texas Secretary of State of a Limited Liability Company to Own the Development with the Corporation as the Sole Member to be Named DHFC Everra Midtown, LLC and Approving the Form of a Limited Liability Company Agreement – Aaron Eaquinto, Assistant General Manager, George Rodriguez, Bond Counsel, Bracewell LLP, Ryan Bowen, Corporation Counsel, Chapman and Cutler LLP and Tim Nelson, Managing Director, Hilltop Securities Inc

VII. **Consider and Adopt Post-Issuance Compliance Procedures for Governmental and Private Activity Bonds** – Aaron Eaquinto, Assistant General Manager, George Rodriguez and Brian Teaff, Bond Counsel, Bracewell LLP

VIII. **Adjourn** – Marcy Helfand, President

Handgun Prohibition Notice for Meetings of Governmental Entities

"Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun."

"De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistol oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta."

"Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly."

"De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista."

"Pursuant to Section 46.03, Penal Code (places weapons prohibited), a person may not carry a firearm or other weapon into any open meeting on this property."

"De conformidad con la Sección 46.03, Código Penal (coloca armas prohibidas), una persona no puede llevar un arma de fuego u otra arma a ninguna reunión abierta en esta propiedad."

EXECUTIVE SESSION NOTICE

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

1. seeking the advice of its attorney about pending or contemplated litigation, settlement offers, or any matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act. [Tex. Govt. Code §551.071]
2. deliberating the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.072]
3. deliberating a negotiated contract for a prospective gift or donation to the city if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.073]
4. deliberating the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee unless the officer or

employee who is the subject of the deliberation or hearing requests a public hearing. [Tex. Govt. Code §551.074]

5. deliberating the deployment, or specific occasions for implementation, of security personnel or devices. [Tex. Govt. Code §551.076]
6. discussing or deliberating commercial or financial information that the city has received from a business prospect that the city seeks to have locate, stay or expand in or near the city and with which the city is conducting economic development negotiations; or deliberating the offer of a financial or other incentive to a business prospect. [Tex Govt . Code §551.087]
7. deliberating security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementations of security personnel, critical infrastructure, or security devices. [Tex Govt. Code §551.089]

Dallas Housing Finance Corporation Board of Directors

Meeting

Meeting Record
Tuesday, January 10, 2023 at 12:00 PM
City Hall – 6ES Council Briefing Room
1500 Marilla Street, Dallas, Texas 75201
and Videoconference
Meeting Link:

<https://dallascityhall.webex.com/dallascityhall/j.php?MTID=m6e5639be9e4d358775d87f5df91f0f5e>

Audio Only:

+1-469-210-7159 United States Toll (Dallas)
+1-408-418-9388 United States Toll
Access code: 2489 719 4298

The Dallas Housing Finance Corporation Board of Directors meetings are recorded. Agenda materials and audiotapes may be reviewed/copied by contacting the Boards Coordinator at 214-670-1686.

Meeting Date: January 10, 2023

Meeting Start time: 12:02 PM

Board Members Present:	Staff Present:
President Marcy C. Helfand Vice President Ryan Garcia Secretary Anthony Page Treasurer Beatrice Alba Martinez Director Patty Collins Director David Ellis Director Tatiana Farrow Director Prisma Garcia Director Christopher Lewis Director Sean Allen <u>Board Members Absent:</u> Director Jessica M De Paz Director Joshua Vernon	Kyle Hines, General Manager Aaron Eaquinto, Assistant General Manager Jaclyn Schroeder, Housing Project Coordinator Kelsey Ciluffo <u>Guests Present:</u> Ryan Bowen George Rodriguez Tim Nelson Braxton Parsons

AGENDA:

1. Dallas Housing Finance Corporation Board of Directors Meeting called to Order by – Marcy Helfand, President
2. Roll Call – Aaron Eaquinto, Assistant General Manager
3. **Public Testimony - Public Comments on Items 4-9.**
No comments
4. Approval of the Minutes for the November 29, 2022 Corporation Meeting – **Marcy Helfand, President**

Action Taken/Committee Recommendation(s):

Motion made by Director Page	Motion seconded by Director Farrow
Item passed unanimously: <u>X</u>	Item passed on a divided vote: _____
Item failed unanimously: _____	Item failed on a divided vote: _____

- Public and Adopt a Resolution Approving a Memorandum of Understanding (“MOU”) with Opportunity Housing Group (“OHG”) for the Acquisition of Muse at Midtown, a Multifamily Residential Development Located at 13675 Noel Road and the Creation with the Texas Secretary of State of a Limited Liability Company to Own the Development with the Corporation as the Sole Member to be Named DHFC Muse at Midtown, LLC and Approving the Form of a Limited Liability Company Agreement – **Aaron Eaquinto, Assistant General Manager, George Rodriguez, Bond Counsel, Bracewell LLP, Ryan Bowen, Corporation Counsel, Chapman and Cutler LLP and Tim Nelson, Managing Director, Hilltop Securities Inc.**

Action Taken/Committee Recommendation(s):

Motion made by Vice President Garcia	Motion seconded by Director Lewis
Item passed unanimously: <u>X</u>	Item passed on a divided vote: _____
Item failed unanimously: _____	Item failed on a divided vote: _____

There was discussion on this item concerning the proximity of certain amenities such as grocery stores and bus stops. There was also a question concerning whether or not the DHFC had dealt with a condo/retail space in any previous developments.

The item passes unanimously with Director Ellis abstaining from the vote.

- Consider and Adopt a Resolution Authorizing the DHFC President, Treasurer, and Staff to Approve the Annual Operating Plan and Budget and the Annual Capital Budget for DHFC The Briscoe Apartments, LLC – **Aaron Eaquinto, Assistant General Manager**

Action Taken/Committee Recommendation(s):

Motion made by Director Lewis	Motion seconded by Director Garcia
Item passed unanimously: <u>X</u>	Item passed on a divided vote: _____
Item failed unanimously: _____	Item failed on a divided vote: _____

This item passed unanimously with Director Ellis abstaining from the vote.

- Consider and Adopt a Resolution Authorizing the DHFC President, Treasurer, and Staff to Approve the Annual Operating Plan and Budget and the Annual Capital Budget for DHFC The Dylan Apartments, LLC – **Aaron Eaquinto, Assistant General Manager**

Action Taken/Committee Recommendation(s):

Motion made by Director Allen	Motion seconded by Treasurer Martinez
Item passed unanimously: <u>X</u>	Item passed on a divided vote: _____
Item failed unanimously: _____	Item failed on a divided vote: _____

8. Resolutions for The Crossing at Clear Creek, a Multifamily Residential Development Located at the Northeast Corner of Hwy 175 and Woody Road:
- a. Consider and Adopt Resolution Approving an Agreement with LDG Multifamily, LLC for the Acquisition and Development of the Crossing at Clear Creek, a Multifamily Residential Development – **Aaron Eaquinto, Assistant General Manager**
 - b. Consider and Adopt Resolution Approving the Assignment to the Corporation of Ownership of LDG The Crossing at Clear Creek GP, LLC, the General Partner of LDG The Crossing at Clear Creek, LP, and Approving the Form of an Amended and Restated Limited Liability Company Agreement – **Aaron Eaquinto, Assistant General Manager**
 - c. Consider and Adopt a Resolution Approving the Creation of a Limited Liability Company with the Corporation as the Sole Member with the Texas Secretary of State to be Named “DHFC The Crossing at Clear Creek Developer LLC” and Approving the Form of a Limited Liability Company Agreement – **Aaron Eaquinto, Assistant General Manager**
 - d. Consider and Adopt a Resolution Approving the Creation of a Limited Liability Company with the Corporation as the Sole Member with the Texas Secretary of State to be Named “DHFC The Crossing at Clear Creek Landowner LLC” and Approving the Form of a Limited Liability Company Agreement – **Aaron Eaquinto, Assistant General Manager**
 - e. Consider and Adopt a Resolution Approving the Creation of a Limited Liability Company with the Corporation as the Sole Member with the Texas Secretary of State to be named “DHFC The Crossing at Clear Creek General Contractor LLC” and Approving the Form of a Limited Liability Company Agreement – **Aaron Eaquinto, Assistant General Manager**

Action Taken/Committee Recommendation(s):

Motion made by Director Ellis	Motion seconded by Director Farrow
Item passed unanimously: <u> X </u>	Item passed on a divided vote: <u> </u>
Item failed unanimously: <u> </u>	Item failed on a divided vote: <u> </u>

Discussion was had about the availability of grocery stores near the site and the issue of parkland dedication and sidewalks that is pending with the city.

9. Consider Resolutions for The Terrace at Highland Hills, a Multifamily Residential Development Located at 3100 Persimmon Road:
- a. Consider and Adopt Resolution Approving an Agreement with LDG Multifamily, LLC for the Acquisition and Development of The Terrace at Highland Hills, a Multifamily Residential Development – **Aaron Eaquinto, Assistant General Manager**
 - b. Consider and Adopt Resolution Approving the Assignment to the Corporation of Ownership of LDG The Terrace at Highland Hills GP, LLC, the General Partner of LDG The Terrace at Highland Hills, LP and Approving the Form of an Amended and Restated Limited Liability Company Agreement – **Aaron Eaquinto, Assistant General Manager**

- c. Consider and Adopt a Resolution Approving the Creation of a Limited Liability Company with the Corporation as the Sole Member with the Texas Secretary of State to be Named “DHFC The Terrace at Highland Hills Developer LLC” and Approving the Form of a Limited Liability Company Agreement – **Aaron Eaquinto, Assistant General Manager**
- d. Consider and Adopt a Resolution Approving the Creation of a Limited Liability Company with the Corporation as the Sole Member with the Texas Secretary of State to be Named “DHFC The Terrace at Highland Hills Landowner LLC” and Approving the Form of a Limited Liability Company Agreement – **Aaron Eaquinto, Assistant General Manager**
- e. Consider and Adopt a Resolution Approving the Creation of a Limited Liability Company with the Corporation as the Sole Member with the Texas Secretary of State to be Named “DHFC The Terrace at Highland Hills General Contractor LLC” and Approving the Form of a Limited Liability Company Agreement – **Aaron Eaquinto, Assistant General Manager**

Action Taken/Committee Recommendation(s):

Motion made by Vice President Garcia	Motion seconded by Secretary Page
Item passed unanimously: <u> X </u>	Item passed on a divided vote: <u> </u>
Item failed unanimously: <u> </u>	Item failed on a divided vote: <u> </u>

10. Adjourn - **Marcy Helfand, President 1:23 PM**

These minutes were approved by the City of Dallas Housing Finance Corporation Board of Directors on the 10th day of January, 2023.

APPROVE:

Marcy C. Helfand
President

ATTEST:

Anthony Page
Secretary

**City of Dallas Housing
Finance Corporation**

Memo

To: Board of Directors of the City of Dallas Housing Finance Corporation

From: Aaron Eaquinto, Assistant General Manager

cc: Ryan Bowen, General Counsel
George Rodriguez, Bond Counsel, Bracewell LLP
Tim Nelson, Financial Advisor, Hilltop Securities
Robert Estrada, Financial Advisor, Estrada Hinojosa & Company, Inc.

Date: February 14, 2023

Re: Consider and Adopt a Resolution Approving a Memorandum of Understanding (“MOU”) with Opportunity Housing Group (“OHG”) for the Acquisition of Fitzhugh Urban Flats, a Multifamily Residential Development Located at 2707 N Fitzhugh Ave and the Creation with the Texas Secretary of State of a Limited Liability Company to Own the Development with the Corporation as the Sole Member to be Named DHFC Fitzhugh Urban Flats, LLC and Approving the Form of a Limited Liability Company Agreement

The purpose of this agenda item is to consider and adopt a resolution approving an MOU with Opportunity Housing Group (OHG) to finance and acquire Fitzhugh Urban Flats, a Multifamily Residential Development Located at 2707 N Fitzhugh Ave.

Opportunity Housing Group submitted an application to acquire Fitzhugh Urban Flats, an existing 452-unit market rate, multifamily development located at 2707 N Fitzhugh Ave, using essential function bonds. The property was completed in 2008. Upon closing, the DHFC would own the land and the improvements and subsequently 50% of the units would become income restricted for residents earning at or below 80% the area median income. 40% of the units would be reserved for 140% AMI, and 10% would be non-income restricted – the same income mix as our other recently-approved essential bond acquisitions. The residents earning at or below 80% AMI that are currently paying over the 80% AMI rents would instantly receive rent reductions. Those earning over 80% AMI would continue to pay market rents. No residents will be displaced. This property is located in a high opportunity area just off of Fitzhugh and Hwy 75. This provides residents convenient access to job centers downtown and in central Dallas. This property is close to all the amenities that Uptown and Downtown Dallas provide and would be a prime opportunity to lock in some affordability in a high-quality asset that is in very close proximity to the urban core.

With an essential bond transaction involving an existing property, the DHFC will purchase the asset using the bonds to finance the transaction. This ownership through the DHFC will immediately grant a tax exemption to the property, allowing the property administrator to charge lower rents and restrict the affordability on site. Without ownership through the DHFC, these restricted rents would not be able to be supported. Waterford will essentially run the property on our behalf, but the DHFC will be the sole owner.

OHG currently has the property under contract and requires Board action to approve an MOU for the acquisition and a preliminary inducement for the bonds. A preliminary MOU and Term Sheet and an executive summary of the project is included with the board packet for your review.

If you have any questions regarding this agenda item, Staff, Ryan Bowen, Corporation Counsel, Tim Nelson, DHFC Financial Advisor, and OHG will be available prior to and at the meeting to discuss.



WORKFORCE HOUSING PROGRAM

Using Tax-Exempt Essential Function Bonds

Presentation to



City of Dallas

Dallas Housing Finance Corporation

Opportunity to Immediately Convert Market Rate Multifamily Units to
Income-Restricted Publicly Owned Workforce Housing

January 25, 2022

Opportunity Housing Group (Sponsor/Project Administrator)



- Extensive experience in multifamily acquisitions and asset management
- Team members have acquired over 7,700 apartments, managed over 100 properties/35,000+ units, and developed over 7,750 units
- Since 2021 closed over \$1 billion in bonds for 1,904 workforce housing units across six projects
- OHG current workforce housing projects average rent savings for residents of \$4,700/unit/yr
- Project Administrator for DHFC Workforce Housing Project- The Briscoe

Citigroup (Bond Underwriter)



- #1 municipal bond underwriter nationally and in Texas over the past two decades
- Since 2018, Citi has financed \$14.2 billion for Texas issuers (13.0%) and has committed over \$550 million of capital for Texas issuers during that time period
- Over the past decade, Citi has deployed \$2.2 billion to preserve or create over 18,700 units of affordable housing throughout Texas

Greystar (Property Manager)



- First class operator with extensive affordable and market rate portfolio under management in TX
- Excellent procedures for maintenance, capital improvements and repairs
- Leading manager of Workforce Housing projects nationwide

Norris George and Ostrow PLLC (Underwriter's Counsel)



Norris George & Ostrow PLLC

- Has served as underwriter's or placement agent's counsel on over a dozen workforce housing financings aggregating approximately \$1.5 billion
- Was placement agent counsel on the first three tax exempt workforce housing bond issues in TX using this structure, including The Briscoe. Played a major role in adapting this structure for financings in TX.



Housing Crisis for the “Missing Middle”

THE CRISIS

Across Texas, critical members of the workforce are being priced out of their communities.

ISSUE

- **Dramatic, sustained rent increase across TX cities (27% in Dallas since Q1 2021)** means that **only the wealthy can continue to afford to live** in the cities where they work.
- **Income Inequality** in TX is among the worst in the U.S. and is worsening rapidly.
- Teachers, Construction Workers, Government Employees, Nurses, First Responders and others struggle to afford rent or are forced to move away.
- **29% of Dallas renters pay more than 40% of their income as rent (89,000 families).**

IMPACT

- **Hurts Families:** Families have little disposable income after payment of rent to spend in their communities or to save for their futures.
- **Hurts Communities:** Families face instability- not knowing if rent increases will force them to leave the community.
- **Hurts Employers:** Texas public and private employers struggle to find workers, hurting economies and challenging small businesses.
- **Hurts Environment:** Moving farther from employment causes increased commutes, traffic and reduced quality of life.

SOLUTION



New Construction: Supply is limited, timeline is slow and market rents are generally too high for middle-income residents to afford.



Tax Credits or Subsidy Programs: Limited to Very Low Income (<60% of AMI) residents, so Middle-Income Texans are not eligible and supply is limited.



Workforce Housing Program is the SOLUTION:

- Restricts rents to affordable levels for middle-income residents.
- Keeps existing residents in place.
- No public subsidies, equity, grants or liability.
- Delivers long-term value to DHFC.

Data: Costar, US Census 2020, American Community Survey (US Census 2020), World Population Review.

Housing Challenges for Middle Income Families

In Dallas, 29% of renters (89,000 families) are extremely rent-burdened with rent >40% of income.

- 9% of renters in Dallas pay 40-50% of income as rent
- 20% of renters in Dallas pay >50% of income as rent

And it's getting worse...

- Multifamily construction levels in DFW at lowest point since 2015.
- DFW added 147,000 jobs from pre-pandemic levels and led national population growth adding 97,000 people from 2020 to 2021.
- Massive rent growth driving affordability challenges (27% since Q1 2021)

Who is the Missing Middle? Teachers, Government Workers, Nurses, First Responders, Construction/Trade workers, Police, Fire, Medical workers and others.



