



July 10, 2025

Resolution No. SHFC-2025-17: Consideration and possible approval of Revised Transaction Terms for Strategic HFC Workforce Developments

WHEREAS, Strategic Housing Finance Corporation of Travis County (the “Corporation”) has been duly created and organized pursuant to and in accordance with the provisions of the Texas Housing Finance Corporations Act, as amended, Texas Local Government Code, Chapter 394 (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 or rentals they can afford; and

WHEREAS, the Board of Directors of the Corporation (the “Board”) has reviewed and considered the “Workforce Housing Term Sheet” for the Corporation, a copy of which is attached to this Resolution as Exhibit A and incorporated herein for all purposes; and

WHEREAS, the Board desires to approve the 4% and Bond Issuer Terms.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE STRATEGIC HOUSING FINANCE CORPORATION OF TRAVIS COUNTY, THAT:

Section 1: The Workforce Housing Term Sheet is hereby approved and adopted.

Section 2: This Resolution shall be in full force and effect from and upon its adoption.

PASSED AND APPROVED this 10th day of July, 2025.

A handwritten signature in blue ink that reads "Jan Wenig". The signature is written over a horizontal line.

Jan Wenig

President, Board of Directors

CERTIFICATION

The above resolution, adopted by the Board of Directors of the Strategic Housing Finance Corporation of Travis County at a meeting held on the 10th day of July, 2025, is hereby certified to be a true and correct copy of an official copy thereof on file among the official records of such Corporation.

WITNESS my hand this 10th day of July, 2025.

By:  _____

Dianna Grey

Executive Director and Secretary

EXHIBIT A

Workforce Housing Term Sheet

Standard Workforce Housing Partnership Terms

PROJECT SCREENING CONSIDERATIONS

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| General | <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 |
| Unit Sizes | <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. |
| Acquisition | <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. |
| Mixed Use Design | <ul style="list-style-type: none">• Considered on a case-by-case basis |
| HFC Compliance | <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

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| Affordability Set-Asides | <ul style="list-style-type: none"> 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. <ul style="list-style-type: none"> 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. <p><i>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.</i></p> |
| Public Benefit Analysis | <p>The project must pass a two-part public benefit test:</p> <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 | |
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| 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 | |
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| 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

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| 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 |
| 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

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| 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 project For 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 rent Property will utilize LIHTC standard assumptions on household size for rent calculation |
| Underwriting Period | 15 Years |
| Escalators | 2% for revenue; 3% for expenses |