



**HOUSTON**  
HOUSING AUTHORITY

**Transforming Lives & Communities**

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2640 Fountain View Drive, Houston, Texas 77057 | 713.260.0600 | David A. Northern, Sr., **President & CEO**  
**Houston Housing Authority Board of Commissioners:** LaRence Snowden, *Chair* | Kristy M. Kirkendoll, *Vice Chair*  
Dr. Max Miller, Jr. | Stephanie Ballard | Andrea Hillard Cooksey | Kris Thomas | Guillermo "Will" Hernandez

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The Houston Housing Authority ("HHA"), has issued this Amendment No. 5 to QBS 22-05 Development Partners for the purposes of replacing Exhibit G Memorandum Updated October 17, 2022 with Exhibit G Memorandum Updated November 16, 2022.

**All other terms and conditions shall remain the same.**

*Austin Crotts* 11-18-2022

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**Austin Y. Crotts, MA.**  
**Procurement Manager,**  
**Houston Housing Authority**



*A Fair Housing and Equal Employment Opportunity Agency. For assistance: Individuals with disabilities may contact the 504/ADA Administrator at 713-260-0353, TTY 713-260-0574 or [504ADA@housingforhouston.com](mailto:504ADA@housingforhouston.com)*



2640 Fountain View Drive ■ Houston, Texas 77057 ■ 713.260.0500 P ■ 713.260.0547 TTY ■ [www.housingforhouston.com](http://www.housingforhouston.com)

## Exhibit G

### MEMORANDUM

TO: Potential Development Partners  
FROM: David A. Northern, Sr., President & CEO  
DATE: January 1, 2021; Updated May 11, 2022; October 17, 2022; and November 16, 2022  
RE: Additional items we will be looking for in new partnership PFC deals

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#### Annual Report, Annual Audit and Compliance Reviews.

The Houston Housing Authority (“HHA”) will periodically monitor and audit compliance with this QBS and any and all subsequent MOU's, term sheets, agreements, lease agreements and regulatory agreements. Each year after project completion, a successful firm shall submit a Compliance Report for all affordable units to HHA that includes the tenant’s name, unit number, household size, age (only in Senior Living, and sex of each household member, number of bedrooms, initial date of occupancy, lease renewal date, tenant gross income and percentage of Area Median Income (AMI) adjusted by family size, income source, rent, utility allowance (if applicable) and date of last income review. This Compliance Report must certify that tenant income and rents are in compliance with the terms of this QBS and any and all MOU's, term sheets, agreements, lease agreements and regulatory agreements in addition, HHA will have the right to conduct compliance monitoring or an independent audit of compliance with income and rent restrictions in its sole discretion. Further, an annual audit prepared by an independent CPA firm in accordance with Generally Accepted Accounting Principles (GAAP) is required.

#### Affordability Standards

Rents on affordable units shall be capped at 30% of 80% of AMI adjusted by family size. Income screening for the affordable units shall consider the income of everyone living in the unit and not just the person listed on the lease. In addition, rent levels must be reduced to accommodate a utility allowance for any tenant-paid utilities in accordance with the utility allowances established by HHA, which are generally updated on an annual basis. Current HHA utility allowances can be found at: <http://www.housingforhouston.com/property-owners/owner-forms-gallery.aspx>. If a household's income is reduced by 20% or more over its income at initial occupancy, HHA will consider the use of a Housing Choice Voucher on a case-by-case basis, provided that the household meets all eligibility

requirements. A successful firm will provide that at least five (5) units will be made available for Housing Choice Voucher Program (HCVP) voucher holders, and that if the applicable HCVP payment standard as published by HHA is lower than the rents being charged at the project, the project will reduce the rent for those five (5) units (or more) to allow HCVP voucher holders to occupy the units and pay no more than 30% of adjusted income as their share of the rent.

#### Fair Housing and Tenant Protections

Successful firms must certify that they will not discriminate based on a tenant's source of income. Source of income means lawful, regular, and verifiable income including, but not limited to, Housing Choice Vouchers, TANF and other subsidies provided by government or non-governmental entities, child support, and/or spousal maintenance. In addition, successful firms shall include a Lease Addendum in all leases that covers tenant protections related to termination of tenancy, prohibited lease terms, lease renewal requirements, notice prior to entry, right to conduct activities related to a tenant organization, hazardous health conditions, relocation and the cost of repairs. See Exhibit H for a sample Lease Addendum.