Data from Bureau of Labor Statistics, www.rent.com, Manhattan Institute

Rent Growth Since Q1 2021- TX Metro Areas	
McKinney	26.6%
Austin	24.1%
Houston	13.3%
Corpus Christi	10.5%
San Antonio	16.6%
Dallas	27.0%
Plano	29.9%
Fort Worth	14.7%
Irving	26.1%
El Paso	19.5%

Proposed Project: Fitzhugh Urban Flats

Fitzhugh Urban Flats

2707 N Fitzhugh Ave., Dallas, TX 75204

Old East Dallas

Construction **Completed 2020**

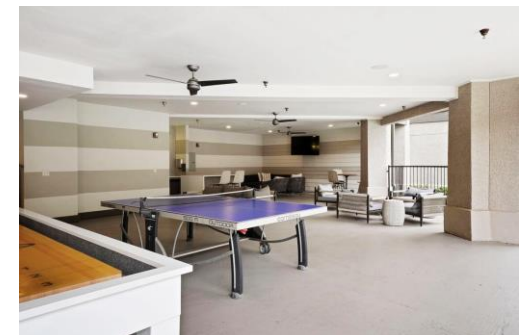
Unit Mix:

- 78 Studio Units @ 725 sf avg.
- 269 One Bed Units @ 889 sf avg.
- 105 Two Bed Units @ 1,243 sf avg.
- **Total 452 Units @ 943 sf avg.**

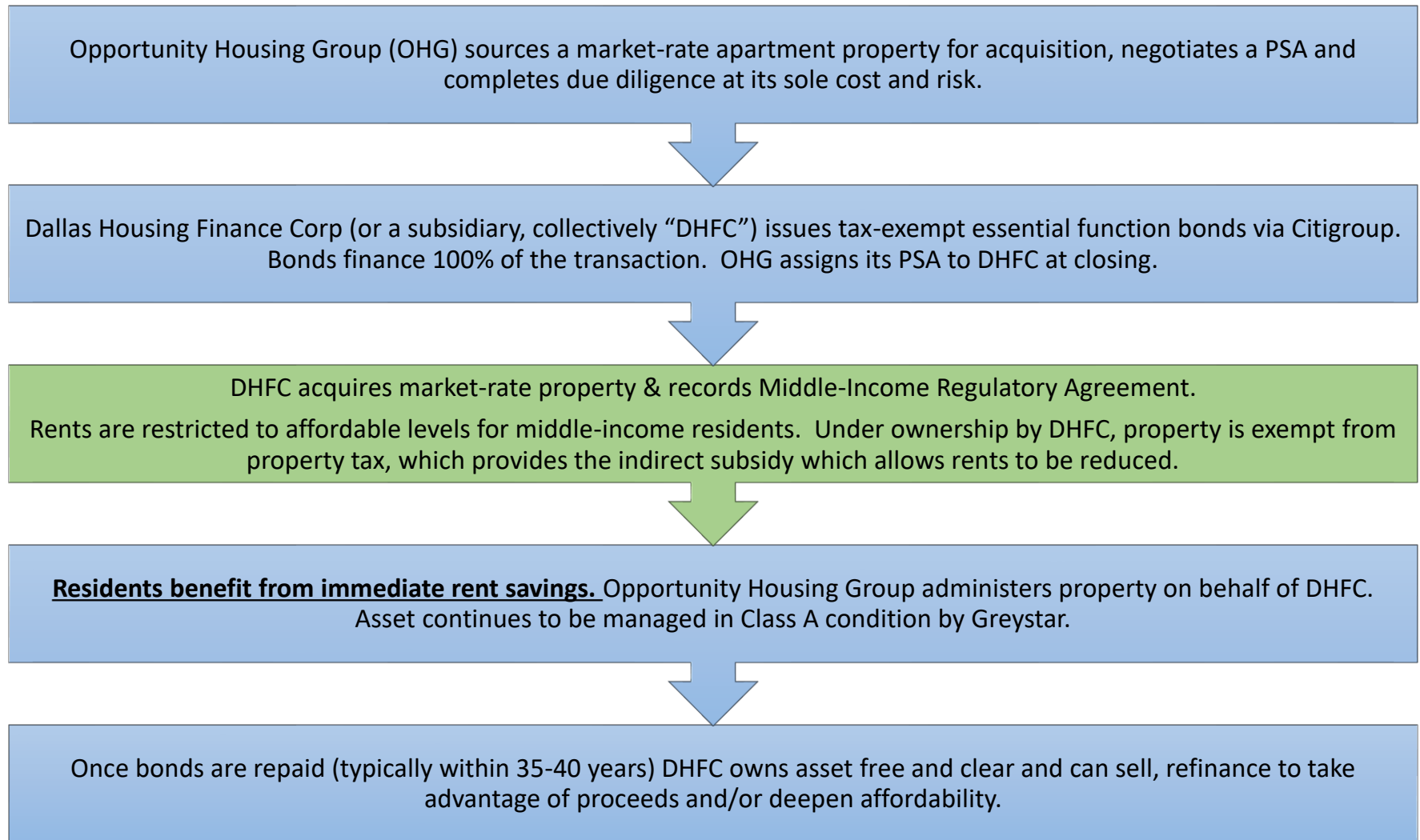
Amenities include:

- Resort-Style Swimming Pools
- Clubhouse
- Community BBQ Grill
- Outdoor TV Wall
- Custom Outdoor Bar/Kitchen
- Fitness Center
- Peloton Bikes
- Dog Parks
- Courtyards
- EV Charging Station
- Door-to-Door Valet Trash
- Package Lockers
- Clothes Care Center

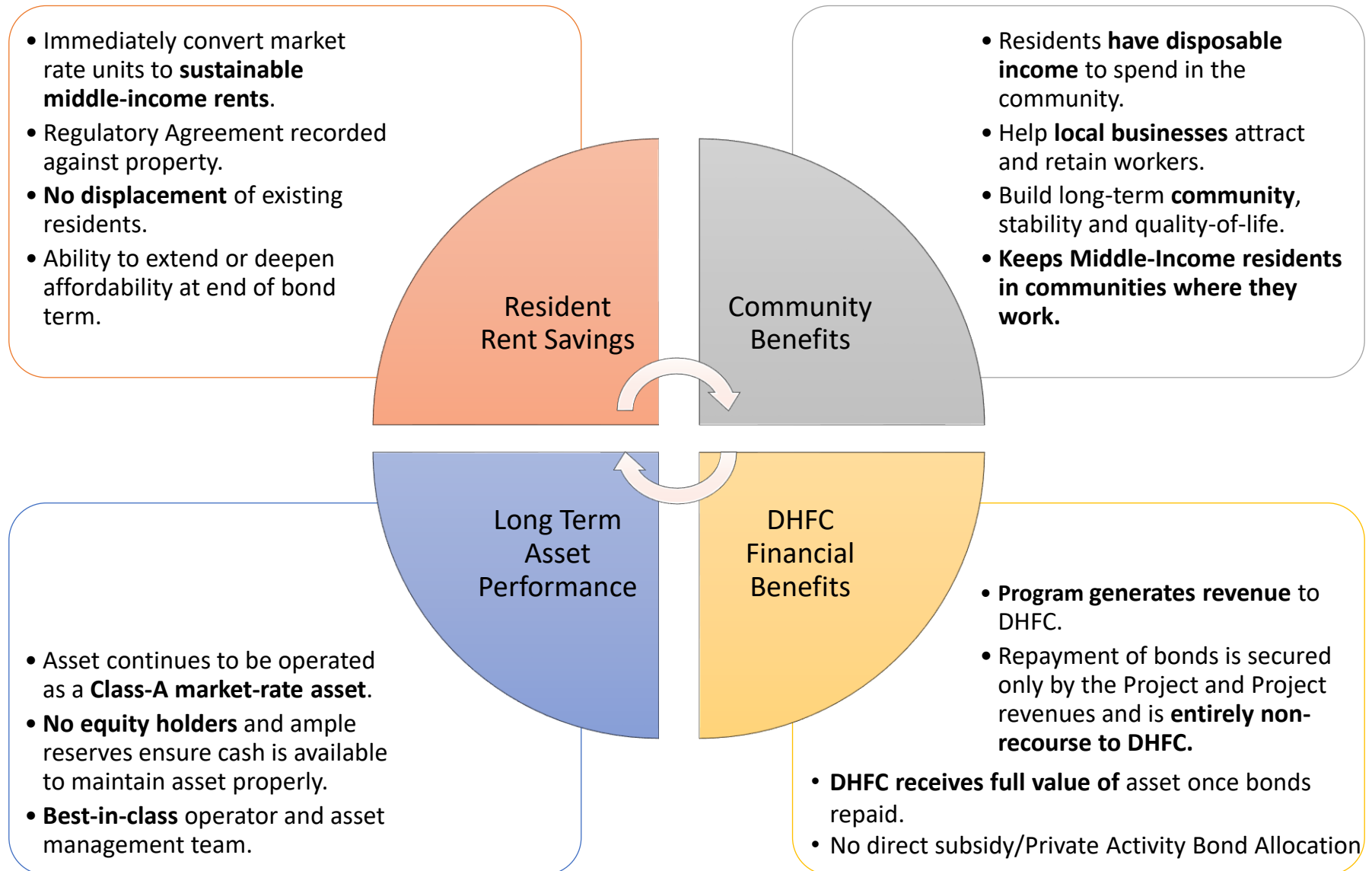
<https://www.fitzhughurbanflats.com/>



Workforce Housing Program: Simple Process for Immediate Results (Same as The Briscoe)



Public Benefits of Workforce Housing Program



Proposal: Fitzhugh Urban Flats

Owner/Issuer	DHFC (or controlled affiliate)
Asset	Fitzhugh Urban Flats, a 452-unit multifamily property completed in 2008, located at 2707 N Fitzhugh Ave. Dallas, TX 75204
Project Administrator	OHG Fitzhugh Administrator, LLC (affiliate of Opportunity Housing Group)
Underwriter	Citigroup Global Markets, Inc.
Property Manager	Greystar
Proposed Income Restrictions	Middle Income Regulatory Agreement Recorded at Closing <ul style="list-style-type: none">• 50% of units limited to incomes <80% AMI• 40% of units limited to incomes <140% of AMI• 10% of units unrestricted
Term	35-40 Years
Amortization	Turbo Amortization of Principal from Available Cash Flow
Operations	Property will continue to be operated in a Class A manner with ample reserves over the duration of ownership to serve middle-income residents
See Term Sheet and MOU for further details.	



Resident Rent Savings

Rent levels for 90% of the Project will be lowered to affordable levels for families earning <80% to <140% of AMI.

This provides **stability and long-term affordability** for residents at a **premier Class A asset owned by DHFC.**

RENTS								
Unit Type	Total Units	%	Avg SF	CURRENT IN-PLACE Rent/Unit	CURRENT MARKET Rent/Unit	DHFC Rents Post-Closing		
						LOW	MIDDLE	MARKET
						Less than 80% AMI 50% of project 226 units Income <\$62,400	Less than 140% AMI 40% of project 181 units Income <\$109,200	No Restriction 10% of project 45 units No Income Limit
Studio	78	17.3%	725	\$1,527	\$1,714	1,354	1,527	1,527
One Bed	269	59.5%	889	\$1,709	\$1,750	1,460	1,709	1,709
Two Bed	105	23.2%	1243	\$2,308	\$2,376	1,753	2,308	2,308
TOTAL	452	100.0%	943	\$1,817	\$1,901	\$1,510	\$1,817	\$1,817
LOW INCOME RESIDENT SAVINGS VS. CURRENT MARKET						-20.54%		
Low Income Rent Savings/Unit/Mo						-\$390		
Low Income Rent Savings/Unit/Yr						-\$4,684		

Note: Income limit shown for a family of two (one-bed unit). Middle and Market Income Tenants shown at starting In Place Rents, new leases for Middle/Market tenants will be at market rates.

- Current residents will **not be displaced** by the program. If tenants do not qualify for restricted rents, they may remain at their current market rent. Eventually, via turnover, 90% of renters will qualify for rent within the Low to Middle income range.
- Residents tend to spend monthly rent savings, thus **benefiting local businesses**.

Equity Value to DHFC

Key Benefit of the Workforce Housing Program is that **DHFC is the 100% owner of the asset with no equity partners**. DHFC has the right to sell or refinance any time after Year 15.

In addition to the immediate resident rent savings, the accumulation of asset value over time generates substantial cash value to DHFC which can be used to further other affordable housing goals in the future.

PUBLIC BENEFITS ANALYSIS: DHFC ¹	Sale in Yr 15	Sale in Yr 35
Total Property Tax Subsidy (over term)	\$12,266,992	\$39,878,020
PUBLIC BENEFITS		
Resident Rent Savings (over term)	\$40,362,043	\$223,042,226
<u>Cash Benefits to DHFC</u>		
Ongoing Fees	\$866,233	\$2,814,954
Disposition Proceeds Net of Repayment of Outstanding Debt	\$86,979,304	\$452,491,310
Total Cash Benefits to DHFC	\$87,845,537	\$455,306,264
TOTAL Public Benefits	\$128,207,580	\$678,348,490
Public Benefit/Property Tax Subsidy	1045%	1701%

Notes:

Current asset value is \$120,000,000 (contract sale price).

Assumes 3% annual tax increase.

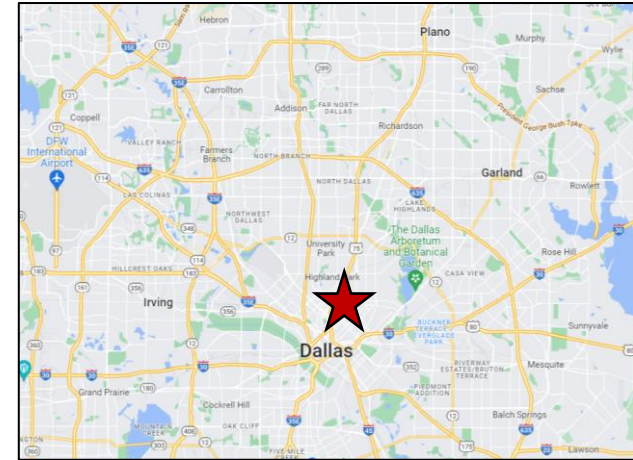
Sale assumes middle-income affordability remains in place at sale and 4.5% exit cap rate.

See proforma for detailed analysis.

¹ Approximate, subject to change.

The Opportunity: Immediately convert Fitzhugh Urban Flats to Middle-Income Affordability to benefit essential workers in Dallas.

- Landmark, Class A Asset to provide Quality Affordable Housing to **226 Low Income** Dallas families.
- Low Income Residents receive **initial rent savings of \$4,680+ per unit per year.**
- Entirely Non-Recourse for DHFC.
- Experienced team has executed over \$1 billion in Workforce Housing Projects in the last year and is completing The Briscoe transaction currently with DHFC.
- DHFC owns asset free-and-clear at the end of the bond term. Can sell, refinance or deepen affordability at that time. **Disposition value estimated approximately at \$87 million (Yr 15) to \$452 million (Yr 35).**
- Significant budgeted reserves and best-in-class operator to maintain asset in Class A condition.
- **Fitzhugh Urban Flats is ready to convert to public ownership immediately following DHFC approval.**



Opportunity Housing Group

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Brad Griggs

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202-774-1888 wnorris@ngomunis.com

CITY OF DALLAS HOUSING FINANCE CORPORATION

The undersigned officer of the City of Dallas Housing Finance Corporation (the “*Corporation*”) hereby certifies that he is the duly elected qualified and acting Secretary of the Board of Directors of the Corporation (the “*Board*”), and hereby certifies that true, correct and complete copies of a certain resolution adopted by the Board at its February 14, 2023 meeting (the “*Resolution*”) are attached hereto. The Resolution has not been amended or revoked and is now in full force and effect.

Dated: February 14, 2023

By _____
Anthony Page
Secretary

CITY OF DALLAS HOUSING FINANCE CORPORATION

RESOLUTION AUTHORIZING THE FORMATION OF DHFC FITZHUGH URBAN FLATS, LLC (THE “*COMPANY*”) IN CONNECTION WITH THE CITY OF DALLAS HOUSING FINANCE CORPORATION (THE “*CORPORATION*”) ISSUANCE OF BONDS; AUTHORIZING THE DESIGNATION OF THE CORPORATION AS THE SOLE MEMBER OF THE COMPANY; APPROVING A MEMORANDUM OF UNDERSTANDING; RATIFYING CERTAIN ACTIONS HERETOFORE TAKEN IN CONNECTION WITH THE COMPANY; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT THE PURPOSES OF THIS RESOLUTION; AND CONTAINING OTHER PROVISIONS RELATING THERETO

WHEREAS, the City of Dallas Housing Finance Corporation (the “*Corporation*”) has been duly created and organized pursuant to and in accordance with the provisions of the Texas Housing Finance Corporations Act, Chapter 394, Local Government Code, as amended (the “*Act*”), for the purpose of providing a means of financing the costs of residential ownership and development that will provide decent, safe and sanitary housing for persons of low and moderate income at prices they can afford; and

WHEREAS, pursuant to the Act, the Corporation intends to issue, sell and deliver one or more series of bonds (the “*Bonds*”) to provide for the financing by DHFC Fitzhugh Urban Flats, LLC, a to-be-formed Texas limited liability company (the “*Company*”), of the acquisition of a multifamily residential rental development known as Fitzhugh Urban Flats, located in the City of Dallas, Dallas County, Texas (the “*Project*”), and the funding of certain reserves and payment of certain costs of issuance of the Bonds in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Board of Directors of the Corporation has determined that it is in the best interest of the Corporation to authorize the formation, and to act as the sole member of the Company; and

WHEREAS, as the sole member of the Company, the Corporation desires to appoint officers of the Company and authorize the officers to enter into agreements on behalf of and for the benefit of the Company; to approve of the Company’s formation; and to ratify all actions previously taken on behalf of the Company in connection with operation of the Project; and

WHEREAS, the Corporation desires to approve a memorandum of understanding with Opportunity Housing Group (the “*Memorandum of Understanding*”) regarding the acquisition and development of the Project in substantially the form attached hereto as *Exhibit A*;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF DALLAS HOUSING FINANCE CORPORATION THAT:

Section 1. Formation of Company. The formation of DHFC Fitzhugh Urban Flats, LLC is hereby approved.

Section 2. Designation of Sole Member. The designation of the Corporation as the sole member of the Company is hereby approved and ratified.

Section 3. Appointment of Officers of the Company. Marcy C. Helfand is appointed President, Ryan Garcia is appointed Vice President, and Anthony Page is appointed Secretary of the Company.

Section 4. Approval of Memorandum of Understanding. The Corporation hereby approves the Memorandum of Understanding regarding the acquisition and development of the Project.

Section 5. Execution and Delivery of Documents. The officers of the Company or the Corporation, as sole member of the Company, are each hereby authorized to negotiate the terms of, execute and attest to a limited liability company agreement for the Company and any other such agreements, including but not limited to a property management agreement and a project administration agreement, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 6. Ratification of Previous Actions. The Corporation hereby ratifies, confirms and adopts all actions previously taken on behalf of the Company to carry into effect the transactions contemplated by this Resolution.

Section 7. Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 8. Severability. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

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EXHIBIT A

MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING

BETWEEN

CITY OF DALLAS HOUSING FINANCE CORPORATION

AND

OPPORTUNITY HOUSING GROUP, INC.

“FITZHUGH URBAN FLATS”

THIS MEMORANDUM OF UNDERSTANDING (this “*MOU*”) is between the City of Dallas Housing Finance Corporation (the “*Dallas HFC*”), a public, nonprofit housing finance corporation organized under Chapter 394 of the Texas Local Government Code, as amended, and Opportunity Housing Group, Inc. (the “*Developer*”), a California corporation, and is dated and effective as of February 14, 2023.

