



**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**

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The Houston Housing Authority (“HHA”), has issued this Amendment No. 1 to QBS 24-37 Affordable Housing Houston - Development Partnerships for the purposes of posting the revised Exhibit G Memorandum Updated September 12, 2024.

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

*Austin Crotts* 9-12-2024

**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; November 16, 2022;  
March 27, 2023; August 21, 2024, and September 12, 2024  
RE: Additional Requirements for Development Partnerships

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## **I. GENERAL REQUIREMENTS**

### HHA Goal Alignment

Houston Housing Authority (“HHA”) has identified the following priorities and goals for its affordable housing investments.

1. Replace/Preserve and Reposition of Houston Housing Authority Housing Stock;
2. Total Public Benefit – financial analysis of the Investments in Affordable Housing based on the tax concessions;
3. City of Houston Council Districts – disbursement of housing across the city;
4. Preservation (Acquisition)/ Addition (New Development) – to address Houston’s aging housing stock and to cater to the growing population need;
5. Depth of affordability; for example at 30% AMI

Developers shall include a statement in the QBS response explaining how the proposed project aligns with the forgoing HHA priorities and goals.

### Administrative Fee

An administrative fee of \$10,000 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 \$30,000 to HHA. If the proper fee is not submitted, the submissions will be disqualified.

### Proof of Site Control

HHA requires 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.

### Total Public Benefit

Total Public Benefit, as calculated by HHA, shall equal or exceed 95% of the property tax savings. To calculate the Total Public Benefit the addition of the Rental Delta and the cash benefits to HHA as the numerator, is divided by the total property tax savings for the same period, as the denominator.

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

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.

### 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.

Units at the project accessible to persons with disabilities in compliance with applicable ADA requirements must be made available to tenants earning less than 80% of the area median family income, as established by the U.S. Department of Housing and Urban Development.

### 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.

### Appraisal

For existing properties, Developer must submit an appraisal of the property with its QBS response, which appraisal shall be performed by one of the following MAI appraisers:

1. CB Richard Ellis(CBRE)
2. JLL
3. Jack Bass, MAI 713-502-5690 [jbass@bbgres.com](mailto:jbass@bbgres.com)
4. Sara Payne, MAI 713-300-7974 [sra.payne@nmrk.com](mailto:sra.payne@nmrk.com)
5. Scott Rando, MAI 713-398-1548 [southcentral.vabids@cushwake.com](mailto:southcentral.vabids@cushwake.com)

HHA understands that the appraisal may take some time to complete, so HHA is amenable to taking the resolutions for the property to the Board of Commissioners for approval without an appraisal in hand; however, while the Board may approve the Resolution without the appraisal, the MOU will explicitly state that it is subject to the review and approval of an appraisal of the property by one of the forgoing appraisers.

### T-12

For existing properties, Developer must submit the property's operating statement for the immediately preceding 12 months.

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

HHA encourages subcontracts with minority business enterprises ("**MBEs**") and women business enterprises ("**WBEs**"). HHA's goal, as adopted by its Board of Commissioners, is that when subcontracts are being let, at least 30% of the prime contract's total dollar amount is subcontracted to MBEs or WBEs, with at least 15% of the prime contract's total dollar amount being subcontracted to MBEs, and at least 15% being subcontracted to WBEs (collectively, "**HHA's Goal**"). An owner must use commercially reasonable efforts to meet HHA'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.

Responding developer shall provide a narrative response with justification of the need to partner with HHA to add affordability at the proposed address. As part of the response, a market study and other research studies shall be provided to show the needs, that should include but not limited to the following:

- Need to Add/ Preserve/ Replace Affordable Housing in the area;
- % of cost burdened (persons paying more than 30% of their income); % of severely cost-burdened (persons paying more than 50% of their income) in the development area;
- Benefits to residents adding affordable housing in that area; and
- Partnerships with school districts and other entities that could benefit from or are desirous to add affordable housing in that area would be a plus.

Developers should base their justification within the City of Houston - Council District area where the development resides.

Due to the quantity of Developer partnerships being received, the selection has become very competitive. Responses to the above will be considered in addition to the scoring criteria included in the solicitation.

## **II. REQUIREMENTS SPECIFIC TO TRANSACTION TYPE**

### **1. Low Income Housing Tax Credit Transactions**

#### Affordability Standards

Affordability must comply with the requirements of the TDHCA Low Income Housing Texas Credit LURA.

#### Minimum Financial Return to HHA

For Low Income Housing Tax Credit Transactions HHA will receive a minimum of 25% of cash flow and 25% of a capital event in the waterfall.

#### Developer Fee

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 at least 25% of the Development Fee, *pari passu*, as and when paid to the Developer.