#### Affirmative Marketing Plan

Successful firms must prepare, have in their onsite records, and submit to HHA a written Affirmative Marketing Plan. Firms must comply with TDHCA's minimum Affirmative Marketing Plan requirements which are located in [Subchapter G of the Uniform Multifamily Rules \(sos.state.tx.us\)](https://sos.state.tx.us), Section 10.801 and are encouraged to utilize Form HUD-935.2A as a tool to prepare the Plan. The Affirmative Marketing Plan will require the successful firm to include in all public marketing materials and websites for the project a reference to the affordability provisions and voucher acceptance set forth above in both English and Spanish. The purpose of the Affirmative Marketing Plan is to ensure equal housing opportunities regardless of race, color, national origin, religion, sex, familial status, or disability. It is designed to effectively market the availability of housing opportunities to individuals of both minority and non-minority groups that are least likely to apply for occupancy. In addition, firms must notify HHA of available vacancies on a monthly basis, so that HHA can make Housing Choice Voucher holders aware of available units.

#### Minimum Financial Return to HHA

All proposals should include a minimum financial return to HHA of 1) an annual compliance fee of the greater of .50% of gross revenues or at least \$25,000 increasing by 3% per year to cover costs of administering and overseeing compliance; and 2) a minimum return of cash flow in each calendar year of the greater of (a) 15% of cash flow after payment of the return to the investor or b) 10% of the amount of savings to the project from the property tax exemption. To the extent that in any calendar year HHA does not receive this minimum return, the amount will accrue and be payable in future years or from sale proceeds project.

This is the minimum financial return to HHA. Projects that offer a higher percentage of cash flow or a higher percentage of tax savings will be viewed more favorably. Any party responding to this QBS will be assumed to have agreed to this minimum financial return to HHA.

#### Proof of Site Control

We require that the Developer evidence proof of site control as a threshold requirement for being considered in response to the QBS. This evidence of site control can be accomplished through any of the following:

- a. A deed showing ownership of the property in the applicant or an affiliate entity;
- b. A purchase and sale contract or option agreement between the property owner and the applicant or an affiliate; or
- c. A binding letter of intent to enter a purchase and sale agreement between the property owner and the applicant or an affiliate.

#### LURA Requirement

There will be a requirement that the LURA remain in place for at least 10 years, regardless of whether the property is sold at a sooner date. This will increase to 20 years if the Developer elects to have the 10% PILOT after a Leasehold Sale as set forth herein.

#### Administrative Fee

An administrative fee of \$5,000 for each deal submitted to HHA in response to the Development Partner QBS is required to be submitted. For example, when a Developer submits 3 deals, such Developer will pay \$15,000 to HHA. If the proper fee is not submitted, the submissions will be disqualified.

#### Sale of Leasehold Interest

A. If, during the Closing Window, Developer identifies a third party to acquire the Property pursuant to a Leasehold Sale, Developer shall first provide written notice of the identity of the third party to Fee Owner via electronic mail and the notice method set forth in the Lease to both the President and the Office of the General Counsel of HHA. Fee Owner shall have sixty (60) days after its receipt of such notice in which to perform a due diligence review on the proposed replacement tenant and obtain approval from the Fee Owner's board of directors as to whether it consents to the Leasehold Sale, which consent shall be given or withheld in the reasonable discretion of Fee Owner. If Fee Owner has not approved or disapproved of such replacement tenant within such sixty (60) day period, Developer will send another written notice in the same manner as required for the first such notice. Fee Owner will either approve or disapprove such replacement tenant within thirty (30) days after Developer has sent the second notice, or Fee Owner will be in default and Developer can pursue the rights and remedies set forth in the Lease.

B. Sale of the leasehold interest will be allowed once construction of the property is complete (for new construction) and the property has reached stabilization. For acquisitions, sale of the leasehold will be allowed once the property has reached compliance with the income and rental restrictions. In all cases, transfer of the leasehold interest will be subject to approval of the housing authority of the proposed new owner of the leasehold estate. Any such approval of HHA will be in its reasonable discretion. Upon transfer of the leasehold interest, a 1% transfer fee shall be paid to HHA starting with the second such transfer of the leasehold interest. The 1% transfer fee shall be calculated on the purchase price of the leasehold interest. All subsequent transfers shall also require a transfer fee in the amount of 1% of the purchase price. On the first transfer of the

leasehold interest, no transfer fee will be charged as long as HHA receives proceeds from the sale at least equal to 1% of the purchase price. If not, HHA will receive a transfer fee on the first transfer of the leasehold estate equal to 1% of the purchase prices less the amount received by HHA as sale proceeds. Upon transfer of the leasehold estate, the Lease Agreement shall require the purchaser of the leasehold interest to (a) notify the Lessor with five (5) days of the closing of the transfer as to whether such purchaser elects to make annual payments to HHA in the amount of 15% of AVT (as defined below) or 10% of AVT and (b) make an annual lease payment to the Lessor in the amount of the percentage of AVT selected, and operate the project for the term and at the required affordability level associated with the selected payment pursuant to the chart below. Once an election is made for the PILOT payment and term of affordability that election shall be binding for the term of the Lease Agreement and any future conveyance of the leasehold estate shall be bound by the election. There will be no changes to the affordability term or the PILOT payment after the first election. The term of affordability shall relate back to the effective date set forth in the original closing documents.

