

Standard Workforce Housing Partnership Terms

PROJECT SCREENING CONSIDERATIONS

<p>General</p>	<ul style="list-style-type: none"> • Strategic HFC will determine project fit through review of the prescreening and formal application. Criteria include but are not limited to developer track record, geographic location, and portfolio concentration. • This term sheet is subject to revision by Strategic HFC
<p>Unit Sizes</p>	<ul style="list-style-type: none"> • Preference for projects that include 2BR units or larger. Projects that consist primarily of 1BR/studio units will be considered on a case-by-case basis.
<p>Acquisition</p>	<ul style="list-style-type: none"> • Considered on a case-by-case basis. Projects over 5 years old require third-party market analysis and Physical Needs Assessment or comparable information on condition.
<p>Mixed Use Design</p>	<ul style="list-style-type: none"> • Considered on a case-by-case basis
<p>HFC Compliance</p>	<ul style="list-style-type: none"> • Deal structure must comply with Chapter 394 of Texas Local Government Code which regulates Housing Finance Corporations. • Emergency Service District (ESD) and conservation/reclamation district taxes ARE NOT exempt under the HFC partnership structure.

Threshold Requirements

Affordability Set-Asides

- Income-restricted units must be distributed in proportion to the non-income-restricted units by bedroom size and have the same finishes and amenities.
- A maximum of 10% of total units may have unrestricted rents, and the remaining 90% of units must be affordable to households earning no more than 120% AMI.
 - At least 10% of units must be set aside for and affordable to households earning under 50% AMI or less.
 - No less than 40% of units must be set aside for and affordable to households earning under 100% AMI.

Note: achieving rental discounts totaling at least 60% of the abated tax value will typically require expanded affordability beyond 10% of units at 50% AMI.

Public Benefit Analysis

The project must pass a two-part public benefit test:

- At underwriting, Strategic HFC must make a good faith determination that the development will return at least 60% of the value of the abated ad-valorem taxes in the form of reduced rent over a 3-year period:
 - For new construction, the three (3) tax years follow the tax year when the project achieves 90% occupancy
 - For acquisitions, the 3rd, 4th, and 5th tax year follow the tax year which Strategic HFC acquires the project
- In addition, the project must meet a Strategic HFC Minimum Public Benefit Score of 90, including bonus points. The public benefit score is calculated as rental reductions plus projected Strategic HFC financial participation and fees which must equal at least 90% of the estimated abated taxes over the initial 15-year operating period of the partnership.
- Up to ten bonus points are available for meeting Strategic HFC policy priorities.

Annual Audit-Public Benefit Test

- Property will be required to submit an annual audit to TDHCA. Audit and public benefit test rules are anticipated by January 1, 2026.

Bonus Points

BONUS CATEGORY	POINTS
SHFC Lease Addendum	2
Public Sector Workers	2
Architecture	2
Decarbonization	1
Service Access	1
Transportation Access	2
TOTAL	10

See Strategic HFC Bonus Points Addendum for additional information on qualifying for these elective bonus points.

Fees

Application Fee	\$15,000, credited to origination fee at close
Origination Fee	50 basis points of total development cost or purchase price
3rd Party Fees	<ul style="list-style-type: none"> • Public Benefit Analysis: estimated \$20k • Legal: Estimated \$165k <p>Fees are paid at close and will be included in the Strategic HFC public benefit calculation</p>
General Contractor Fee for Construction Sales Tax Exemption	Fixed payment based on the number of units at \$1200 per door. Half of the fee is paid at close of construction financing and the remaining half is paid when the last Certificate of Occupancy is received.
3rd Party Construction Monitoring	Not to exceed \$3500/month
Ground Lease	Annual lease payment based upon 10% of the abated value of taxes with a 3% escalator. Payments begin after the first year of stabilization.
Partnership Management Fee	Minimum \$100 per unit per year, with 3% annual escalator
Net Cash Flow	Minimum 4% pari passu with cash flow distribution to equity partner
Cash from Sale/Refinance	Minimum 1% of net proceeds after payment of transaction costs, outstanding debt and replenishing replacement reserves

Additional Required Deal Terms

Purchase Option and Right of First Refusal	Required
Tenant Protections	<ul style="list-style-type: none">• Properties may not refuse to accept Housing Choice Vouchers (HCV) OR impose requirements that voucher holders make more than 250% of the tenant’s portion of the rent• Properties must publicly post their policies on participation in HCV Program on their website• Properties must affirmatively market their property to voucher holders AND notify the local Public Housing Authorities• All leases must contain provisions that<ul style="list-style-type: none">○ Prohibit retaliation for participating in tenant organizing○ That are only non-renewable for cause○ Contain a 30-day notice of non-renewal• Properties must disclose all recurring optional and mandatory fees collected from tenants- at the time of application for residency• Fees collected for accepting, reviewing, and processing applications for residency are limited to actual, reasonable, and customary costs incurred, but not to exceed \$100 per household, to be reviewed annually.• Late fees, or other penalty payments collected for non-payment of rent, are limited to 5% of the tenant’s portion of the rent, or 5% of the outstanding non-rent balance
Affordability/Hold Period	Minimum affordability period of 15 years, governed by a LURA and with a minimum partnership interest hold period of 5 years.

Underwriting Guidelines

Distribution of Affordable Units	<ul style="list-style-type: none">Income-restricted units must be distributed in proportion to the non-income-restricted units by bedroom size.
Market Rents	<ul style="list-style-type: none">For new construction or acquisition of property in operation less than 5 years: Developer to submit 5 comparable properties within 3 miles of property that support the estimated maximum market rent for the projectFor acquisition of properties in operation 5 years or more: 3rd party market study required, as-is and as-renovated, if applicable.
Tax Estimate	Developer proposed, underwritten by a Financial Advisor. Typically, 80% of the Total Development Cost.
Capitalization Rate	5%
Affordable Rents	<p>The rent limit must be no more than 30% of AMI for the unit type after being adjusted for family size and with all non-optional fees and utility allowance deducted.</p> <p>The utility allowance should come from applicable housing authority schedule or subject to Strategic HFC approval a third party utility allowance schedule.</p> <ul style="list-style-type: none">Any non-optional fees must be deducted from the affordable rentProperty will utilize LIHTC standard assumptions on household size for rent calculation
Underwriting Period	15 Years
Escalators	2% for revenue; 3% for expenses