The Developer is a developer and asset manager of affordable housing in the State of Texas. The Dallas HFC is a public, nonprofit housing finance corporation whose mission is to provide safe, decent and sanitary housing for persons of low and moderate income. The Developer and the Dallas HFC hereby agree to work cooperatively to acquire, own, operate and manage affordable housing at the following location, in accordance with the terms of this MOU:

Fitzhugh Urban Flats, being an existing 452-unit development located at 2707 North Fitzhugh Avenue in the City of Dallas, Dallas County, Texas (the “*Project*”), financed with tax-exempt governmental purpose bonds to be issued by the Dallas HFC (the “*Bonds*”).

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

AGREEMENTS

A. OWNERSHIP STRUCTURE

1. The Dallas HFC will form a Texas limited liability company named DHFC Fitzhugh Urban Flats, LLC (the “*Company*”) for the purpose of borrowing the proceeds of the Bonds from the Dallas HFC and owning the Project.

2. The Developer or an affiliate thereof will serve as asset manager (the “*Asset Manager*”) of the Project and will enter into an asset management agreement (the “*Asset Management Agreement*”) with the Company. Pursuant to the Asset Management Agreement, the Asset Manager will, among other things:

(i) monitor and report to the Company with respect to the compliance and performance of the Property Manager (as hereinafter defined) with the Property Manager's duties under the Management Agreement (as hereinafter defined);

(ii) monitor and take all commercially reasonable steps necessary to cause the Property Manager to comply with the Dallas HFC's and the Company's tenant selection policies as set forth in the Regulatory Agreement (as hereinafter defined) and to otherwise verify the Project's continued compliance in all material respects with the Regulatory Agreement, including income verification and reporting requirements thereunder and all reporting requirements set forth in *Exhibit A* hereto;

(iii) prepare and file (or cause the Property Manager to prepare and file) all necessary forms relating to the maintenance and operation of the Project required by all applicable laws;

(iv) in consultation with its counsel, coordinate and manage the process of entering into any required deposit account control agreements with the cooperation of the Company and its counsel;

(v) cooperate with the Company and any accountants engaged on the Company's behalf regarding applicable income or other tax returns and filings;

(vi) cooperate with the Company and the Dallas HFC and its counsel in connection with any communications with appraisers or taxing districts necessary to obtain and maintain an ad valorem tax exemption with respect to the Project;

(vii) cooperate with Company to obtain and maintain insurance for the Project and acquaint itself with all terms and conditions of all insurance policies applicable to the ownership, operation, management and maintenance of the Project;

(viii) in consultation with the Property Manager, promptly investigate and provide a written report to the Company as to all alleged accidents and/or alleged claims for damages related to the ownership, operation, management and maintenance of the Project (including any personal injury or property damage) and the estimated cost of repair and forward such information to the applicable insurance carrier, when appropriate;

(ix) to the extent within the control of the Asset Manager, monitor and verify that the Project is being operated in compliance with all requirements of the Bond documents, including without limitation, compliance with all notice requirements thereunder;

(x) direct the Property Manager to obtain and keep in full force and effect all real estate and business licenses and governmental authorizations (including qualifications to do business) as may be necessary for the proper performance of the Property Manager's duties and obligations under the Management Agreement;

- (xi) oversee the Property Manager's efforts to advertise, promote and market the Project;
- (xii) cooperate with the Company with respect to the Company's provision of social services at the Project;
- (xiii) notify the Company in a timely manner of any occurrence, event, condition or circumstance known to the Asset Manager that could reasonably be expected to have a material adverse effect on the business or operations of the Project;
- (xiv) coordinate with the Property Manager for submission to the Company of annual operating and capital budgets; and
- (xv) monitor compliance with any debt service coverage requirements required in connection with the Bonds.

The Company may terminate the Asset Management Agreement at any time; *provided*, that in the event of such termination, the Asset Manager or its affiliates will be entitled to retain ownership of the subordinate bond.

B. DUE DILIGENCE

As a condition to the Dallas HFC's participation in the Project, the Developer will provide the Dallas HFC with all reasonably requested due diligence information on the Project and its proposed financing and operations.

C. FINANCING

The acquisition of the Project will be financed through the issuance of the Bonds. It is expected that the Bonds will be sold by Citigroup Global Markets Inc., or an affiliate thereof, pursuant to a limited offering. The Dallas HFC will issue the bonds in minimum authorized denominations of \$100,000 (in maturity value for Capital Appreciation Bonds) and will initially be sold only to investors who deliver an investor letter acceptable to the Dallas HFC. The Dallas HFC may issue to the Asset Manager or an affiliate thereof a subordinate bond in minimum authorized denominations of \$500,000, which will be issued in physical form and be transferable only upon delivery to the Dallas HFC of an investor letter acceptable to the Dallas HFC.

The proceeds of the Bonds will be loaned to the Company to enable the acquisition of the Project. Certain terms relating to the Bonds and the financing of the Project are set forth in the term sheet attached as *Exhibit A* hereto and made a part hereof.

D. MANAGEMENT AND OPERATION

1. GREP Texas, LLC shall serve as the property manager (the “*Property Manager*”) for the Project, which will be memorialized in a management agreement with the Company (the “*Management Agreement*”), which is subject to the approval of the Dallas HFC.

2. The Management Agreement will be terminable at the discretion of the Company upon 30 days’ written notice.

E. COMMUNITY SUPPORT

The Developer shall be primarily responsible for interfacing with the local governmental officials in connection with support for the Project and the Dallas HFC shall provide reasonable cooperation in connection with such matters. The parties will consult with each other and coordinate the response to any media inquiries and/or public opposition to the Project that may arise.

F. AD VALOREM TAX EXEMPTION

The ownership structure and the rental restrictions contemplated herein are expected to generate an ad valorem tax exemption (the “*Exemption*”) for the Project. The Dallas HFC, on behalf of the Company, shall work with the Developer and the Dallas Central Appraisal District to obtain confirmation of the availability of such Exemption in the form of a pre-determination letter, to the extent such letter can be obtained.

G. SUMMARY OF TERMS

Certain financial terms and other information with respect to the Bonds and the Project are set forth in the summary of terms attached hereto as *Exhibit A* and made a part hereof.

H. REGULATORY RESTRICTIONS

In addition to restrictions that may be required in connection with the Bonds, the Developer and the Dallas HFC agree that (i) 50% of the units in the Project will be restricted for occupancy by individuals and families earning less than 80% of the area median income, and (ii) 90% of the units (including the units described in (i)) in the Project will be restricted for occupancy by individuals and families earning no more than 140% of the area median income. The income and rent limits will be adjusted for family size and calculated by using the Calculator (as hereinafter defined) without application of a utility allowance. The Dallas HFC is expected to record a Regulatory Agreement and Declaration of Restrictive Covenants at closing in the Dallas County land records that will set forth the income restrictions and describe the methodology for income verification and reporting.

As used herein, “*Calculator*” means the Novogradac Rent and Income Limit Calculator for the applicable year, under the “Other Federal, State, or Local Program” category for Dallas-Fort Worth-Arlington, TX HUD Metro FMR Area with rent calculations based on either: “80%” or “140%” and Imputed Persons Per Bedroom for Rent Limited Calculations set to “1.5 Person/1 Bedroom” and the applicable family size selected for the respective housing leasing a particular unit. In the event such tool is not available, applicable rent and income limits shall be calculated using a reasonable substitute tool as agreed to by the parties hereto.

I. MISCELLANEOUS

1. This MOU is a letter of intent only. This MOU will have no binding effect and may be terminated at any time by either party for any reason. Upon termination of this MOU, neither party shall have any ongoing obligation to the other with respect to this MOU or the Project.

2. The parties acknowledge that the Company, the Dallas HFC and its affiliates will be represented in this transaction by Chapman and Cutler LLP (“*Company Counsel*”) and Bracewell LLP (“*Bond Counsel*”) in a legal capacity and Hilltop Securities Inc. and Estrada Hinojosa & Company, Incorporated in a financial advisory capacity (collectively, the “*Co-Financial Advisors*”). The Developer and its affiliates will be represented by separate legal counsel and will not be entitled to rely on Company Counsel or Bond Counsel for legal representation in this matter and acknowledges that no financial advisory relationship will exist among the Developer and its affiliates and the Co-Financial Advisors.

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EXECUTED to be effective as of the date above shown.

CITY OF DALLAS HOUSING FINANCE
CORPORATION

By _____
Kyle J. Hines
General Manager

OPPORTUNITY HOUSING GROUP, INC.

By _____
Blake Griggs
Managing Partner

EXHIBIT A

TERM SHEET



Workforce Housing Program

Term Sheet

January 25, 2023

Project Specifications:

Project: Fitzhugh Urban Flats (the “Project”), a 452-unit multifamily property completed in 2008 and located at 2707 N Fitzhugh Ave., Dallas, TX 75204

Financing Participants:

Issuer: Dallas Housing Finance Corporation (“DHFC”) or other affiliate (collectively referred to as “DHFC”)

Borrower and Project Owner: DHFC Fitzhugh Urban Flats Apartments, LLC, a Texas limited liability company whose sole member is DHFC, or other affiliate of DHFC (“Owner”)

Sponsor/Project Administrator: Opportunity Housing Group or other affiliate (“OHG”)

Property Manager: GREP Texas, LLC

Bond Counsel and Real Estate Counsel: Bracewell LLP

DHFC Co-Financial Advisors: Hilltop Securities, Inc. and Estrada Hinojosa & Company, Inc.

DHFC General Counsel: Chapman and Cutler LLP

Bond Underwriter: Citigroup Global Markets, Inc.

Bond Underwriter’s Counsel: Norris George & Ostrow PLLC

Sponsor’s Counsel: Holland & Knight LLP

Financing Summary:

OHG is proposing to assist DHFC in the acquisition of the Project. DHFC will issue governmental purpose tax-exempt bonds to finance the acquisition. OHG will act as the Project Administrator to negotiate the Purchase and Sale Agreement (“PSA”), with input from the DHFC, provide the required deposits, assemble third party reports and perform other front-end due diligence and “sponsorship” functions. At the closing, OHG will assign the PSA to the Owner, which will borrow the proceeds of the Bonds from DHFC to enable the acquisition of the Project. Following the closing, OHG will stay on in an asset management role to work with the Property Manager in the administration of the Project, oversight of affordability compliance, operational management and in providing information on Project performance to Bond Purchasers on behalf of DHFC. At closing, income restrictions on the Project will be implemented to further DHFC’s mission of providing quality affordable housing to qualified tenants and qualify the Project for real estate tax exemption. Owner will be sole owner of the Project, including the land and improvements. Following the retirement of the bonds, Owner will own the Project free and clear of any bond-related encumbrances.

Deal Summary/Timeline

1. **Purchase Agreement:** OHG (or its affiliate) has an agreement with the current owner to enter into the PSA for the Project:
 - i. PSA purchase price \$120,000,000 (the “PSA Purchase Price”)
 - ii. **Estimated Closing Date: May 2023**
 - iii. At closing, OHG will assign the PSA to the Owner.

1. The Owner borrows the proceeds of the Bonds and pays the PSA Purchase Price to seller under the PSA at closing (funded by Investor Bonds, which may include one or more series of senior lien and subordinate lien bonds)
2. In exchange for assignment of the PSA, DHFC will deliver the \$5 million Sponsor Bonds, which are to be directly issued to OHG in physical form, and not publicly offered to potential bond purchasers.

2. **Bonds:** DHFC will issue governmental purpose tax-exempt bonds to finance the acquisition of the Project:

- a. Investor Bond Terms (estimate only, to be finalized at issuance of bonds)
 - i. Total tax-exempt amount approximately \$160 million
 - ii. Interest and Principal to be paid solely by the Project's cash flow
 - iii. 35-40 year term bond whereby principal is only paid down based on available cash flow
 - iv. May be structured in one or more series of senior lien and subordinate lien bonds, with the potential use of both Current Interest Bonds and Capital Appreciation Bonds; Current Interest Bond pricing estimated at 5.75% for senior lien and 6.50% for subordinate lien as of January 25, 2023
 - v. Authorized denominations of \$100,000 (in maturity value for Capital Appreciation Bonds) and integral multiples of \$5,000 in excess thereof (provided Bonds may be redeemed in integral multiples of \$5,000)
- b. Sponsor Bond Terms (estimate only, to be finalized at issuance of bonds)
 - i. Total tax-exempt amount \$5,000,000
 - ii. Estimated coupon and yield not to exceed 10.00%.
 - iii. Issued to Project Administrator or its affiliate in exchange for assignment its right, title and interest in the PSA to Owner
 - iv. Subordinate to all Investor Bonds and paid with available cash flow after debt service on Investor Bonds are paid, subordinated fees are paid and reserves are funded
 - v. Authorized denominations of \$500,000 and integral multiples of \$5,000 in excess thereof

3. **Rent and Income Restrictions**

- a. Middle Income Regulatory Agreement will be recorded at Sale:
 - a. 50% of the units will be restricted to households earning less than 80% of Area Median Income ("AMI") (adjusted for family size)
 - b. 90% of the units will be restricted to tenants earning not more than 140% of AMI (inclusive of the units rented to individuals and families earning less than 80% of the area median income)
 - c. The remaining 10% of units will be unrestricted

4. **Reserves** (all funded by Investor Bonds)

- a. Capital Reserves: Initial deposit of approximately \$4,570,000, ongoing reserve deposits starting at \$135,600/year with annual increases (based on an initial \$300 per month per unit).
 - i. Funds up-front property improvements as needed and provides a reserve for future needs. Property Condition Report to determine final budget for up-front needs and long-term projection.
- b. Debt Service Reserves: Approx. \$9.3 million or 3 years of Maximum Annual Debt Service (est.)
 - i. Represents approximately 36 months of debt service payments for Investor Bonds
 - ii. Capitalized Interest Reserve and Coverage Reserve are held until the project achieves 1.2x DSCR. Debt Service Reserve is retained until the Investor Bond principal is fully repaid
- c. Operating and Other Reserves: Approximately \$3.2 million (est.)

- i. Represents 6 months of projected operating expenses. Not expected to be needed but is a “reserve fund” for any unforeseen expenses. This also includes a reserve of approximately \$2.75 million for payment of Project Administration Fees. The Subordinated Fee Reserve is available to fund subordinated ongoing fees to the Project Administrator.

5. Fees

- a. **DHFC Fee** (paid as an Administrative Expense from project income)
 - i. Ongoing DHFC Asset Management Fee of 0.5% per year of effective gross income of the Project.
- b. **Upfront Project Administrator Acquisition Fee** (paid from bond proceeds)
 - i. Aggregate \$2 million payable to OHG for services rendered through closing, including the assumption of risk in fronting all pursuit costs totaling approximately \$3 million, and performing all due diligence on the Project and the underlying transaction. The Upfront Project Administrator Fee is funded by the Investor Bonds.
- c. **Ongoing Project Administration Fee** (paid from cash flow, subordinate to Investor Bond interest)
 - i. \$500/unit/year increased by 3.0% per year for the annual administration of the Project, payable to the Project Administrator. This covers OHG’s expense in administering the project.
 - ii. Project Administration responsibilities include: Asset management and oversight of Property Manager; Annual and Quarterly Financial reporting to DHFC and Bond Trustee; Oversight of third party accountant(s) and Annual Audited Financial Statements and Tax Returns for DHFC and Bond Trustee; Coordination with Property Manager for annual development and submittal of Operating Plan and Budget, Capital Budget, Marketing Plan, and Rent/Fee Schedule; Coordination of Quarterly Budget Updates (if required); Annual preparation on behalf of the DHFC from Property Manager for Certificate of Program Compliance and filing of the Annual Report; Quarterly Report of Continuing Disclosure; Onsite Physical inspections; Inventory management of FF&E; Bond Documents Compliance; Supervision of all Books and Records, Business Licenses, Capital Expenses, Insurance and claims, etc.
 - iii. Term of Project Administration Agreement: This agreement will be for successive one-year terms.
- d. **Property Management Fee** to third-party property management company:
 - i. 2.25% of effective gross income of the Project, plus a monthly to be negotiated Fixed Fee in consideration of the Manager providing certain technology, administrative, and strategic marketing products, affordable compliance services, and other services that are essential to the operation of the property in a professional, efficient and competitive manner.
 - ii. Property Management fee paid by the Property’s cash flow and considered an operating expense.
 - iii. Term of Project Management Agreement: This agreement will be for successive one-year terms.

6. Distributions:

- a. Net Cash shall be distributed monthly as follows:
 - i. First, the interest due with respect to the Investor Bonds for the current interest accrual period;
 - ii. Second, accrued and unpaid interest on the Investor Bonds from prior interest accrual periods;
 - iii. Third, to payment of subordinated fees including the Sponsor Project Administration Fee;
 - iv. Fourth, deposit to Operating Reserve Fund;
 - v. Fifth, deposit to Senior Debt Service Reserve Fund;
 - vi. Sixth, deposit to Coverage Reserve Fund;
 - vii. Seventh, deposit to Mezzanine Debt Service Reserve Fund, if any;
 - viii. Eighth, accrued and unpaid interest on the Sponsor Bonds;

- ix. Of the remaining funds, 100% will go towards a soft sinking fund (turbo structure) to pay off the Investor Bonds, followed by the Sponsor Bonds
- x. **Following repayment of all bonds, Owner owns the Project free and-clear of any bond-related encumbrances.**
- xi. Net Cash": The Project's gross income (consisting primarily of rental income) minus its operating expenses including the property management fee and capital expenditures.
- b. Capital Proceeds upon a sale or refinance shall be distributed as follows:
 - i. First, to the accrued and unpaid Investor Bond Interest;
 - ii. Second, to the accrued and unpaid Sponsor Bond Interest;
 - i. Third, to the unpaid Investor Bond Principal;
 - ii. Fourth, to the unpaid Sponsor Bond Principal;
 - iii. Fifth, to the DHFC, all remaining proceeds.

**COMPANY AGREEMENT
OF
DHFC FITZHUGH URBAN FLATS, LLC**

This Company Agreement (this “*Agreement*”) of DHFC Fitzhugh Urban Flats, LLC (the “*Company*”) is entered into effective _____, 2023 (the “Effective Date”) by and between the City of Dallas Housing Finance Corporation, as the sole member of the Company (the “*Member*”) and the Company.