<b>PILOT to be paid to designated HHA affiliate as a percentage of the amount the Project would have otherwise paid in ad valorem taxes but for the lease with Lakeside Place PFC ("AVT")</b>	<b>Required Term of PILOT and Affordability</b>	<b>Required Affordability</b>
15% of AVT	10	At least 10% of units at 60% AMI.
10% of AVT	20	At least 10% of units leased to tenants at 60% AMI.

Calculation of Sales Proceeds

In calculating the distribution of capital proceeds, any amount received by the Developer as cash flow distributions more than their preferred return ("**Excess Return**") will be taken into account at the time of the distribution of capital proceeds. If the Developer has received an Excess Return, an amount equal to the Excess Return in its entirety, calculated by the IRR at the end of the financial life of the investment, needs to be added to the waterfall of the available cash for distribution at sale, and the total amount available for distribution split based on the percentage split between the parties.

Asset Management Fee

HHA will receive an annual asset management fee, which is to be paid monthly, on all transactions in an amount equal to the greater of (i) 0.50% of gross revenues of the preceding year or (ii) \$25,000, which shall increase by 3% annually. For the avoidance of doubt, the higher of the two amounts shall be paid in a given year, without regard to whether 0.50% of gross revenues or (ii) \$25,000 (subject to 3% escalation) was paid in the prior year.

#### Acquisition Fee

An "Acquisition Fee" equal to 75 bps of the project's total development cost ("TDC") as estimated at the time of closing (the "Estimated TDC"), shall be paid to HHA or its designated affiliate at the closing on the financing and syndication, as applicable, of the transaction. In the event the Estimated TDC is less than the actual TDC calculated 36 months after closing, the Developer shall cause the project owner to make a "true up" payment to HHA or its designated affiliate in an amount sufficient to cause that sum of the Acquisition Fee payments made to HHA or its designated affiliate equivalent to 25% of the project's TDC.

For Low Income Housing Tax Credit Transactions, the Developer and HHA or its designated affiliate shall execute a Co-Developer Fee Sharing Agreement that provides that HHA or its designated affiliate be paid 25% of the Development Fee, *pari passu*, as and when paid to the Developer.

#### HHA's Goal for MBE and WBE Participation

HHA encourages subcontracts with minority business enterprises ("**MBEs**") and women business enterprises ("**WBEs**") (collectively, "**HHA's Goal**"). An owner must use commercially reasonable efforts to meet Housing Authority's Goal in new construction projects and in acquisitions of existing developments.

An owner may show that it used commercially reasonable efforts to meet HHA's Goal by evidencing, among other things, that:

- (i) for new developments and acquisitions of existing developments, HHA and owner conducted a meeting (whether in person or virtually) wherein HHA presented qualified MBE and/or WBE candidates for owner's consideration, or if HHA was unable or unwilling to participate in a meeting after owner's commercially reasonable efforts to conduct one;
- (ii) for new developments, an owner implemented a community-centric action plan in which the owner engages with members of the community where the development is located to provide information about the development and the owner's commitment to subcontract with MBEs and WBEs;
- (iii) for new developments, an owner included on its internet website information that keeps potential MBE and WBE bidders for subcontracts apprised of the development's project schedule and the bidding timeline; and/or
- (iv) for acquisitions of existing developments, on and after the first anniversary of closing on the acquisition, or immediately after the expiration or termination of existing contracts for the maintenance and operation of the development, the owner made significant community output

efforts to reach a goal of providing subcontracts to MBEs and WBEs providing work in commercially reasonable amounts.

A community-centric action plan for MBE and/or WBE Participation or significant community output efforts to meet HHA's Goal should include commercially reasonable efforts to achieve participation from MBEs and WBEs in all of the following areas: (i) predevelopment services such as banking, inspections and design services; (ii) construction services with general contractors and subcontractors; and (iii) operational services such as maintenance and property management for the development along with the provision of goods associated with such services.