



MINUTES

MARCH 27, 2023

BRAZOS COUNTY HOUSING FINANCE CORPORATION

1. Call To Order

A meeting of the Brazos County Housing Finance Corporation was held on Monday, March 27, 2023 at 10:30 a.m., in suite 310 of the Brazos County Administration Building, 200 S. Texas Avenue, Bryan, Texas. The following members of the Corporation were present:

Duane Peters, President
Mike Sutherland, Secretary
Byron Ryder, Board Member

The following individuals were also present:
Cheryl Coffman, Assistant Secretary
Steve Harris
Dan Martinez (via teleconference)

Mr. Peters called the meeting to order at 10:30 a.m.

2. Discussion and update regarding the Sandy Creek Apartment project, consideration of a partnership proposal from the developer and matters related thereto.

Mr. Harris updated the Board on the Sandy Creek Apartment project. Mr. Harris explained that with the continued increase in cost for building materials and financing the developer is now requesting the Corporation serve as a general partner for development and ownership. Mr. Harris noted the project would now only include the 140 existing units to be upgraded. He said the participation removes the property from ad valorem taxes as well as sales tax on construction materials. Mr. Harris stated the developer proposed to pay the Corporation \$200,000.00 at closing and \$15,000.00 each year.

The partnership would also create a land use restriction and a restriction allowing housing be provided to families of 60% or less of median income. Mr. Harris reiterated that Dominion is a premier developer and is focused on providing quality low income

housing. Mr. Martinez stated that there are areas of the Memorandum of Understanding (MOU) that need to be negotiated. Mr. Harris then went over the previous years property taxes. Mr. Ryder asked if the abatement is perpetual. Mr. Harris answered that it is 15 years of tax credits as long as the Corporation maintains the tax exempt status and as long as the ownership is as it is. Mr. Peters stated his concern over the high volume of calls by law enforcement to the property, stating that he would not want to have those problems continue on for years with no way out. Mr. Harris said there may be some controls to add to the MOU to address those concerns. He added that the developer stated they have had a reduction in calls to law enforcement. Mr. Ryder said he was also concerned about the police presence, and stated he fears that as the property ages the more problems there will be. He would like to see the Corporation have a way out at the end of the 15 years. Mr. Peters asked if this applies to any expansion. Mr. Martinez said the partnership would need to be re-negotiated. Mr. Sutherland then asked what if the Corporation decides not enter into the partnership. Mr. Harris answered that the Corporation can choose to continue with the issue of bonds and not enter into the partnership. Mr. Martinez said if the Corporation continues with the partnership the County will need to consider implementing a structure to track funding and give direction on what to do with that income. Mr. Sutherland stated he would like to have the developer be responsible for any attorney fees. Mr. Peters stated he would like to hear Chuck Konderla's input on this. Mr. Ryder asked if a termination clause is in the MOU and Mr. Martinez said that there is the ability for the Corporation to purchase at fair market value. Mr. Harris stated he is looking for direction on what the Board would like to do on this project. Mr. Sutherland stated he would like to allow Mr. Harris and Mr. Martinez to re-negotiate a Memorandum of Understanding between Brazos County Housing Finance Corporation and Bryan Leased Housing Associates I, Limited Partnership Sandy Creek. Mr. Peters said he would like them to speak to Mr. Konderla, and then someone to speak to the City of Bryan, and the school district.

3. Adjourn

With no further business to discuss Mr. Sutherland offered a motion to adjourn. The motion was seconded by Mr. Ryder and passed unanimously.



FILED FOR RECORD

DATE 3-24-2023

AT 8:44 O'CLOCK A M

KAREN MCQUEEN

BRAZOS COUNTY CLERK

By Karen McQueen

NOTICE OF MEETING AND AGENDA BRAZOS COUNTY HOUSING FINANCE CORPORATION

Members of the Brazos County Commissioners Court will participate in a meeting along with the Board of Directors of the Brazos County Housing Finance Corporation as follows:

MEETING DATE: March 27, 2023
MEETING TIME: 10:30 AM
MEETING PLACE: Brazos County Administration Building, 200 South Texas Avenue, Suite 310, Bryan, Texas 77803

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1. Call to Order
 2. Discussion and update regarding the Sandy Creek Apartment project, consideration of a partnership proposal from the developer and matters related thereto.
 3. Adjourn

The Brazos County Administration Building, 200 South Texas Avenue, Suite 310, Bryan, Texas 77803 is wheelchair accessible. Handicap parking spaces are available. Any request for sign interpretive services must be made two working days before the meeting. To make arrangements, please call (979) 361-4102.