Subject to the provisions of this Agreement, the Member has organized the Company pursuant to and in accordance with the provisions of the Texas Business Organizations Code, as amended from time to time (the “Act”) by filing a Certificate of Formation with the Texas Secretary of State on the Effective Date. The parties hereby agree as follows:

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|-----------------------------|--|
| 1. Name | The name of the limited liability company is DHFC Fitzhugh Urban Flats, LLC. |
| 2. Purpose | The sole purposes of the Company are to assist the Member in providing decent, safe and sanitary housing for low- and moderate-income individuals within the City of Dallas, and to finance, acquire, develop, own, operate and manage Fitzhugh Urban Flats, an affordable housing development located at 2707 North Fitzhugh Avenue in the City of Dallas, Dallas County, Texas (the “ <i>Project</i> ”). |
| 3. Registered Office | The address of the principal office of the Company in the State of Texas is c/o City of Dallas Housing Finance Corporation, 1500 Marilla St, Room 6CN, Dallas, Texas 75201. The Company may have other offices and places of business at such locations as the Member may from time to time determine. |
| 4. Registered Agent | The name and address of the registered agent of the Company for service of process on the Company in the State of Texas is City of Dallas Housing Finance Corporation, 1500 Marilla St, Room 6CN, Dallas, Texas 75201. |
| 5. Member | <p>The name and the business, residence or mailing address of the Member is as follows:</p> <p style="margin-left: 40px;">City of Dallas Housing Finance Corporation
1500 Marilla St, Room 6CN
Dallas, Texas 75201</p> |
| 6. Powers | The business and affairs of the Company shall be managed by the Member. The Member shall have the power to do any and all acts necessary or convenient to or for the furtherance of the purposes |

described herein, including all powers, statutory or otherwise, possessed by members under the laws of the State of Texas. The Member shall have the authority to bind the Company.

7. Company Budget

On behalf of the Company, the Member shall approve an annual operating plan and budget and an annual capital budget, or other related documents as may be required in furtherance of the purposes described herein (the “*Company Budget*”). The President of the Member and Treasurer of the Member are each individually authorized to approve the Company Budget, and the General Manager of the Member and the Assistant General Manager of the Member are each individually authorized to approve the Company Budget previously approved by the President or Treasurer of the Member.

8. Authority of the Company

In order to carry out its purpose, the Company is empowered and authorized to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of its purpose, and for the protection and benefit of the Company, including but not limited to the following:

- (a) acquire the Project;
- (b) construct, rehabilitate, develop, operate, maintain, improve, buy, own, sell, convey, assign, mortgage, rent or lease any real estate and any personal property necessary to the operation of the Project;
- (c) provide housing, subject to and consistent with the requirements of any applicable regulatory agreement so long as such regulatory agreement, as applicable, remains in force;
- (d) enter into any kind of activity, and perform and carry out contracts of any kind necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Company;
- (e) borrow money and issue evidences of indebtedness in furtherance of the Company business and secure any such indebtedness by mortgage, pledge, or other lien; *provided, however*, that the Project loans and any evidences of indebtedness thereof and any documents amending, modifying or replacing any Project loans shall have the legal effect that the Company and the Member and their affiliates shall have no personal liability for the repayment of the principal of or payment of interest on any Project loan or other such indebtedness and that the sole recourse of any lender with respect to the principal thereof and interest thereon

shall be to the assets of the Company, including the property securing any Project loan or other such indebtedness;

(f) maintain and operate the Project, including hiring a management agent, property manager and asset manager and entering into a management agreement, property management agreement, and asset management agreement;

(g) negotiate for and conclude agreements for the sale, exchange, lease or other disposition of all or substantially all of the property of the Company, or for the refinancing of any mortgage loan on the property of the Company;

(h) enter into the Project documents providing for regulations with respect to rents, profits, dividends and the disposition of property;

(i) rent dwelling units in the Project from time to time, in accordance with applicable federal, state and local regulations, collecting the rents therefrom, paying the expenses incurred in connection with the Project, and distributing the net proceeds to the Member, subject to any requirements which may be imposed by any applicable regulatory agreement, and/or the other Project documents; and

(j) do any and all other acts and things necessary or proper in furtherance of the business of the Company.

9. Term

The term of the Company commenced on the filing of the Certificate of Formation with the Texas Secretary of State and shall be perpetual unless dissolved as provided in this Agreement or the Code.

10. Dissolution and Liquidation

The Company shall be dissolved upon (a) an election to dissolve the Company by the Member; or (b) any other event that would cause its dissolution under the Code. Upon the dissolution of the Company, a liquidator shall be selected by the Member. The liquidator shall liquidate the assets of the Company and apply and distribute the proceeds of such liquidation in the following order of priority: (i) to the payment of the expenses of the terminating transactions including, without limitation, brokerage commission, legal fees, accounting fees and closing costs; (ii) to the payment of creditors of the Company, including the Member, in the order of priority provided by law; and (iii) to the Member. The distribution to the Member shall be in cash or in-kind assets of the Company or both, as determined by the Member. Upon completion of the distribution of the Company property provided

herein, the Company shall be terminated and the liquidator shall cause the cancellation of the Certificate and any other filings made by the Company and shall take such other actions as may be necessary to terminate the Company.

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|---|--|
| 11. Capital Contributions | The Member has contributed or will contribute \$50,000, in cash, and no other property, to the Company. |
| 12. Additional Contributions | No Member is required to make any additional capital contribution to the Company. |
| 13. Allocation of Profits and Losses | The Company's profits and losses shall be allocated in proportion to the capital contributions of the Member. |
| 14. Taxes | The Member may make any tax elections for the Company allowed under the Internal Revenue Code of 1986, as amended from time to time, or the tax laws of any state or other jurisdiction having taxing authority over the Company that the Member may deem appropriate and in the best interests of the Company and the Member. |
| 15. Distributions | Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Member. Such distributions shall be allocated among the Member and any additional members (if admitted as provided herein) in the same proportion as their capital account balances. |
| 16. Assignments | A Member may assign its limited liability company interest in whole or in part only with the consent of the other Member. |
| 17. Resignation | Without the consent of any remaining members, a Member may not resign from the Company. |
| 18. Admission of Additional Members | One (1) or more additional members of the Company may be admitted to the Company with the consent of the Member and upon being so admitted shall become bound by all of the terms of this Agreement and shall execute a written joinder to this Agreement; <i>provided, however</i> , that no such admission shall be permitted if it would adversely affect the tax-exempt status of the bonds issued to acquire the Project. |
| 19. Liability of Member | The Member shall not have any liability for the obligations or liabilities of the Company except to the extent provided in the Code. The Company shall indemnify, in accordance with and to the full extent now or hereafter permitted by law, the Member and any officer or employee of the Company, and may so indemnify any agent of the Company, who was or is a party or is threatened |

to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administration or investigative (including, without limitation, an action by or in the right of the Company) by reason of any action or omission in their respective capacities against any liabilities, expenses (including, without limitation, attorneys' fees and expenses and any other costs and expenses incurred in connection with defending such action, suit or proceeding), judgments, fines and amounts paid in settlement actually and reasonably incurred by the Person in connection with such action, suit or proceeding, if the Person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe its, his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption (i) that the Person did not act in good faith and in a manner which it, he or she reasonably believed to be in or not opposed to the best interests of the Company, and (ii) with respect to any criminal action or proceeding, that the Person had reasonable cause to believe its, his or her conduct was unlawful. Expenses (including, without limitation, attorneys' fees and expenses) incurred by a Person seeking indemnification hereunder shall be paid in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking from the Person to repay such amount if it shall ultimately be determined that the Person is not entitled to indemnification.

For purposes of the preceding paragraph, the word "Person" shall include each Member and any officer, employee or agent of the Company.

20. Officers

The officers of the Company shall be a President, a Vice President and a Secretary. Such offices shall be assumed by the persons serving in the respective office on the Board of Directors of the Member. The President shall be the chief executive officer of the Company and shall be in general charge of the properties and affairs of the Company; shall preside at all meetings; and in furtherance of the purposes of the Company, may sign and execute all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments in the name of the Company. The Vice President shall carry out the powers and responsibilities of the President when the President is absent or unable to act. The Secretary shall attend to the giving and serving of all notices; in furtherance of the purposes of the Company, may sign with the President or Vice President in the name of the

Company, and/or attest the signature thereto, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments of the Company; and shall have charge of the corporate books, records, documents and instruments, and such other books and papers as may be necessary, all of which shall at all reasonable times be open to inspection upon application at the office of the Company during business hours.

21. Special Purpose Entity

The Company shall engage in no other business or activity other than that of pursuing the purposes stated in this Agreement. The Company was formed exclusively for the purpose of pursuing such purposes and has never engaged in any other activity, business or endeavor. As of the date of this Agreement, the Company has no liabilities or indebtedness other than its liability for the debts related to the Project, and the Company shall not incur any indebtedness other than its liability for the debts related to the Project. If the Company determines it needs additional funds for any purpose, it shall obtain such funds solely from capital contributions from its members. The Company has observed and shall continue to observe all necessary or appropriate legal formalities in the conduct of its business. The Company shall keep its books and records separate and distinct from those of its Member and affiliates of such Member. The Company shall prepare and file any required tax returns in its own name. The Company shall clearly identify itself as a legal entity separate and distinct from its Member and affiliates of such Member in all dealings with other persons. The Company has been adequately capitalized for the purposes of conducting its business and will not make distributions at a time when it would have unreasonably small capital for the continued conduct of its business.

22. Governing Law

This Agreement shall be governed by, and construed under, the laws of the State of Texas, all rights and remedies being governed by said laws.

23. Binding Effect

This Agreement binds and inures to the benefit of the parties hereto, and their successors and assigns. This Section 23 does not address, directly or indirectly, whether a party may assign rights or delegate performance under this Agreement.

24. Amendment

This Agreement may be amended in writing by the Member.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, has duly executed this Agreement as of the Effective Date written above.

CITY OF DALLAS HOUSING FINANCE
CORPORATION, as sole member

By _____
Kyle J. Hines
General Manager

DHFC FITZHUGH URBAN FLATS, LLC

By: City of Dallas Housing Finance
Corporation, its sole member

By _____
Kyle J. Hines
General Manager

**City of Dallas Housing
Finance Corporation**

Memo

To: Board of Directors of the City of Dallas Housing Finance Corporation

From: Aaron Eaquinto, Assistant General Manager

cc: Ryan Bowen, General Counsel
George Rodriguez, Bond Counsel, Bracewell LLP
Tim Nelson, Financial Advisor, Hilltop Securities
Robert Estrada, Financial Advisor, Estrada Hinojosa & Company, Inc.

Date: February 14, 2023

Re: Consider and Adopt a Resolution Approving a Memorandum of Understanding (“MOU”) with Waterford Property Company (“Waterford”) for the Acquisition of Everra Midtown, a Multifamily Residential Development Located at 8250 Meadow Road and the Creation with the Texas Secretary of State of a Limited Liability Company to Own the Development with the Corporation as the Sole Member to be Named DHFC Everra Midtown, LLC and Approving the Form of a Limited Liability Company Agreement

The purpose of this agenda item is to consider and adopt a resolution approving an MOU with Waterford Property Company to finance and acquire Everra Midtown, a Multifamily Residential Development Located at 8250 Meadow Road.

Waterford Group submitted an application to acquire Everra Midtown, an existing 422-unit market rate, multifamily development located at 8250 Meadow Road, using essential function bonds. The property was completed in 2017. Upon closing, the DHFC would own the land and the improvements and subsequently 50% of the units would become income restricted for residents earning at or below 80% the area median income. 40% of the units would be reserved for 140% AMI, and 10% would be non-income restricted – the same income mix as our other recently-approved essential bond acquisitions. The residents earning at or below 80% AMI that are currently paying over the 80% AMI rents would instantly receive rent reductions. Those earning over 80% AMI would continue to pay market rents. No residents will be displaced. This property is located in a high opportunity area just off the Walnut Hill and Hwy 75. This provides residents convenient access to job centers both to the North in Plano and Frisco, and in central Dallas.

With an essential bond transaction involving an existing property, the DHFC will purchase the asset using the bonds to finance the transaction. This ownership through the DHFC will immediately grant a tax exemption to the property, allowing the property administrator to charge lower rents and restrict the

affordability on site. Without ownership through the DHFC, these restricted rents would not be able to be supported. Waterford will essentially run the property on our behalf, but the DHFC will be the sole owner.

Waterford currently has the property under contract and requires Board action to approve an MOU for the acquisition and a preliminary inducement for the bonds. A preliminary MOU and Term Sheet and an executive summary of the project is included with the board packet for your review.

If you have any questions regarding this agenda item, Staff, Ryan Bowen, Corporation Counsel, Tim Nelson, DHFC Financial Advisor, and Waterford will be available prior to and at the meeting to discuss.



EVERRA MIDTOWN PARK
“MIDDLE INCOME”
WORKFORCE HOUSING PROGRAM



City of Dallas

100 BAYVIEW CIRCLE, SUITE 4500
NEWPORT BEACH, CA 92660
949.529.3530
WWW.WATERFORDCO.COM

EVERRA MIDTOWN PARK

ESSENTIAL HOUSING OPPORTUNITY

THE PROPERTY

Located at 8250 Meadow Rd, Everra Midtown Park is a 422-unit multifamily community in Uptown Dallas.



Project Overview:

- **City District:** 14
- **Year Built:** 2017
- **Total Units:** 422 units
- **Property Type:** “Class A” Multifamily Community, Mid-Rise
- **Unit Mix:** Studio – 30 units; 1B – 264 units; 2B – 104 units; 3B – 24 units
- **Location Proximity:** Located in the heart of Lake Highlands, conveniently located near ample highways, parks, hospitals, and grocery options



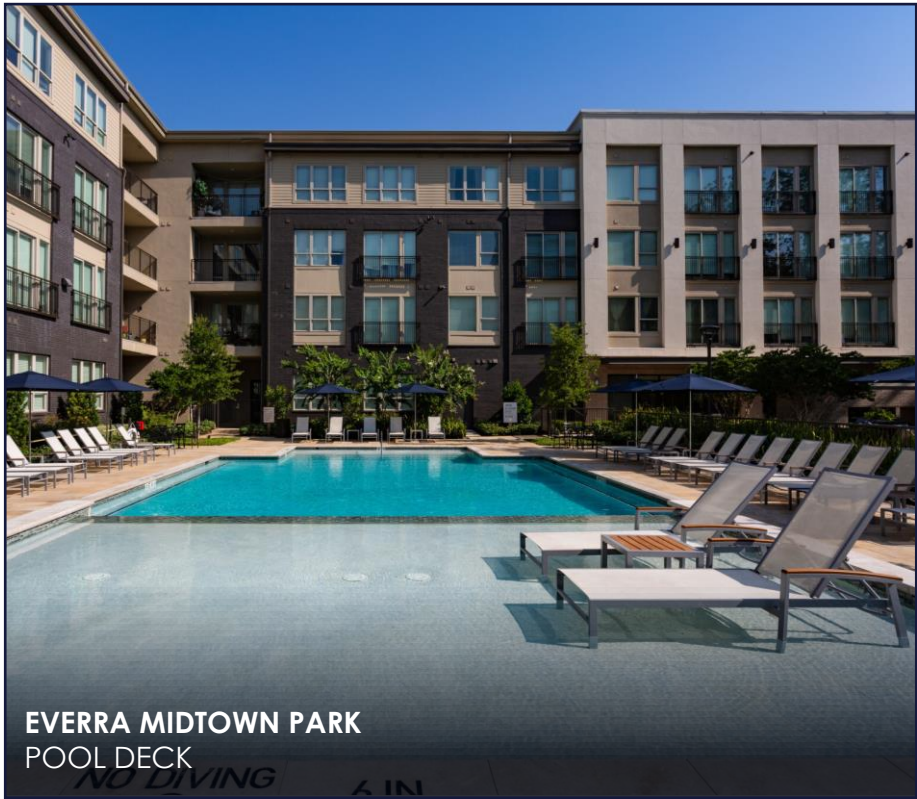
EVERRA MIDTOWN PARK

RESTRICTED UNIT MIX

THE MIDDLE INCOME PROGRAM

- The acquisition of Everra Midtown Park will be financed through the issuance of tax-exempt bonds
- Upon the acquisition of the property, DHFC will restrict rents for 51% of units (212 units) at the asset to the following:
 - Households earning less than 80% of the Area Median Income (AMI)
- Maximum allowable rents for each income category will not exceed 30% of the respective income limit for Dallas County, adjusted for household size, as published annually by HUD

Max Allowable Rent	
	80% AMI
0 BR	\$1,364
1 BR	\$1,461
2 BR	\$1,754
3 BR	\$2,026



Unit Type	Type	Total Units	SF	Market Rent	In-Place Rent	80% AMI Pro Forma Rent		
						Units	80% AMI Rents	% Discount to Market
0 BR	Market	30	484	\$1,520	\$1,303	15	\$1,277	16.0%
1 BR	Market	264	762	\$1,609	\$1,535	133	\$1,461	9.2%
2 BR	Market	104	1,215	\$2,234	\$2,046	52	\$1,754	21.5%
3 BR	Market	24	1,476	\$2,975	\$2,789	12	\$2,026	31.9%
Total/Wtd. Avg.		422	895	\$1,834	\$1,716	212	\$1,552	15.4%
Annual Rent Savings Per Resident							\$3,391	
Year 0 Total Resident Rent Savings							\$718,827	

Rent-restricted residents will save an average of **\$3,391** in annual rent costs through the program.

Total current **annual resident rent savings** amounts to **\$718,827.**

Rent savings will amount to a **15.4%** discount from current market rents.

EVERRA MIDTOWN PARK

RESIDENT RENT SAVINGS VS. CITY TAX LOSS

RENT SAVINGS AT EVERRA MIDTOWN PARK OUTWEIGH CITY PROPERTY TAX LOSS

- Residents and families living in rent-restricted units at Everra Midtown Park will save an average of \$283 per month on rent, or \$3,391 per year.
- By converting Everra Midtown Park to Essential Housing, the City of Dallas will forego \$2,803 per unit, per year in property taxes.
- For every \$1.00 foregone in property taxes, the City will give back \$1.21 in rental savings to Dallas’ essential workforce.

	Avg. Rent	Units	Year 0	Per Unit	Growth Rate	2023	2024	2025	2026	2027	2028	Aggregate (40 Years)	Per Unit
GPR - Converted Middle Income	\$1,552	212	\$3,947,857	\$18,622	3.0%	\$4,066,293	\$4,188,282	\$4,313,930	\$4,443,348	\$4,576,649	\$12,878,060	\$306,603,621	\$1,446,243
GPR - As-Is (Market Rate)	\$1,834	212	\$4,666,685	\$22,013	3.5%	\$4,830,019	\$4,999,069	\$5,174,037	\$5,355,128	\$5,542,557	\$18,476,617	\$408,379,416	\$1,926,318
Resident Rent Savings			\$718,827	\$3,391		\$763,726	\$810,787	\$860,106	\$911,780	\$965,909	\$5,598,557	\$101,775,795	\$480,075
City Tax Loss			\$594,333	\$2,803								\$35,898,916	\$169,335
City Net Surplus Proceeds - Year 40 Sale												\$227,226,903	\$1,071,825

Rent-restricted residents will save an average of **\$3,391 in annual rent costs (\$283 per month)** through the program.