#### Application for Inducement

If the transaction is a 4% bond deal, Developer shall complete and submit the Inducement Application attached here to as Exhibit I as a part of its QBS response.

#### Issuer Fee

If the transaction is a 4% bond deal an affiliate of HHA will act as the bond issuer and will receive a bond issuer fee of 1% at closing and 0.10% each year thereafter.

### **2. Transactions Pursuant to Section 303 of the Texas Local Government Code**

#### 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. 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.

At least 20% of all units at the project must be reserved for occupancy by individuals and families earning no more than 60% of the area median family income, as established by the U.S. Department of Housing and Urban Development.

#### Acquisition Fee

An "Acquisition Fee" equal to 1.00% 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 1.00% of the project’s TDC.

#### Developer Fee

For new construction 303 projects, 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 at least 10% of the Development Fee, *pari passu*, as and when paid to the Developer.

#### 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 \$50,000 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 equal to 15% 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 from the 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.

#### LURA Requirement

There will be a requirement that the LURA remain in place for at least 20 years, without regard to whether the property is sooner sold.

#### Developer Return

Any preferential return to the developer and/or investor shall not exceed 8%.

Any internal rate of return (“**IRR**”) to the developer and/or investor shall not exceed 12%.

#### Calculation of Capital Proceeds

In calculating the distribution of capital proceeds, any amount received by the Developer as cash flow distributions more than their IRR (“**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.

In calculating the distribution of capital proceeds from a refinance where there is no IRR due to the Developer, any amount received by the Developer as capital proceeds in excess of any contributed equity, and after repayment of debt obligations, needs to be added to the waterfall of the available cash for distribution at refinance, and the total amount available for distribution split based on the percentage split between the parties.

### Rehabilitation Expenditures

For acquisitions of existing properties, HHA requires the Developer to provide a detailed plan of the repair and rehabilitation expenditures planned for the project as a threshold requirement for being considered in response to the QBS. Please detail:

- a. Initial rehabilitation plans and expenditures; and
- b. Planned expenditures and/or reserved for ongoing repairs.

Additionally, QBS responses must demonstrate that not less than 15 percent of the total gross cost of the existing development will be expended on rehabilitating, renovating, reconstructing, or repairing the development, with initial expenditures and construction activities as per Section 303.0421(b)(3)(A) of the Texas Local Government Code.

### Sale of Leasehold Interest

A. 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 first 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 make annual payments to HHA in the amount of 15% of the property sales tax savings for the preceding year.

### Payment Delivery

All payments due to HHA for a given calendar year shall be remitted to HHA on or before March 31 of the immediately following calendar year. To ensure availability of such fees on the due date, 1/12 of any such fee shall be escrowed monthly prior to any distribution of cash flow.

### **3. Transactions Pursuant to Section 392 of the Texas Local Government Code (without LIHTCs)**

#### 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.

At least 20% of all units at the project must be reserved for occupancy by individuals and families earning no more than 60% of the area median family income, as established by the U.S. Department of Housing and Urban Development.

#### Acquisition Fee

An "Acquisition Fee" equal to 1.00% 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 1.00% of the project's TDC.

#### Developer Fee

For new construction 392 projects, 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 at least 10% of the Development Fee, *pari passu*, as and when paid to the Developer.

#### 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 \$50,000 increasing by 3% per year to cover costs of administering and overseeing compliance; and 2) a minimum return of cash flow in each calendar equal to 15% 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 from the 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.

#### LURA Requirement

There will be a requirement that the LURA remain in place for at least 20 years, regardless of whether the property is sooner sold.

#### Developer Return

Any preferential return to the developer and/or investor shall not exceed 8%.

Any IRR to the developer and/or investor shall not exceed 12%.

#### Calculation of Capital Proceeds

In calculating the distribution of capital proceeds, any amount received by the Developer as cash flow distributions more than their IRR (“**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.

In calculating the distribution of capital proceeds from a refinance where there is no IRR due to the Developer, any amount received by the Developer as capital proceeds in excess of any contributed equity, and after repayment of debt obligations, needs to be added to the waterfall of the available cash for distribution at refinance, and the total amount available for distribution split based on the percentage split between the parties.

#### Rehabilitation Expenditures

For acquisitions of existing properties, HHA requires the Developer to provide a detailed plan of the repair and rehabilitation expenditures planned for the project as a threshold requirement for being considered in response to the QBS. Please detail:

- c. Initial rehabilitation plans and expenditures; and
- d. Planned expenditures and/or reserves for ongoing repairs.

#### Payment Delivery

All payments due to HHA for a given calendar year shall be remitted to HHA on or before March 31 of the immediately following calendar year. To ensure availability of such fees on the due date, 1/12 of any such fee shall be escrowed monthly prior to any distribution of cash flow.