Blitch Associates, Inc.
11111 Katy Freeway, Suite 820
Houston TX 77079

March 27, 2023

Brazos County Housing Finance Corporation
Brazos County Courthouse
200 S Texas Avenue, Suite 310
Bryan, TX 77803

Re: Multi Family Mortgage Revenue Bond Issue (Sandy Point Apartments)

Dear Members of the Board:

We appreciate the opportunity to present further information concerning the proposed refinance and rehabilitation of the subject property. We will be prepared to address the proposal at the meeting scheduled for 10:30 Monday at the Brazos County Courthouse. We believe it is important for the Corporation to carefully consider this issue for financing a multifamily housing project.

We previously described the request of Dominion Development for the HFC to serve as general partner for development and ownership. This participation supports the developer by allowing the exemption from ad valorem taxes as well as sales tax on construction materials. The previous structure involved a Community Housing Development Organization, providing a 50% reduction of property taxes. The shortage of affordable housing, along with rising construction costs, and financing costs with higher interest rates, makes all projects nationally very difficult. Accordingly, most projects require outside support of this type and infusion of cash from many sources.

Dominium proposes to pay a fee to the corporation of \$200,000 at closing plus \$15,000 each year. The Corporation will form a single purpose entity which will act as General Partner and will also receive a 20% interest and 5% proposed interest in gains upon sale. Terms of the Proposed Memorandum of Understanding do not appear acceptable, but counsel is prepared to negotiate this agreement with your direction and our financial input.

The developer provided tax calculations are as follows:

| 2022 | Land | Improvements | Rate per \$100 | Unabated Taxes |
|---------------|------------|--------------|----------------|----------------|
| City of Bryan | \$ 682,940 | \$ 4,595,431 | 0.62400 | 32,937.04 |
| Brazos County | 682,940 | 4,595,431 | 0.42941 | 22,665.91 |
| Bryan ISD | 682,940 | 4,595,431 | 1.13960 | 60,152.32 |

| | | | | |
|---------------|-------------|---------------------|-----------------------|-----------------------|
| | | | 2.19301 | 115,755.26 |
| 2021 | Land | Improvements | Rate per \$100 | Unabated Taxes |
| City of Bryan | \$ 682,940 | \$ 3,682,350 | 0.62900 | 27,457.67 |
| Brazos County | 682,940 | 3,682,350 | 0.49500 | 21,608.19 |
| Bryan ISD | 682,940 | 3,682,350 | 1.23250 | 53,802.20 |
| | | | 2.35650 | 102,868.06 |
| 2020 | Land | Improvements | Rate per \$100 | Unabated Taxes |
| City of Bryan | \$ 546,352 | \$ 4,345,268 | 0.62900 | 30,768.29 |
| Brazos County | 546,352 | 4,345,268 | 0.49500 | 24,213.52 |
| Bryan ISD | 546,352 | 4,345,268 | 1.23250 | 60,289.22 |
| | | | 2.35650 | 115,271.03 |

We reviewed actual property taxes paid in the prior years, as shown in the attachment. No taxes have been recorded for 2022, but 2021 included payment of \$10,269 for Brazos County, \$25,529 for Brazos ISD and \$13,089 for the City of Bryan. We have reviewed the material submitted in support of the proposed issue and have discussed the issue with the borrower. They have proposed paying fees to the HFC to offset the tax loss to the county. However, they have not addressed the tax loss to the ISD and the City of Bryan.

At your direction we will provide further analysis and negotiate terms of a Memorandum Of Understanding (MOU) for your consideration.

Bond Structure.

The Bond Issue has not been finalized and will be modified from the plan presented last year. This is proposed to be structured as a non-rated private placement in the amount \$15,000,000, Freddie Mac Tax Exempt Loan (TEL) with interest only for three years, thirty year amortization. The Borrower will require a Bank lender for the interim construction loan. Policies adopted by the Corporation require that any other than investment grade rated issues be approved only if the investor is an accredited investor who has executed the appropriate indemnity letter.

Items for Board Consideration.