The City of Dallas will forego **\$2,803 per unit (\$234 per month)** in annual property taxes through the program.

Each year, the City of Dallas will return **121% of foregone property taxes to residents in the form of rent savings.**

Aggregate rent savings will amount to **\$101,775,795 (\$480,075 per unit)** over the 40-year term, due to an **annual rent increase cap of 3%** on stabilized units.

Over the same period, the City of Dallas will forego only **\$35,898,916 (\$169,335 per unit)** in property taxes but will gain **\$227,226,903** on the Year 40 sale of the asset.

EVERRA MIDTOWN PARK

RENT GUIDELINES AND CAPITAL PLAN

RENT GUIDELINES AND CAPITAL PLAN

- Upon the acquisition of the property, existing tenants will not be displaced
- Existing tenants who qualify will be granted income restricted rents at the time that their lease expires
- Rent increases will be subject to a 4% annual cap per the regulatory agreement; properties bought through the middle-income housing program by Waterford/DHFC will be limited to 3% annual rent increases.
- The asset will be kept in its current “Class A” condition throughout the entire hold period. The pro forma has \$1,266,000 of upfront “excess” capital funded through the bond issuance for on-site maintenance and capital improvements (Capital Expense Fund). In addition, \$750 per unit in annual capital reserves will be distributed from the cash flow each year (\$316,500 in year 1), growing at 2.5% annually until increasing to \$1,000 per unit starting in year 10. Total distributed capital reserves throughout the 40-year hold period amount to \$16,232,605. Combined up-front, bond-funded Capital Expense Fund and annually-distributed Capital Reserves for the project amount to \$17,498,605.



EVERRA MIDTOWN PARK
MODEL KITCHEN

FINANCIAL BENEFITS TO THE CITY

- Everra Midtown Park is currently assessed at \$77,000,000 per the 2021-2022 tax bill. Based on a 2.68% tax rate, the annual taxes generated from the property will be **\$2,065,903**.
- Assuming the City of Dallas receives a 28.8% share of the tax amount, **the City will receive \$594,333 annually from the property**, grown by roughly 2% per year.
- Over a 40-year period, the **City of Dallas will forgo approximately \$35,898,916 in total tax revenue but will make over \$227,226,903 in net proceeds at the end of Year 40**.
- Starting in Year 15, per the Public Benefit Agreement (PBA), Dallas can dictate if Everra Midtown Park is sold, re-financed or continues to operate “as-is”.
- To the right is a financial analysis showing that, assuming a 5% cap rate reversion analysis, **the City of Dallas will be due \$227,226,903 in Year 40 if the asset is sold**.
- If Dallas chooses not to sell the asset, it will be the beneficiary of all “cash flow” once the bonds are paid off, which our underwriting model projects will happen by **Year 37**.

Future Projected Revenue Analysis - City of Dallas

	Cap Rate 5.00%
	Year 40
Exit NOI	\$17,399,148
<u>Total New Adjusted Property Tax Payment</u>	<u>(\$4,472,153)</u>
Adjusted NOI	\$12,926,995
Projected Sale Proceeds	\$258,539,899
Senior Debt Service Reserve - Returned	\$4,585,921
Surplus Proceeds	\$263,125,820
Other Taxing Entities	\$88,885,726
City of Dallas Property Tax	\$35,898,916
Net Sales Surplus Proceeds	\$138,341,177
City Net Surplus Proceeds	\$227,226,903
City of Dallas Equity Multiple	7.33x

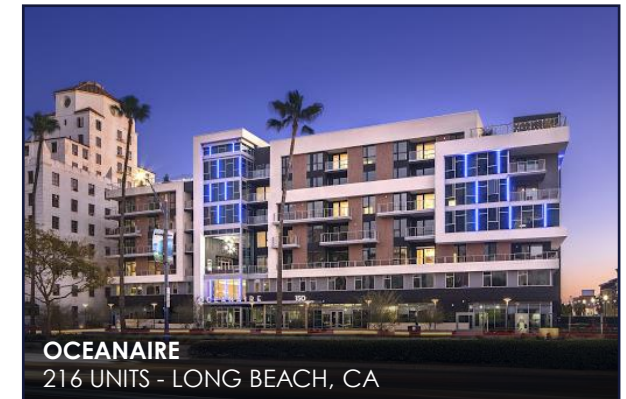
OVERVIEW OF ESSENTIAL HOUSING PROGRAM

PROCESS

- DHFC and its Projects Administrator (Waterford) acquires new or existing rental multifamily communities and records a regulatory agreement restricting 51% of units to 80% AMI
- All properties are financed through DHFC tax-exempt governmental bonds
- The City enters into a Public Benefits Agreement whereby the City (along with the County and School District) receive all surplus revenue upon the sale of the property

PROPERTY TARGETS

- DHFC and its Projects Administrator (Waterford) plan to acquire existing multifamily properties in core supply-constrained markets targeted to the “Missing Middle”
- All properties will be professionally managed and be operated as if there is no “income restriction” in place
- **Since all residual cash flow will be used to pay down the outstanding balance and because the local government is the ultimate financial beneficiary to all developed equity in the asset, Waterford and its team will have ample capital to reinvest back into the property and guarantee that all properties are operated in a best-in-class manner**



WATERFORD PROPERTY COMPANY

- Waterford Property Company “Waterford” is an experienced owner and developer of institutional “Class A” multifamily rental projects. Since its founding in 2014, Waterford has acquired over \$2.8 billion in real estate assets.
- Waterford is an expert in the development of affordable housing. Sean Rawson, Co-Owner of Waterford, has developed and has been a principal and owner of over 3,000 affordable residential units during his career.
- Since 2021, Waterford has closed and acquired over \$2 billion across 15 multifamily assets (4,014 units) through the middle-income housing program.

GOLDMAN SACHS

- Goldman Sachs is an expert in municipal bond offerings for public infrastructure and housing projects.
- In 2021 alone, Goldman Sachs led or passively managed the underwriting of \$76.5 billion of municipal bond offerings.
- Goldman Sachs will be the lead investment banker and underwriter for the project.

GREYSTAR

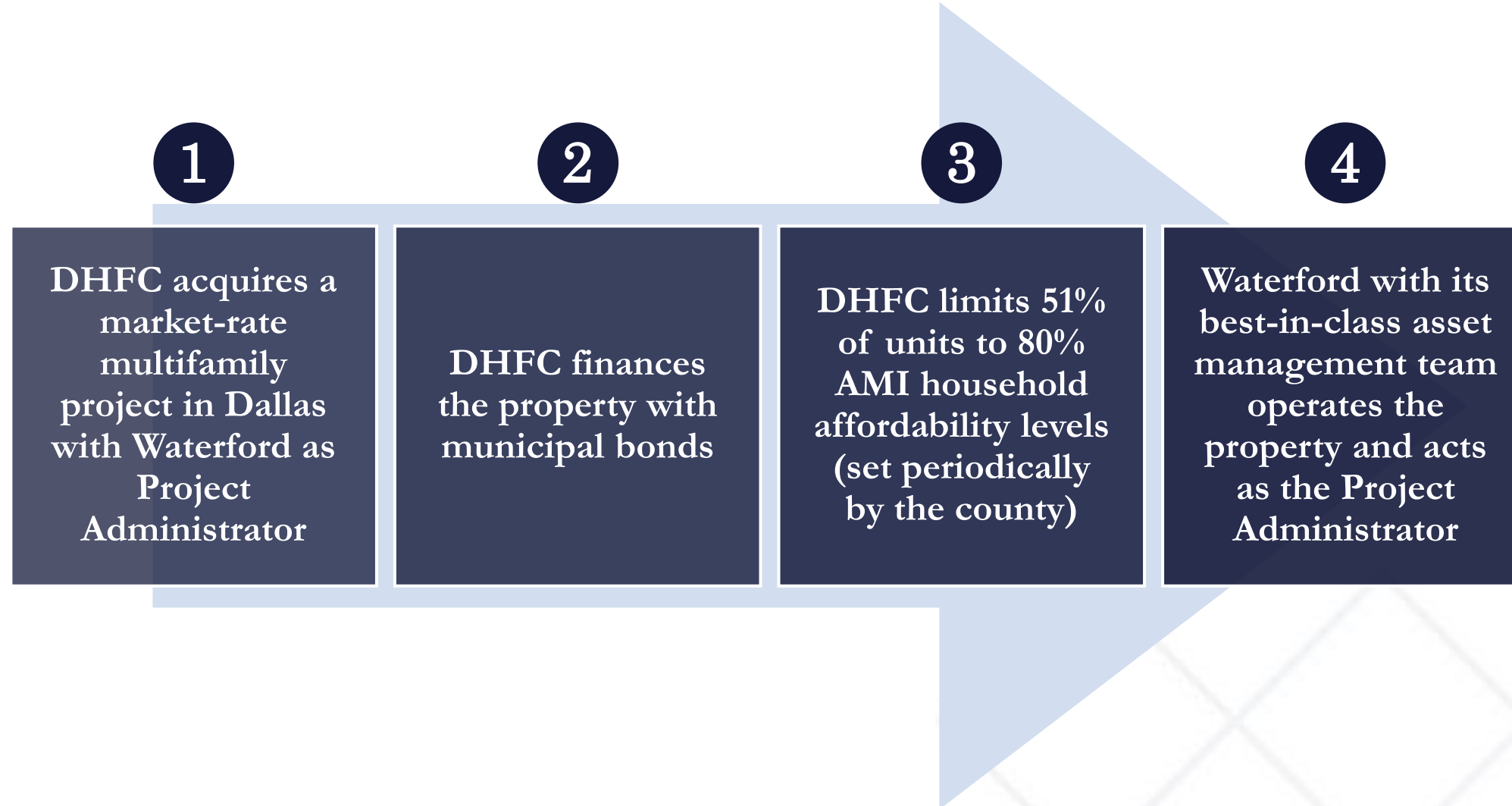
- Greystar operates in more than 210 markets globally with approximately a 748,000-unit portfolio.
- Greystar will serve as Property Manager following the acquisition of the project.

OVERVIEW OF WATERFORD ESSENTIAL HOUSING PORTFOLIO



- Total Waterford Essential Housing Communities: 15
- Total Waterford Essential Housing Units: 4,014

FLOW CHART OF MIDDLE-INCOME TRANSACTIONS



HOUSING POLICY

- From 2012-2020, the cost to build multifamily projects rose nearly 40%, and has risen approximately 8.3% since 2020.
- In order to make new multifamily projects financially feasible, developers have continued to increase rents at record levels. Dallas market rents have grown 56.3% since 2012.
- In urban and suburban areas where developable land is scarce and higher density construction is required, the only way to make multifamily projects viable is to utilize Low Income Housing Tax Credits (LIHTC) for “low” and “very low” income households or build project that target households earning in excess of 80% AMI
- **The result is the creation of very few 80% AMI residential units**

FINANCIAL BENEFITS

- Under the Public Benefit Agreement, the City, at its sole discretion, may force a sale of the property between Year 15 and Year 40 (the end of the life) of the bonds, and the City, along with other taxing agencies (including the County and School District) would receive the net sale proceeds.
- All properties are financed through the issuance of tax-exempt bonds and have no equity partners which means that after paying off the bond payments upon a sale, all excess sales proceeds go to the City and other taxing agencies.

COMMUNITY BENEFITS

- Cities can provide much needed “middle income” housing without using financial resources to build it
- Cities will reap large financial windfalls starting in Year 15 and can be accessed at their discretion
- Cities will ensure that all properties in the program are operated to highest standards and best practices because all excess cash flow after servicing the bonds will be invested back into the assets

OWNERSHIP

- Assets are owned by the DHFC and Waterford is the Project Administrator
- Waterford will oversee all operations of the assets and maintain the business plan in conjunction with its property manager

REGULATORY AGREEMENT

- Restrict 51% of units to rents affordable for households making 80% of the area median income or lower
- Limit annual rent increases to a maximum of four percent (4%) annually (Waterford will self-regulate at 3%)
- Prevent displacement of existing residents that do not meet income eligibility requirements

FINANCIAL REPORTING

- DHFC shall provide annual reports to Dallas regarding the status of its acquisition, financing and operation of property
- Dallas is allowed to review and audit all financials for the property

PUBLIC BENEFIT AGREEMENT

- Dallas, at its sole discretion, may force a sale of the assets of the property between Year 15 and Year 40
- The project is financed through the issuance of limited obligation bonds; bonds issued will be indebtedness solely for the DHFC, and payable from revenues of the project.
- No financial expenditures, liabilities, or obligations are created by financing through the DHFC or executing the public benefit agreement.

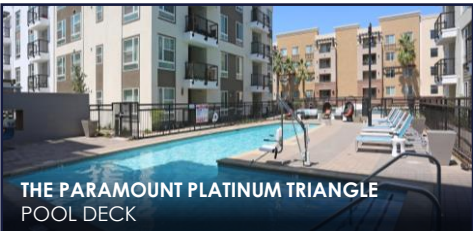
CASE STUDY – THE PARAMOUNT PLATINUM TRIANGLE IN ANAHEIM, CA

LOW RENT AND RENT GROWTH COMPARED TO MARKET

- In February 2021, Waterford/CSCDA acquired Jefferson Platinum Triangle (since renamed “The Paramount”), a Class A, 400-unit community in Anaheim, CA
- Since the beginning of the leasing period at acquisition until May 2022, Waterford has successfully signed 204 new leases through the Essential Housing program at The Paramount
- By having The Paramount as an Essential Housing option in Anaheim, our residents are able to live comfortably within the city in which they work, saving an average of \$921 in rent per month (**\$11,048/resident/year**) when compared to the May 2022 rents of nearby market rate communities
- **As exhibited by the table below, one-bedroom rents increased by an average of 24.2% year-over-year at The Paramount’s closest comparable market-rate properties.** Over the same period, Paramount’s 1-bedroom increased by only **0.7%** due to the Waterford Essential Housing Program

ONE-BEDROOM RENT COMPARABLES

Property Address	Year Built	Distance From Subject Property	Average 1 BR Rent Per Unit	Average Rent/SF	Annual Change (as of May 2022)
Jefferson Rise (same developer as Subject)	2019	0.7 Miles	\$2,755	\$3.34	+21.5%
Core	2018	0.3 Miles	\$2,813	\$3.67	+24.2%
The George	2017	0.9 Miles	\$2,900	\$3.74	+16.5%
Vivere Flats	2017	0.9 Miles	\$2,618	\$3.40	+34.5%
The Paramount	2017	-	\$1,927	\$2.58	+0.7%



HOW HAS THE ESSENTIAL HOUSING PROGRAM AFFECTED OUR TENANTS?



Michelle
Respiratory Care Practitioner

“It’s important for programs like this to exist, just because people like me, they’re in the middle-class range, if things end up being too expensive, then I think it makes it a lot more difficult for us to picture ourselves living in nicer communities. We have to either work extra just to afford the living or have to move really far in order to afford something convenient, something nice, especially because the cost of California is very expensive and everything keeps going up. I feel very fortunate that I found this program, because it’s benefited me in so many ways.”



Nicole
Behavioral Therapist

“I can feel myself smiling...[The program] has genuinely made being here so much better. [I’m feeling] my excitement for life again, especially after the pandemic. It got to the point where everywhere I was looking, I was barely going to make rent. It just happened that they started a new program, which saves me a good couple hundred [per month], which is so relieving.”



Tony & Maggie
Community Bank &
Administrative Professionals

“We’re newlyweds and we held off on expanding our family because we knew that we wanted to be at a place that we really loved. The rental savings that this program has offered is allowing us to have a savings account, and hopefully we can buy a home soon. This transition helped us think about the future for not only our family, but also financially.”

“We definitely had many conversations about moving out of California...we just couldn’t find where to live where we could afford and still be happy...one of the things we love about this program is that we have a sense of financial security...we know there won’t be a sudden jump in our rent.”



Victoria
Middle-School Teacher

“We’ve lost a good amount of teachers at our middle school that moved out of the city...I think what’s most important about a program like this is it does give housing security. And that’s what Long Beach needs – housing security.”

THE CITY OF DALLAS

- City Council adopts one single resolution
- City acknowledges DHFC's issuance of bonds for eligible projects
- City agrees to receive surplus revenue
- The City incurs no fees, costs, liability or administrative responsibilities in connection with the program or individual programs

PARTNERS

- Waterford views this socially beneficial and financially beneficial structure as a true partnership with the City of Dallas
- Waterford is an active participant and investor in the Cities where it does business
- Waterford is excited about the opportunity to become a long-term partner with the City





100 BAYVIEW CIRCLE, SUITE 4500
NEWPORT BEACH, CA 92660

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COLE TAIT
Associate
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ctait@waterfordco.com

CITY OF DALLAS HOUSING FINANCE CORPORATION

The undersigned officer of the City of Dallas Housing Finance Corporation (the “*Corporation*”) hereby certifies that he is the duly elected qualified and acting Secretary of the Board of Directors of the Corporation (the “*Board*”), and hereby certifies that true, correct and complete copies of a certain resolution adopted by the Board at its February 14, 2023 meeting (the “*Resolution*”) are attached hereto. The Resolution has not been amended or revoked and is now in full force and effect.

Dated: February 14, 2023

By _____
Anthony Page
Secretary

CITY OF DALLAS HOUSING FINANCE CORPORATION

RESOLUTION AUTHORIZING THE FORMATION OF DHFC EVERRA MIDTOWN, LLC (THE “*COMPANY*”) IN CONNECTION WITH THE CITY OF DALLAS HOUSING FINANCE CORPORATION (THE “*CORPORATION*”) ISSUANCE OF BONDS; AUTHORIZING THE DESIGNATION OF THE CORPORATION AS THE SOLE MEMBER OF THE COMPANY; APPROVING A MEMORANDUM OF UNDERSTANDING; RATIFYING CERTAIN ACTIONS HERETOFORE TAKEN IN CONNECTION WITH THE COMPANY; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT THE PURPOSES OF THIS RESOLUTION; AND CONTAINING OTHER PROVISIONS RELATING THERETO

WHEREAS, the City of Dallas Housing Finance Corporation (the “*Corporation*”) has been duly created and organized pursuant to and in accordance with the provisions of the Texas Housing Finance Corporations Act, Chapter 394, Local Government Code, as amended (the “*Act*”), for the purpose of providing a means of financing the costs of residential ownership and development that will provide decent, safe and sanitary housing for persons of low and moderate income at prices they can afford; and

WHEREAS, pursuant to the Act, the Corporation intends to issue, sell and deliver one or more series of bonds (the “*Bonds*”) to provide for the financing by DHFC Everra Midtown, LLC, a to-be-formed Texas limited liability company (the “*Company*”), of the acquisition of a multifamily residential rental development known as Everra Midtown, located in the City of Dallas, Dallas County, Texas (the “*Project*”), and the funding of certain reserves and payment of certain costs of issuance of the Bonds in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Board of Directors of the Corporation has determined that it is in the best interest of the Corporation to authorize the formation, and to act as the sole member of the Company; and

WHEREAS, as the sole member of the Company, the Corporation desires to appoint officers of the Company and authorize the officers to enter into agreements on behalf of and for the benefit of the Company; to approve of the Company’s formation; and to ratify all actions previously taken on behalf of the Company in connection with operation of the Project; and

WHEREAS, the Corporation desires to approve a memorandum of understanding with Waterford Property Company, LLC (the “*Memorandum of Understanding*”) regarding the acquisition and development of the Project in substantially the form attached hereto as *Exhibit A*;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF DALLAS HOUSING FINANCE CORPORATION THAT:

Section 1. Formation of Company. The formation of DHFC Everra Midtown, LLC is hereby approved.

Section 2. Designation of Sole Member. The designation of the Corporation as the sole member of the Company is hereby approved and ratified.

Section 3. Appointment of Officers of the Company. Marcy C. Helfand is appointed President, Ryan Garcia is appointed Vice President, and Anthony Page is appointed Secretary of the Company.

Section 4. Approval of Memorandum of Understanding. The Corporation hereby approves the Memorandum of Understanding regarding the acquisition and development of the Project.

Section 5. Execution and Delivery of Documents. The officers of the Company or the Corporation, as sole member of the Company, are each hereby authorized to negotiate the terms of, execute and attest to a limited liability company agreement for the Company and any other such agreements, including but not limited to a property management agreement and a project administration agreement, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 6. Ratification of Previous Actions. The Corporation hereby ratifies, confirms and adopts all actions previously taken on behalf of the Company to carry into effect the transactions contemplated by this Resolution.

Section 7. Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 8. Severability. If any section, paragraph, clause or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

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EXHIBIT A

MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING

BETWEEN

CITY OF DALLAS HOUSING FINANCE CORPORATION

AND

WATERFORD PROPERTY COMPANY, LLC

“EVERRA MIDTOWN”

THIS MEMORANDUM OF UNDERSTANDING (this “*MOU*”) is between the City of Dallas Housing Finance Corporation (the “*Dallas HFC*”), a public, nonprofit housing finance corporation organized under Chapter 394 of the Texas Local Government Code, as amended, and Waterford Property Company, LLC (the “*Developer*”), a California limited liability company, and is dated and effective as of February 14, 2023.

The Developer is a developer and asset manager of affordable housing in the State of Texas. The Dallas HFC is a public, nonprofit housing finance corporation whose mission is to provide safe, decent and sanitary housing for persons of low and moderate income. The Developer and the Dallas HFC hereby agree to work cooperatively to acquire, own, operate and manage affordable housing at the following location, in accordance with the terms of this MOU:

Everra Midtown, being an existing 422-unit development located at 8250 Meadow Road in the City of Dallas, Dallas County, Texas (the “*Project*”), financed with tax-exempt governmental purpose bonds to be issued by the Dallas HFC (the “*Bonds*”).

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

AGREEMENTS

A. OWNERSHIP STRUCTURE

1. The Dallas HFC will form a Texas limited liability company named DHFC Everra Midtown, LLC (the “*Company*”) for the purpose of borrowing the proceeds of the Bonds from the Dallas HFC and owning the Project.

2. The Developer or an affiliate thereof will serve as asset manager (the “*Asset Manager*”) of the Project and will enter into an asset management agreement (the “*Asset Management Agreement*”) with the Company. Pursuant to the Asset Management Agreement, the Asset Manager will, among other things:

(i) monitor and report to the Company with respect to the compliance and performance of the Property Manager (as hereinafter defined) with the Property Manager's duties under the Management Agreement (as hereinafter defined);

(ii) monitor and take all commercially reasonable steps necessary to cause the Property Manager to comply with the Dallas HFC's and the Company's tenant selection policies as set forth in the Regulatory Agreement (as hereinafter defined) and to otherwise verify the Project's continued compliance in all material respects with the Regulatory Agreement, including income verification and reporting requirements thereunder and all reporting requirements set forth in *Exhibit A* hereto;

(iii) prepare and file (or cause the Property Manager to prepare and file) all necessary forms relating to the maintenance and operation of the Project required by all applicable laws;

(iv) in consultation with its counsel, coordinate and manage the process of entering into any required deposit account control agreements with the cooperation of the Company and its counsel;

(v) cooperate with the Company and any accountants engaged on the Company's behalf regarding applicable income or other tax returns and filings;

(vi) cooperate with the Company and the Dallas HFC and its counsel in connection with any communications with appraisers or taxing districts necessary to obtain and maintain an ad valorem tax exemption with respect to the Project;

(vii) cooperate with Company to obtain and maintain insurance for the Project and acquaint itself with all terms and conditions of all insurance policies applicable to the ownership, operation, management and maintenance of the Project;

(viii) in consultation with the Property Manager, promptly investigate and provide a written report to the Company as to all alleged accidents and/or alleged claims for damages related to the ownership, operation, management and maintenance of the Project (including any personal injury or property damage) and the estimated cost of repair and forward such information to the applicable insurance carrier, when appropriate;

(ix) to the extent within the control of the Asset Manager, monitor and verify that the Project is being operated in compliance with all requirements of the Bond documents, including without limitation, compliance with all notice requirements thereunder;

(x) direct the Property Manager to obtain and keep in full force and effect all real estate and business licenses and governmental authorizations (including qualifications to do business) as may be necessary for the proper performance of the Property Manager's duties and obligations under the Management Agreement;

- (xi) oversee the Property Manager's efforts to advertise, promote and market the Project;
- (xii) cooperate with the Company with respect to the Company's provision of social services at the Project;
- (xiii) notify the Company in a timely manner of any occurrence, event, condition or circumstance known to the Asset Manager that could reasonably be expected to have a material adverse effect on the business or operations of the Project;
- (xiv) coordinate with the Property Manager for submission to the Company of annual operating and capital budgets; and
- (xv) monitor compliance with any debt service coverage requirements required in connection with the Bonds.

The Company may terminate the Asset Management Agreement at any time; *provided*, that in the event of such termination, the Asset Manager or its affiliates will be entitled to retain ownership of the subordinate bond.

B. DUE DILIGENCE

As a condition to the Dallas HFC's participation in the Project, the Developer will provide the Dallas HFC with all reasonably requested due diligence information on the Project and its proposed financing and operations.

C. FINANCING

The acquisition of the Project will be financed through the issuance of the Bonds. It is expected that the Bonds will be sold by Goldman Sachs or an affiliate thereof, pursuant to a limited offering. The Dallas HFC will issue the bonds in minimum authorized denominations of \$100,000 (in maturity value for Capital Appreciation Bonds) and will initially be sold only to investors who deliver an investor letter acceptable to the Dallas HFC. The Dallas HFC may issue to the Asset Manager or an affiliate thereof a subordinate bond in minimum authorized denominations of \$500,000, which will be issued in physical form and be transferable only upon delivery to the Dallas HFC of an investor letter acceptable to the Dallas HFC.

The proceeds of the Bonds will be loaned to the Company to enable the acquisition of the Project. Certain terms relating to the Bonds and the financing of the Project are set forth in the term sheet attached as *Exhibit A* hereto and made a part hereof.

D. MANAGEMENT AND OPERATION

1. GREP Texas, LLC shall serve as the property manager (the “*Property Manager*”) for the Project, which will be memorialized in a management agreement with the Company (the “*Management Agreement*”), which is subject to the approval of the Dallas HFC.

2. The Management Agreement will be terminable at the discretion of the Company upon 30 days’ written notice.

E. COMMUNITY SUPPORT

The Developer shall be primarily responsible for interfacing with the local governmental officials in connection with support for the Project and the Dallas HFC shall provide reasonable cooperation in connection with such matters. The parties will consult with each other and coordinate the response to any media inquiries and/or public opposition to the Project that may arise.

F. AD VALOREM TAX EXEMPTION

The ownership structure and the rental restrictions contemplated herein are expected to generate an ad valorem tax exemption (the “*Exemption*”) for the Project. The Dallas HFC, on behalf of the Company, shall work with the Developer and the Dallas Central Appraisal District to obtain confirmation of the availability of such Exemption in the form of a pre-determination letter, to the extent such letter can be obtained.

G. SUMMARY OF TERMS

Certain financial terms and other information with respect to the Bonds and the Project are set forth in the summary of terms attached hereto as *Exhibit A* and made a part hereof.

H. REGULATORY RESTRICTIONS

In addition to restrictions that may be required in connection with the Bonds, the Developer and the Dallas HFC agree that (i) 50% of the units in the Project will be restricted for occupancy by individuals and families earning less than 80% of the area median income, and (ii) 90% of the units (including the units described in (i)) in the Project will be restricted for occupancy by individuals and families earning no more than 140% of the area median income. The income and rent limits will be adjusted for family size and calculated by using the Calculator (as hereinafter defined) without application of a utility allowance. The Dallas HFC is expected to record a Regulatory Agreement and Declaration of Restrictive Covenants at closing in the Dallas County land records that will set forth the income restrictions and describe the methodology for income verification and reporting.

As used herein, “*Calculator*” means the Novogradac Rent and Income Limit Calculator for the applicable year, under the “Other Federal, State, or Local Program” category for Dallas-Fort Worth-Arlington, TX HUD Metro FMR Area with rent calculations based on either: “80%” or “140%” and Imputed Persons Per Bedroom for Rent Limited Calculations set to “1.5 Person/1 Bedroom” and the applicable family size selected for the respective housing leasing a particular unit. In the event such tool is not available, applicable rent and income limits shall be calculated using a reasonable substitute tool as agreed to by the parties hereto.

I. MISCELLANEOUS

1. This MOU is a letter of intent only. This MOU will have no binding effect and may be terminated at any time by either party for any reason. Upon termination of this MOU, neither party shall have any ongoing obligation to the other with respect to this MOU or the Project.

2. The parties acknowledge that the Company, the Dallas HFC and its affiliates will be represented in this transaction by Chapman and Cutler LLP (“*Company Counsel*”) and Bracewell LLP (“*Bond Counsel*”) in a legal capacity and Hilltop Securities Inc. and Estrada Hinojosa & Company, Incorporated in a financial advisory capacity (collectively, the “*Co-Financial Advisors*”). The Developer and its affiliates will be represented by separate legal counsel and will not be entitled to rely on Company Counsel or Bond Counsel for legal representation in this matter and acknowledges that no financial advisory relationship will exist among the Developer and its affiliates and the Co-Financial Advisors.

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EXECUTED to be effective as of the date above shown.

CITY OF DALLAS HOUSING FINANCE
CORPORATION

By _____
Kyle J. Hines
General Manager

WATERFORD PROPERTY COMPANY, LLC

By _____
John Drachman
Owner

EXHIBIT A

TERM SHEET

**DHFC – WATERFORD PROPERTY COMPANY, LLC
WORKFORCE HOUSING PROGRAM**

TERM SHEET

February 6, 2023

PROJECT SPECIFICATIONS

Project: Everra Midtown (the “*Project*”), a 422-unit multifamily property completed in 2017 and located at 8250 Meadow Road, Dallas, TX 75231

FINANCING PARTICIPANTS

<i>Issuer:</i>	Dallas Housing Finance Corporation (“ <i>DHFC</i> ”) or other affiliate (collectively referred to as “ <i>DHFC</i> ”)
<i>Borrower and Project Owner:</i>	DHFC Everra Midtown, LLC, a Texas limited liability company whose sole member is DHFC, or other affiliate of DHFC (“ <i>Owner</i> ”)
<i>Sponsor/Project Administrator:</i>	Waterford Property Company, LLC
<i>Property Manager:</i>	GREP Texas, LLC
<i>Bond Counsel and Real Estate Counsel:</i>	Bracewell LLP
<i>DHFC Co-Financial Advisors:</i>	Hilltop Securities, Inc. and Estrada Hinojosa & Company, Inc.
<i>DHFC General Counsel:</i>	Chapman and Cutler LLP
<i>Bond Underwriter:</i>	Goldman Sachs
<i>Bond Underwriter’s Counsel:</i>	To be confirmed
<i>Sponsor’s Counsel:</i>	To be confirmed

FINANCING SUMMARY

Waterford is proposing to assist DHFC in the acquisition of the Project. DHFC will issue governmental purpose tax-exempt bonds to finance the acquisition. Waterford will act as the Project Administrator to negotiate the Purchase and Sale Agreement (“*PSA*”), with input from DHFC, provide the required deposits, assemble third-party reports and perform other front-end due diligence and “sponsorship” functions. At the closing, Waterford will assign the *PSA* to the Owner, which will borrow the proceeds of the Bonds from DHFC to enable the acquisition of the Project. Following the closing, the Waterford will stay on in an asset management role to work

with the Property Manager in the administration of the Project, oversight of affordability compliance, operational management and providing information on Project performance to Bond Purchasers on behalf of DHFC. At closing, income restrictions on the Project will be implemented to further DHFC's mission of providing quality affordable housing to qualified tenants and qualify the Project for real estate tax exemption. Owner will be sole owner of the Project, including the land and improvements. Following the retirement of the Bonds, Owner will own the Project free and clear of any bond-related encumbrances.

DEAL SUMMARY/TIMELINE

1. *Purchase Agreement*: Waterford (or its affiliate) has an agreement with the current owner to enter into the PSA for the Project:

- (a) PSA purchase price \$85,000,000 (the "*PSA Purchase Price*").
- (b) *Estimated Closing Date*: May 2023.
- (c) At closing, Waterford will assign the PSA to the Owner:
 - (i) The Owner borrows the proceeds of the Bonds and pays the PSA Purchase Price to seller under the PSA at closing (funded by Investor Bonds, which may include one or more series of senior lien and subordinate lien bonds).
 - (ii) In exchange for assignment of the PSA, DHFC will deliver the \$5 million Sponsor Bonds, which are to be directly issued to Waterford or its affiliate in physical form, and not publicly offered to potential bond purchasers.

2. *Bonds*: DHFC will issue governmental purpose tax-exempt bonds to finance the acquisition of the Project:

- (a) Investor Bond Terms (estimate only, to be finalized at issuance of bonds):
 - (i) Total tax-exempt amount approximately \$104 million.
 - (ii) Interest and Principal to be paid solely by the Project's cash flow.
 - (iii) The proposed structure is a combination of senior current interest self-amortizing bonds with a 40 year final maturity, and a 10 year par call, and mezzanine capital appreciation self-amortizing bonds with a 40 year final maturity and a 10 or 15 year par call.
 - (v) Authorized denominations of \$100,000 (in maturity value for Capital Appreciation Bonds) and integral multiples of \$5,000 in excess thereof (*provided* Bonds may be redeemed in integral multiples of \$5,000).

(b) Sponsor Bond Terms (estimate only, to be finalized at issuance of bonds):

(i) Total tax-exempt amount \$5,000,000.

(ii) Estimated coupon and yield not to exceed 10.00%.

(iii) Issued to Project Administrator or its affiliate in exchange for assignment its right, title and interest in the PSA to Owner.

(iv) Subordinate to all Investor Bonds and paid with available cash flow after debt service on Investor Bonds are paid, subordinated fees are paid and reserves are funded.

(v) Authorized denominations of \$500,000 and integral multiples of \$5,000 in excess thereof.

3. *Rent and Income Restrictions:*

(a) Middle Income Regulatory Agreement will be recorded at Sale:

(i) 50% of the units will be restricted to households earning less than 80% of Area Median Income ("AMI") (adjusted for family size).

(ii) 90% of the units will be restricted to tenants earning not more than 140% of AMI (inclusive of the units rented to individuals and families earning less than 80% of the area median income).

(iii) The remaining 10% of units will be unrestricted.

4. *Reserves* (all funded by Investor Bonds):

(a) *Capital Reserves:* Initial deposit and ongoing reserve deposits with annual increase, in amounts that are subject to approval by Owner and its financial advisors.

(i) Funds up-front property improvements as needed and provides a reserve for future needs. Property Condition Report to determine final budget for up-front needs and long-term projection.

(b) *Debt Service Reserves:* Approximately \$4,585,921 or 3 years of Maximum Annual Debt Service (est.):

(i) Represents approximately 36 months of debt service payments for Investor Bonds.

(ii) Capitalized Interest Reserve and Coverage Reserve are held until the project achieves 1.2x DSCR. Debt Service Reserve is retained until the Investor Bond principal is fully repaid.

(c) *Operating and Other Reserves: Approximately \$806,014;*

(i) Represents 6 months of projected operating expenses. Not expected to be needed but is a “reserve fund” for any unforeseen expenses. This also includes a reserve of approximately \$2.75 million for payment of Project Administration Fees. The Subordinated Fee Reserve is available to fund subordinated ongoing fees to the Project Administrator.

5. *Fees:*

(a) *DHFC Fee* (paid as an Administrative Expense from project income):

(i) Ongoing DHFC Asset Management Fee of 0.5% per year of effective gross income of the Project.

(b) *Upfront Project Administrator Acquisition Fee* (paid from bond proceeds):

(i) Aggregate \$2 million payable to Waterford for services rendered through closing, including the assumption of risk in fronting all pursuit costs, and performing all due diligence on the Project and the underlying transaction. The Upfront Project Administrator Fee is funded by the Investor Bonds.

(c) *Ongoing Project Administration Fee* (paid from cash flow, subordinate to Investor Bond interest):

(i) \$211,000/year, commencing in year 4 and increasing by 2.0% per year for the annual administration of the Project, payable to the Project Administrator. This covers Waterford’s expense in administering the project.

(ii) Project Administration responsibilities include: Asset management and oversight of Property Manager; Annual and Quarterly Financial reporting to DHFC and Bond Trustee; Oversight of third-party accountant(s) and Annual Audited Financial Statements and Tax Returns for DHFC and Bond Trustee; Coordination with Property Manager for annual development and submittal of Operating Plan and Budget, Capital Budget, Marketing Plan, and Rent/Fee Schedule; Coordination of Quarterly Budget Updates (if required); Annual preparation on behalf of the DHFC from Property Manager for Certificate of Program Compliance and filing of the Annual Report; Quarterly Report of Continuing Disclosure; Onsite Physical inspections; Inventory management of FF&E; Bond Documents Compliance; Supervision of all Books and Records, Business Licenses, Capital Expenses, Insurance and claims, etc.

(iii) *Term of Project Administration Agreement:* This agreement will be for successive one-year terms.

(d) *Property Management Fee* to third-party property management company:

(i) 2.25% of effective gross income of the Project, plus a monthly to be negotiated Fixed Fee in consideration of the Manager providing certain technology, administrative, and strategic marketing products, affordable compliance services, and other services that are essential to the operation of the property in a professional, efficient and competitive manner.

(ii) Property Management fee paid by the Property's cash flow and considered an operating expense.

(iii) *Term of Project Management Agreement:* This agreement will be for successive one-year terms.

6. *Distributions:*

(a) Net Cash shall be distributed monthly as follows:

(i) *First*, the interest due with respect to the Investor Bonds for the current interest accrual period.

(ii) *Second*, accrued and unpaid interest on the Investor Bonds from prior interest accrual periods.

(iii) *Third*, to payment of subordinated fees including the Sponsor Project Administration Fee.

(iv) *Fourth*, accrued and unpaid interest on the Sponsor Bonds.

(v) Of the remaining funds, 100% will go towards a soft sinking fund (turbo structure) to pay off the Investor Bonds, followed by the Sponsor Bonds.

(vi) *Following repayment of all bonds, Owner owns the Project free and-clear of any bond-related encumbrances.*

(vii) *"Net Cash"*: The Project's gross income (consisting primarily of rental income) minus its operating expenses including the property management fee and capital expenditures.

(b) Capital Proceeds upon a sale or refinance shall be distributed as follows:

(i) *First*, to the accrued and unpaid Investor Bond Interest.

- (ii) *Second*, to the accrued and unpaid Sponsor Bond Interest.
- (iii) *Third*, to the unpaid Investor Bond Principal.
- (iv) *Fourth*, to the unpaid Sponsor Bond Principal.
- (v) *Fifth*, to the Owner, all remaining proceeds.

**COMPANY AGREEMENT
OF
DHFC EVERRA MIDTOWN, LLC**

This Company Agreement (this “*Agreement*”) of DHFC Everra Midtown, LLC (the “*Company*”) is entered into effective _____, 2023 (the “*Effective Date*”) by and between the City of Dallas Housing Finance Corporation, as the sole member of the Company (the “*Member*”) and the Company.

Subject to the provisions of this Agreement, the Member has organized the Company pursuant to and in accordance with the provisions of the Texas Business Organizations Code, as amended from time to time (the “*Act*”) by filing a Certificate of Formation with the Texas Secretary of State on the Effective Date. The parties hereby agree as follows:

- 1. Name** The name of the limited liability company is DHFC Everra Midtown, LLC.
- 2. Purpose** The sole purposes of the Company are to assist the Member in providing decent, safe and sanitary housing for low- and moderate-income individuals within the City of Dallas, and to finance, acquire, develop, own, operate and manage Everra Midtown, an affordable housing development located at 8250 Meadow Road in the City of Dallas, Dallas County, Texas (the “*Project*”).
- 3. Registered Office** The address of the principal office of the Company in the State of Texas is c/o City of Dallas Housing Finance Corporation, 1500 Marilla St, Room 6CN, Dallas, Texas 75201. The Company may have other offices and places of business at such locations as the Member may from time to time determine.
- 4. Registered Agent** The name and address of the registered agent of the Company for service of process on the Company in the State of Texas is City of Dallas Housing Finance Corporation, 1500 Marilla St, Room 6CN, Dallas, Texas 75201.
- 5. Member** The name and the business, residence or mailing address of the Member is as follows:

City of Dallas Housing Finance Corporation
1500 Marilla St, Room 6CN
Dallas, Texas 75201
- 6. Powers** The business and affairs of the Company shall be managed by the Member. The Member shall have the power to do any and all acts necessary or convenient to or for the furtherance of the purposes

described herein, including all powers, statutory or otherwise, possessed by members under the laws of the State of Texas. The Member shall have the authority to bind the Company.

7. Company Budget

On behalf of the Company, the Member shall approve an annual operating plan and budget and an annual capital budget, or other related documents as may be required in furtherance of the purposes described herein (the “*Company Budget*”). The President of the Member and Treasurer of the Member are each individually authorized to approve the Company Budget, and the General Manager of the Member and the Assistant General Manager of the Member are each individually authorized to approve the Company Budget previously approved by the President or Treasurer of the Member.

8. Authority of the Company

In order to carry out its purpose, the Company is empowered and authorized to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of its purpose, and for the protection and benefit of the Company, including but not limited to the following:

- (a) acquire the Project;
- (b) construct, rehabilitate, develop, operate, maintain, improve, buy, own, sell, convey, assign, mortgage, rent or lease any real estate and any personal property necessary to the operation of the Project;
- (c) provide housing, subject to and consistent with the requirements of any applicable regulatory agreement so long as such regulatory agreement, as applicable, remains in force;
- (d) enter into any kind of activity, and perform and carry out contracts of any kind necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Company;
- (e) borrow money and issue evidences of indebtedness in furtherance of the Company business and secure any such indebtedness by mortgage, pledge, or other lien; *provided, however*, that the Project loans and any evidences of indebtedness thereof and any documents amending, modifying or replacing any Project loans shall have the legal effect that the Company and the Member and their affiliates shall have no personal liability for the repayment of the principal of or payment of interest on any Project loan or other such indebtedness and that the sole recourse of any lender with respect to the principal thereof and interest thereon

shall be to the assets of the Company, including the property securing any Project loan or other such indebtedness;

(f) maintain and operate the Project, including hiring a management agent, property manager and asset manager and entering into a management agreement, property management agreement, and asset management agreement;

(g) negotiate for and conclude agreements for the sale, exchange, lease or other disposition of all or substantially all of the property of the Company, or for the refinancing of any mortgage loan on the property of the Company;

(h) enter into the Project documents providing for regulations with respect to rents, profits, dividends and the disposition of property;

(i) rent dwelling units in the Project from time to time, in accordance with applicable federal, state and local regulations, collecting the rents therefrom, paying the expenses incurred in connection with the Project, and distributing the net proceeds to the Member, subject to any requirements which may be imposed by any applicable regulatory agreement, and/or the other Project documents; and

(j) do any and all other acts and things necessary or proper in furtherance of the business of the Company.

9. Term

The term of the Company commenced on the filing of the Certificate of Formation with the Texas Secretary of State and shall be perpetual unless dissolved as provided in this Agreement or the Code.

10. Dissolution and Liquidation

The Company shall be dissolved upon (a) an election to dissolve the Company by the Member; or (b) any other event that would cause its dissolution under the Code. Upon the dissolution of the Company, a liquidator shall be selected by the Member. The liquidator shall liquidate the assets of the Company and apply and distribute the proceeds of such liquidation in the following order of priority: (i) to the payment of the expenses of the terminating transactions including, without limitation, brokerage commission, legal fees, accounting fees and closing costs; (ii) to the payment of creditors of the Company, including the Member, in the order of priority provided by law; and (iii) to the Member. The distribution to the Member shall be in cash or in-kind assets of the Company or both, as determined by the Member. Upon completion of the distribution of the Company property provided

herein, the Company shall be terminated and the liquidator shall cause the cancellation of the Certificate and any other filings made by the Company and shall take such other actions as may be necessary to terminate the Company.

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| 11. Capital Contributions | The Member has contributed or will contribute \$50,000, in cash, and no other property, to the Company. |
| 12. Additional Contributions | No Member is required to make any additional capital contribution to the Company. |
| 13. Allocation of Profits and Losses | The Company's profits and losses shall be allocated in proportion to the capital contributions of the Member. |
| 14. Taxes | The Member may make any tax elections for the Company allowed under the Internal Revenue Code of 1986, as amended from time to time, or the tax laws of any state or other jurisdiction having taxing authority over the Company that the Member may deem appropriate and in the best interests of the Company and the Member. |
| 15. Distributions | Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Member. Such distributions shall be allocated among the Member and any additional members (if admitted as provided herein) in the same proportion as their capital account balances. |
| 16. Assignments | A Member may assign its limited liability company interest in whole or in part only with the consent of the other Member. |
| 17. Resignation | Without the consent of any remaining members, a Member may not resign from the Company. |
| 18. Admission of Additional Members | One (1) or more additional members of the Company may be admitted to the Company with the consent of the Member and upon being so admitted shall become bound by all of the terms of this Agreement and shall execute a written joinder to this Agreement; <i>provided, however</i> , that no such admission shall be permitted if it would adversely affect the tax-exempt status of the bonds issued to acquire the Project. |
| 19. Liability of Member | The Member shall not have any liability for the obligations or liabilities of the Company except to the extent provided in the Code. The Company shall indemnify, in accordance with and to the full extent now or hereafter permitted by law, the Member and any officer or employee of the Company, and may so indemnify any agent of the Company, who was or is a party or is threatened |

to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administration or investigative (including, without limitation, an action by or in the right of the Company) by reason of any action or omission in their respective capacities against any liabilities, expenses (including, without limitation, attorneys' fees and expenses and any other costs and expenses incurred in connection with defending such action, suit or proceeding), judgments, fines and amounts paid in settlement actually and reasonably incurred by the Person in connection with such action, suit or proceeding, if the Person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe its, his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption (i) that the Person did not act in good faith and in a manner which it, he or she reasonably believed to be in or not opposed to the best interests of the Company, and (ii) with respect to any criminal action or proceeding, that the Person had reasonable cause to believe its, his or her conduct was unlawful. Expenses (including, without limitation, attorneys' fees and expenses) incurred by a Person seeking indemnification hereunder shall be paid in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking from the Person to repay such amount if it shall ultimately be determined that the Person is not entitled to indemnification.

For purposes of the preceding paragraph, the word "Person" shall include each Member and any officer, employee or agent of the Company.

20. Officers

The officers of the Company shall be a President, a Vice President and a Secretary. Such offices shall be assumed by the persons serving in the respective office on the Board of Directors of the Member. The President shall be the chief executive officer of the Company and shall be in general charge of the properties and affairs of the Company; shall preside at all meetings; and in furtherance of the purposes of the Company, may sign and execute all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments in the name of the Company. The Vice President shall carry out the powers and responsibilities of the President when the President is absent or unable to act. The Secretary shall attend to the giving and serving of all notices; in furtherance of the purposes of the Company, may sign with the President or Vice President in the name of the

Company, and/or attest the signature thereto, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments of the Company; and shall have charge of the corporate books, records, documents and instruments, and such other books and papers as may be necessary, all of which shall at all reasonable times be open to inspection upon application at the office of the Company during business hours.

21. Special Purpose Entity

The Company shall engage in no other business or activity other than that of pursuing the purposes stated in this Agreement. The Company was formed exclusively for the purpose of pursuing such purposes and has never engaged in any other activity, business or endeavor. As of the date of this Agreement, the Company has no liabilities or indebtedness other than its liability for the debts related to the Project, and the Company shall not incur any indebtedness other than its liability for the debts related to the Project. If the Company determines it needs additional funds for any purpose, it shall obtain such funds solely from capital contributions from its members. The Company has observed and shall continue to observe all necessary or appropriate legal formalities in the conduct of its business. The Company shall keep its books and records separate and distinct from those of its Member and affiliates of such Member. The Company shall prepare and file any required tax returns in its own name. The Company shall clearly identify itself as a legal entity separate and distinct from its Member and affiliates of such Member in all dealings with other persons. The Company has been adequately capitalized for the purposes of conducting its business and will not make distributions at a time when it would have unreasonably small capital for the continued conduct of its business.

22. Governing Law

This Agreement shall be governed by, and construed under, the laws of the State of Texas, all rights and remedies being governed by said laws.

23. Binding Effect

This Agreement binds and inures to the benefit of the parties hereto, and their successors and assigns. This Section 23 does not address, directly or indirectly, whether a party may assign rights or delegate performance under this Agreement.

24. Amendment

This Agreement may be amended in writing by the Member.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned, intending to be legally bound hereby, has duly executed this Agreement as of the Effective Date written above.

CITY OF DALLAS HOUSING FINANCE
CORPORATION, as sole member

By _____
Kyle J. Hines
General Manager

DHFC EVERRA MIDTOWN, LLC

By: City of Dallas Housing Finance
Corporation, its sole member

By _____
Kyle J. Hines
General Manager

Memo

To: Board of Directors of the City of Dallas Housing Finance Corporation

From: Aaron Eaquinto, Assistant General Manager

cc: Ryan Bowen, General Counsel
George Rodriguez, Bond Counsel, Bracewell LLP
Tim Nelson, Financial Advisor, Hilltop Securities
Robert Estrada, Financial Advisor, Estrada Hinojosa & Company, Inc.

Date: February 14, 2023

Re: Consider and Adopt a Post Issuance Compliance Procedures for Governmental and Private Activity Bonds

The purpose of this agenda item is to consider and adopt post issuance compliance procedures for governmental and private activity bonds.

DHFC Bond Counsel advised Staff that it would be prudent to adopt a written set of compliance procedures for the types of bonds that are issued through the DHFC. This is to ensure proper procedures are in place for continuing compliance to the regulations that govern our ability to remain in good standing as a bond issuer.

If you have any questions regarding this agenda item, Staff, Ryan Bowen, Corporation Counsel, Tim Nelson, DHFC Financial Advisor, and OHG will be available prior to and at the meeting to discuss.

CITY OF DALLAS HOUSING FINANCE CORPORATION
PROCEDURES FOR POST-ISSUANCE BOND COMPLIANCE

I. GENERAL

The purpose of these Procedures for Post-Issuance Bond Compliance (these “Procedures”) is to assist the City of Dallas Housing Finance Corporation (the “Issuer”) in maintaining and evidencing compliance with the federal tax requirements that apply to the Issuer’s bond financings for “qualified residential rental housing” (“Multifamily Bonds”). In furthering such purposes, the Issuer has implemented these Procedures with respect to the following federal tax requirements:

- General Recordkeeping and Record Retention;
- Arbitrage-Yield Restriction and Rebate;
- Proper and Timely use of Bond Proceeds and Bond-Financed Property;
- Timely Tax Return Filings;
- Property Compliance and Tenant Eligibility;
- Reissuance Requirements; and
- Corrective Actions

These Procedures apply to any Multifamily Bonds to which sections 103 and 142 through 150 of the Internal Revenue Code of 1986, as amended (the “Code”) and the Treasury Regulations (the “Regulations”) promulgated thereunder apply, whether or not the interest on such obligations is in fact exempt from federal income tax. Further, the Issuer is responsible for compliance with any requirements set forth in subsequent rulings and other advice published by the Internal Revenue Service (the “IRS”), as such authorities may apply to the Issuer and the applicable issue of Multifamily Bonds.

II. RESPONSIBLE PARTIES

The Issuer acts as a conduit issuer of Multifamily Bonds and, upon issuance, proceeds of the Multifamily Bonds (“Bond Proceeds”) are immediately loaned to a multifamily residential housing developer (each, a “Borrower”) that is responsible for the acquisition, construction and/or rehabilitation, and equipping of the applicable qualified residential rental development (each, a “Development”). As part of its compliance efforts, the Issuer contractually requires the Borrower to take actions to maintain compliance with the requirements in the Code and the Regulations relating to the Multifamily Bonds.

In recognition of the role the Borrower plays in monitoring the continuing compliance of the Development and the related Multifamily Bonds, the Issuer has identified in these Procedures those compliance responsibilities that are the responsibility of the Borrower. In connection with the forgoing, the Issuer will provide a copy of these Procedures to each Borrower.

These Procedures are meant to reflect the representations, warranties, covenants and agreements made by the Borrower in the (a) Tax Exemption Certificate and Agreement and (b) Regulatory Agreement entered into in connection with a related issue of Multifamily Bonds, but not to

supplant the role and responsibilities of the Borrower in such documents. In the event that there is a conflict between these procedures and such documents, the provisions stated in the documents will control.

III. GENERAL RECORDKEEPING

The Issuer will maintain a copy of the following documents on file at all times:

- Audited Financial Statements of the Issuer; and
- Reports of any examinations by the IRS regarding the Issuer or any of its tax-exempt bond financings.

With respect to each issue of its Multifamily Bonds, the Issuer will retain, or will cause to be retained by a third party, the following for the life of the obligations (including the life of any obligations issued to refund the original Multifamily Bonds) plus three years:

- Bond transcript, including authorizing documents, offering document, and documents related to federal tax exemption (i.e., IRS Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues (“Form 8038”), Tax-Exempt Certificate and Agreement (or No-Arbitrage Certificate and Borrower’s Tax Certificate), Issue Price Certificate, Certificate of Financial Advisor, etc.);
- Minutes and resolution(s) authorizing the issue;
- Any formal elections (e.g., election to employ an accounting methodology other than specific tracing);
- IRS correspondence regarding the Development.

Additionally, with respect to an issue of Multifamily Bonds, the Borrower will retain the following for the life of the obligations plus three years:

- Bond transcript, as described above;
- Appraisals, environmental site assessments and feasibility studies for the bond-financed property;
- Documentation relating to the use of the Development, including Tenant Income Certifications and the Certificates of Continuing Program Compliance;
- Records relating to the payment of debt service (including credit enhancement);
- Documentation relating to arbitrage compliance (as described in Section IV below);
- Rebate compliance reports (as described in Section IV below);
- Related IRS filings (e.g., IRS Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate (“Form 8038-T”), and IRS Form 8703, Annual Certification of a Residential Rental Project (“Form 8703”));
- Documentation relating to the investment of any Bond Proceeds (e.g., trustee statements, trade confirmations);
- Any formal elections (e.g., election to employ an accounting methodology other than specific tracing);
- IRS correspondence regarding the Development; and

- Other documentation that is material to the particular requirements applicable to the tax status of the financing.

The Borrower will make any of the foregoing documents available to the Issuer upon request.

With respect to any provision of these Procedures as it relates to the Multifamily Bonds, documents may be retained as hard copies or in an electronic format (in accordance with Revenue Procedure 97-22, 1997-1 C.B. 652), so long as such documents are retained in an organized, accessible format that preserves the accuracy of such documents.

IV. INVESTMENTS AND ARBITRAGE COMPLIANCE

In connection with the issuance of the Multifamily Bonds and the loan of the proceeds thereof to the Borrower, the Borrower has covenanted and agreed to monitor compliance with the yield restriction requirements of section 148(a) of the Code and the rebate requirements of section 148(f) of the Code. The monitoring responsibilities that will be performed by the Borrower include, but are not limited to:

- Tracking the allocation of Bond Proceeds to expenditures for compliance with any temporary period and spending exceptions, no less frequently than yearly;
- Ensuring that any forms required to be filed with the IRS relating to arbitrage and any payments required pursuant thereto are filed in a timely manner;
- Ensuring that “fair market value” is used with respect to the purchase and sale of investments;
- Hiring a rebate analyst to monitor compliance with rebate and yield restriction and paying, when due, the reasonable fees and expenses in connection with the computations relating to arbitrage rebate; and
- Preparing a Form 8038-T for the Issuer’s signature and transferring any amounts determined by the rebate analyst to be due to the trustee for the applicable issue of Multifamily Bonds for payment to the federal government.

With respect to each issue of Multifamily Bonds, the Borrower will retain the following for the life of the Multifamily Bonds plus three years, and will make any of the foregoing documents available to the Issuer upon request:

- Documentation of allocations of investments and calculations of investment earnings.
- Documentation for investments of the Bond Proceeds related to:
 - (a) Investment contracts (e.g., guaranteed investment contracts);
 - (b) Credit enhancement transactions (e.g., bond insurance contracts);
 - (c) Financial derivatives (e.g., swaps, caps, etc.); and
 - (d) Bidding of financial products
- Documentation regarding arbitrage compliance, including:
 - (a) Computation of yield on the Multifamily Bonds;
 - (b) Computation of rebate and yield reduction payments;
 - (c) Form 8038-T; and

- (d) Form 8038-R, Request for Recovery of Overpayments Under Arbitrage Rebate Provisions

V. EXPENDITURES AND ASSETS

In connection with the issuance of the Multifamily Bonds and the loan of the proceeds thereof to the Borrower, the Borrower has covenanted and agreed to accept responsibility for the general day-to-day oversight of the expenditure of the Bond Proceeds, including monitoring whether such expenditures are made in a timely manner for the purposes for which the Multifamily Bonds were authorized. The Borrower will ensure that all Bond Proceeds are allocated to expenditures by the later of 18 months after the expenditure was made or the date the Development is placed in service (and in no event, later than 60 days after (i) the fifth anniversary of the issue date of the Multifamily Bonds or (ii) retirement of the issue). With respect to the reimbursement of any expenditure paid prior to the issuance date of the Multifamily Bonds, the Borrower will make such reimbursement allocation to Bond Proceeds no later than 18 months after the later of (i) the date the original expenditure is made or (ii) the date the project is placed in service, but in no event more than three years after the original expenditure is paid.

With respect to each issue of Multifamily Bonds, the Borrower will retain the following for the life of the Multifamily Bonds plus three years, and will make any of the foregoing documents available to the Issuer upon request:

- Documentation of allocations of Bond Proceeds to expenditures (e.g., allocation of Bond Proceeds for expenditures for the construction, renovation or purchase of facilities);
- Documentation of allocations of Bond Proceeds to issuance costs of the Multifamily Bonds;
- Copies of all requisitions, draw schedules, draw requests, invoices, bills, and cancelled checks related to Bond Proceeds spent or used to reimburse the Borrower for costs during the construction period;
- Copies of all contracts entered into for the construction, renovation or purchase of facilities financed or refinanced with the Bond Proceeds;
- Records of expenditure reimbursements incurred prior to the issue date of the Multifamily Bonds for facilities financed or refinanced with the Bond Proceeds;
- List or schedule of all facilities or equipment financed or refinanced with the Bond Proceeds;
- Depreciation schedules for depreciable property financed or refinanced with the Bond Proceeds; and
- Documentation of any purchase of assets with Bond Proceeds.

VI. DEVELOPMENT, TENANT ELIGIBILITY, AND OTHER REQUIREMENTS

In connection with the issuance of the Multifamily Bonds and the loan of the proceeds thereof to the Borrower, the Borrower has covenanted and agreed that the Development will be operated and maintained on a continuous basis during the qualified project period in a manner that will preserve

the tax-exempt status of the related issue of Multifamily Bonds. The Borrower¹ is responsible for ensuring the required percentage of residential units in the Development are occupied by individuals whose income does not exceed the applicable income limit for the elected set-aside test as identified in the applicable regulatory agreement.

With respect to each issue of Multifamily Bonds, the Borrower will retain the following for the life of the Multifamily Bonds or the qualified project period, whichever is longer, plus three years, and will make any of the foregoing documents available to the Issuer upon request:

- Tenant Income Certifications and all related tenant eligibility documents;
- Forms 8703; and
- Quarterly Certificates of Continuing Program Compliance.

VII. REISSUANCE

Prior to making any changes to the terms of an existing Multifamily Bond, including its underlying security, the Issuer will consult with its bond counsel to determine whether such change will result in the reissuance of such obligation under state law as well as for federal tax law purposes. If it is determined that a change will result in a reissuance, the Issuer's bond counsel will draft the necessary bond documents for consideration by the Issuer's Board. The Borrower will be responsible for coordinating and paying for the recalculation of yield and the payment of any required rebate, as is necessary to maintain the tax-exempt status of the Multifamily Bonds.

VIII. CORRECTIVE ACTION

To the extent violations with any of the aforementioned compliance policies are identified and corrective action requires immediate action, the Borrower will notify the Issuer. The Issuer and the Borrower will work cooperatively and diligently to resolve the outstanding issue, provided that the Borrower shall be fully responsible for payment with respect to any amounts incurred in the course of such corrective action. A corrective action may be required if, for example, it is determined that Bond Proceeds were not properly expended, the issue of Multifamily Bonds is not in compliance with the arbitrage requirements imposed by the Code, or the Borrower has taken a deliberate action that results in impermissible private business use.

If the Issuer determines or is advised that corrective action is necessary with respect to any issue of its Multifamily Bonds, the Issuer will, as may be applicable and in consultation with bond counsel, in a timely manner:

- Seek to enter into a closing agreement under the Tax-Exempt Bonds Voluntary Closing Agreement Program described in IRS Notice 2008-31 (or any successor notice thereto);
- Take remedial action described under section 1.142-2 of the Treasury Regulations promulgated under the Code;

¹ While ultimately it is the Borrower's responsibility to maintain compliance with occupancy requirements, the Issuer acknowledges the Borrower may hire and subsequently designate a property management company to perform this function on their behalf.

- Take such other action as recommended by its bond counsel; and/or
- Work with the Borrower to resolve the identified non-compliance.

CITY OF DALLAS HOUSING FINANCE CORPORATION
PROCEDURES FOR POST-ISSUANCE COMPLIANCE

I. GENERAL

These Procedures for Post-Issuance Compliance (the “Procedures”) are for the purpose of maintaining and evidencing compliance with the federal tax requirements that apply to the bond financings of City of Dallas Housing Finance Corporation (the “Issuer”). In furtherance of such purposes the Issuer has adopted these Procedures with respect to the following:

- General recordkeeping and record retention
- Timely return filings
- Proper and timely use of bond proceeds and proper use of bond-financed property
- Arbitrage – yield restriction and rebate
- Reissuance requirements
- Corrective action

These Procedures apply to any obligations to which sections 103 and 141 through 150 of the Internal Revenue Code of 1986 (the “Code”) are applicable, whether or not such obligations are in fact tax-exempt. For example, these Procedures will be followed with respect to any issue of tax credit bonds to which such sections of the Code apply. It is the intention of the Issuer to modify or amend these Procedures in the future in order to comply with any requirements set forth in subsequent rulings and other advice published by the Internal Revenue Service (the “IRS”), as such authorities may apply to the Issuer and its obligations.

II. RESPONSIBLE PARTIES

The Issuer acknowledges that, as the issuer of debt obligations subject to the Code, it is responsible for post-issuance compliance with respect to such debt obligations. The Issuer’s internal finance team has general oversight of the post-issuance compliance of bond financings.

Parties responsible for the financing aspects and the operations aspects of bond-financed facilities will coordinate efforts to ensure that any actions taken with respect to a bond-financed facility will be in compliance with the requirements of the Code. The Issuer will provide training and/or make available educational materials regarding compliance requirements (e.g., private use requirements) to the parties responsible for the oversight of bond-financed facilities.

III. GENERAL RECORDKEEPING & RECORD RETENTION

General record retention duties are the responsibility of the Issuer’s finance team. The following documents will be retained on file at all times:

- Audited Financial Statements
- Reports of any examinations by the Internal Revenue Service of the Issuer’s financings

With respect to each issue of obligations, the finance team will retain the following for the life of the obligations (including the life of any obligations issued to refund the original debt) plus three years:

- Bond transcript, including authorizing documents, offering document, the federal tax certificate and certificates regarding issue price
- Minutes and resolution(s) authorizing the issue
- Any formal elections (e.g., election to employ an accounting methodology other than specific tracing)
- Records relating to the payment of debt service (including credit enhancement)
- Documentation relating to investments and arbitrage compliance, as described in the “Recordkeeping” section of “Arbitrage – Yield Restriction and Rebate” below
- Documentary evidence of when and for what purpose the bond proceeds were expended, as described in the “Recordkeeping” section of “Expenditures of Bond Proceeds” below
- Any grant requests or fundraising materials and documentation of grants or fundraising receipts relating to projects that also may be financed, in whole or in part, with bond proceeds
- Any agreement of a type described in the “Special Legal Entitlements that Can Create Private Business Use” section of “Private Business Use” that relates to a bond-financed facility
- Bond paying agent/trustee statements
- Rebate compliance reports
- Related IRS filings (e.g., Form 8038-T Rebate)
- IRS correspondence regarding such issue
- Other documentation (including written advice of bond counsel) material to the particular requirements that are applicable to the tax status of the financing

Documents may be retained as hard copies or in an electronic format (in accordance with Revenue Procedure 97-22, 1997-1 C.B. 652), so long as such documents are retained in organized, accessible format that preserves the accuracy of such documents.

IV. RETURN FILINGS

The finance team will be responsible for the timely filing of the Form 8038-G information report (or such other series 8038 form as may be applicable to a specific issue of bonds) with the IRS, which filing may be completed by bond counsel after the issuance of the obligations. The Issuer must file a separate Form 8038-G for each issue of bonds not later than the 15th day of the second calendar month after the close of the calendar quarter in which the bonds are issued.

V. EXPENDITURE OF BOND PROCEEDS

General

The finance team is responsible for oversight of the expenditure of bond proceeds, including

monitoring whether such expenditures are made in a timely manner for the purposes for which the bonds were authorized in order to qualify for rebate exceptions set forth in the Code and Regulations and whether investments of unexpended bond proceeds continue to qualify for temporary period exceptions to yield-restriction requirements. Bond counsel may be consulted regarding allocation of expenditures between each bond issue to ensure timely expenditure of bond proceeds.

Additionally, the finance team will monitor compliance with the requirement of the Regulations that proceeds of a bond issue are to be allocated to expenditures by 18 months after the later of the date the expenditure was made or the date the project is placed in service (and in no event later than 60 days after the earlier of (i) the fifth anniversary of the issue date or (ii) retirement of the issue).

With respect to the reimbursement of any expenditure paid prior to the date of issue of the bonds, the finance team will monitor compliance with the requirement of the Regulations that such reimbursement allocation to bond proceeds is made not later than 18 months after the later of (i) the date the original expenditure is made or (ii) the date the project is placed in service or abandoned, but in no event more than three years after the original expenditure is paid. Furthermore, the finance team will monitor compliance with the requirement of the Regulations that such reimbursement allocation is for the reimbursement of expenditures paid on or after 60 days prior to the date of a reimbursement resolution (including for this purpose a bond order).

Recordkeeping

With respect to each issue of obligations, the Issuer will retain the following for the life of the obligations plus three years:

- Documentation of allocation of bond proceeds to expenditures (e.g., allocation of bond proceeds for expenditures for the construction, renovation or purchase of facilities)
- Documentation of allocations of bond proceeds to bond issuance costs
- Copies of all requisitions, draw schedules, draw requests, invoices, bills, and cancelled checks related to bond proceeds spent during the construction period
- Copies of all contracts entered into for the construction, renovation or purchase of bond-financed facilities
- Records of expenditure reimbursements incurred prior to issuing bonds for bond-financed facilities
- List or schedule of all bond-financed facilities or equipment
- Depreciation schedules, if any, for bond-financed depreciable property
- Documentation of any purchase or sale of bond-financed assets

Documents may be retained as hard copies or in an electronic format (in accordance with Revenue Procedure 97-22, 1997-1 C.B. 652), so long as such documents are retained in organized, accessible format that preserves the accuracy of such documents.

VI. PRIVATE BUSINESS USE

General

To confirm that the bonds serve governmental purposes rather than providing proscribed benefits to nongovernmental persons engaged in “private business” activity, it must be determined whether the Issuer expects that there will be any private business use of the proceeds of the bonds. Private business use exists if more than five percent (and, in certain circumstances, ten percent) of the proceeds of the issue or the property to be financed by the bond proceeds are used directly or indirectly by any nongovernmental person in that person’s trade or business. In addition, no more than five percent (and, in certain circumstances, ten percent) of the proceeds of an issue may be secured directly or indirectly by property or payments derived from private business use under the “private security or payment test.” Private business use may occur due to arrangements (typically contractual) that give nongovernmental persons special legal entitlements with respect to the use of bond-financed property (including a sale or other transfer of bond-financed property to a nongovernmental person). Finally, no more than five percent of the proceeds of an issue of bonds may be used to make loans or arrangements that allow a nongovernmental person to defer payments that it is obligated to make with respect to the financed property or the bonds.

The Issuer’s finance team will coordinate with the parties responsible for the use and operation of a bond-financed facility by communicating the private business use restrictions to such parties and requiring that all activity that may give rise to such use be communicated to the finance team in advance of such use. The Issuer’s finance team is responsible for tracking trade or business activity by third parties as it relates to each issue of obligations and will monitor such activity no less frequently than yearly and, in any event, upon being notified of any new activity that will give rise to a significant amount of trade or business activity by a third party.

Special Legal Entitlements that Can Create Private Business Use

A special legal entitlement that can create private business use can arise from arrangements that convey ownership rights, leasehold rights or management rights (e.g., priority rights to use the facility) or other similar rights. Recognizing that a special legal entitlement may give rise to private business use if the arrangement involves a private party using bond-financed facilities in its trade or business, each time the Issuer intends to enter into one of the following, the Issuer will determine if such agreement relates to any bond-financed facility:

- Management and other service contracts
- Naming rights contracts
- Ownership
- Leases
- Subleases
- Leasehold improvement contracts
- Joint venture arrangements
- Limited liability corporation arrangements
- Partnership agreements

- Non-contractual use of bond-financed office space and/or parking facilities by any nongovernmental person
- Any other contract conferring a special legal entitlement or special economic benefit that is comparable to ownership

If such an agreement will be with respect to a bond-financed facility, the Issuer will take measures designed to preserve the intended federal income tax status of that issue of bonds. Such measures may include ensuring that such agreement falls into an applicable exception under the private business use rules, making a determination that private use will not exceed the applicable limit or such other action as may be recommended by bond counsel, including taking remedial actions with respect to the issue of bonds whose federal tax status is implicated.

VII. ARBITRAGE – YIELD RESTRICTION & REBATE

General

The Issuer's finance team is responsible for monitoring the Issuer's compliance with the yield restriction requirements of section 148(a) of the Code and the rebate requirements of section 148(f) of the Code. Such monitoring includes, but is not limited to:

- Tracking the allocation of bond proceeds to expenditures for compliance with any temporary period and spending exceptions, no less frequently than yearly
- Ensuring that any forms required to be filed with the IRS relating to arbitrage and any payments required pursuant thereto are filed in a timely manner
- Ensuring that "fair market value" is used with respect to the purchase and sale of investments

Additionally, the Issuer will hire a rebate analyst to monitor compliance with rebate and yield restriction rules.

Compliance with the investment rules will require that the Issuer be able to account for, in terms of dates and amounts, all uses (including disbursements and investment activity) of particular categories of bond-related money. The Issuer's finance team will account for all of the following disbursements: monies in the project fund, debt service fund and any other fund into which proceed of the obligations have been deposited, including any reserve fund. In doing so, the Issuer will use any reasonable consistently applied accounting method to account for gross proceeds, investments and expenditures of an issue.

Recordkeeping

With respect to each issue of obligations, the Issuer will retain the following for the life of the obligations plus three years:

- Documentation of allocations of investments and calculations of investment earnings
- Documentation for investments of the bond proceeds related to:

- a) Investment contracts (e.g., guaranteed investment contracts)
- b) Credit enhancement transactions (e.g., bond insurance contracts)
- c) Financial derivatives (e.g., swaps and caps)
- d) Bidding of financial products
- Documentation regarding arbitrage compliance, including:
 - a) Computation of bond yield
 - b) Computation of rebate and yield reduction payments
 - c) Form 8038-T, *Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate*
 - d) Form 8038-R, *Request for Recovery of Overpayments Under Arbitrage Rebate Provisions*

Documents may be retained as hard copies or in an electronic format (in accordance with Revenue Procedure 97-22, 1997-1 C.B. 652), so long as such documents are retained in organized, accessible format that preserves the accuracy of such documents.

VIII. REISSUANCE

Prior to making any changes to the terms of an obligation, including its underlying security, the Issuer will consult with bond counsel to determine whether such change will result in the reissuance of such obligation for federal tax law purposes. If it is determined that a change will result in a reissuance, the Issuer will take such action, including the recalculation of yield, the filing of a new form 8038-G and the payment of rebate obligations, as is necessary to maintain the tax status of the bonds.

IX. CORRECTIVE ACTION

Reports regarding the aforementioned compliance policies with respect to any issue of bonds will be made by the party given responsibility for such area to the Issuer's finance team no less frequently than annually. At such time, the finance team will determine whether any corrective action is required with respect to the applicable issue.

A corrective action may be required if, for example, it is determined that bond proceeds were not properly expended, the Issuer is not in compliance with the arbitrage requirements imposed by the Code or the Issuer has taken a deliberate action that results in impermissible private business use (e.g., sale of bond-financed property). If the Issuer determines or is advised that corrective action is necessary with respect to any issue of its obligations, the Issuer will, as may be applicable, in a timely manner:

- seek to enter into a closing agreement under the Tax-Exempt Bonds Voluntary Closing Agreement Program
- take remedial action described under section 1.141-12 of the Regulations
- take such other action as recommended by bond counsel