We have reviewed the materials submitted by the applicant and have discussed certain concerns, in order to provide our recommendation to your Board for its approval. The project has certain inherent risks of construction, completion, and operation. The costs of construction are subject to risk of increase, and construction delay or inability to complete the project. The applicants will mitigate the risk of construction through use of a construction contract. Upon completion there remains a significant risk as to the

likelihood that units can be rented, and that rental prices will be at levels expected to meet all project costs and to repay the bonds. This risk is exacerbated because federal tax and state laws restrict the income of families qualified to rent the units of the project. There are further risks as to the ability of the project owner to achieve sufficient revenues to cover ongoing expenses including debt service.

Projections have been prepared which demonstrate that the units can be completed within the budget and that rentals will be achieved in sufficient amounts and at rents sufficient to meet expenses and repay the indebtedness. However, the projections rely upon critical assumptions, which we bring to your attention:

The project will be restricted to require 20% of the units be rented to borrowers with income equal or less than 50% of area median income, with all units rented to tenants at 60% of median income or less. Based upon local median income, the tenant limit would be \$38,450 and the 60% limit would be \$46,125. These are very limited income levels to afford units starting at \$805 to \$1140 per month rent.

Conclusion.

Based upon the material provided, we request your consideration of the proposed structure. We request that you authorize us to negotiate terms of the agreement for your approval. We will review such materials and the Board may consider the project feasibility upon its final approval of the financing.

Thank you for the opportunity to provide this information for the meeting with the Corporation. Please call me if you have any questions at (713) 502-0978 or (713) 260-3552.

Sincerely,

Blitch Associates, Inc.

Steven Harris

Blitch Associates, Inc.
harris@blitchassociates.com
713.502.0978



Brazos County - TX - Tax

Tax History

STATEMENT NUMBER

95621

PROPERTY ID NUMBER

301608

| Year | Jursidiction | Statment ID | Taxable Value | Rate | Tax Amount | % Change In Tax |
|------|---------------|-------------|---------------|----------|------------|-----------------|
| 2022 | BRAZOS COUNTY | 95621 | 0 | 0.429411 | 0 | -100.00% |
| | BRYAN ISD | 95621 | 0 | 1.139600 | 0 | -100.00% |
| | CITY OF BRYAN | 95621 | 0 | 0.624000 | 0 | -100.00% |
| 2021 | BRAZOS COUNTY | 94824 | 2,080,988 | 0.493500 | 10269.68 | -57.59% |
| | BRYAN ISD | 94824 | 2,080,988 | 1.226800 | 25529.56 | -57.66% |
| | CITY OF BRYAN | 94824 | 2,080,988 | 0.629000 | 13089.41 | -57.46% |
| 2020 | BRAZOS COUNTY | 94009 | 4,891,638 | 0.495000 | 24213.61 | -6.69% |
| | BRYAN ISD | 94009 | 4,891,638 | 1.232500 | 60289.44 | -8.98% |
| | CITY OF BRYAN | 94009 | 4,891,638 | 0.629000 | 30768.41 | -6.36% |
| 2019 | BRAZOS COUNTY | 90771 | 5,215,833 | 0.497500 | 25948.77 | 58.04% |
| | BRYAN ISD | 90771 | 5,215,833 | 1.270000 | 66241.08 | 46.02% |
| | CITY OF BRYAN | 90771 | 5,215,833 | 0.629990 | 32859.22 | 54.06% |
| 2018 | BRAZOS COUNTY | 87960 | 3,385,482 | 0.485000 | 16419.59 | N/A |
| | BRYAN ISD | 87960 | 3,385,482 | 1.340000 | 45365.46 | N/A |
| | CITY OF BRYAN | 87960 | 3,385,482 | 0.629990 | 21328.19 | N/A |

MEMORANDUM OF UNDERSTANDING
BETWEEN
Brazos County Housing Finance Corporation
AND
Bryan Leased Housing Associates I, Limited Partnership
Sandy Creek

This Memorandum of Understanding (the “**MOU**”) is among Brazos County Housing Finance Corporation, a Texas housing finance corporation organized under Chapter 394 of the Texas Local Government Code (“**Agency**”), and Bryan Leased Housing Associates I, Limited Partnership, a Texas limited partnership (“**Preservation Partnership**”), and is dated effective as of [____], 2023.

The Preservation Partnership, Bryan Leased Housing Development I, LLC, a Minnesota limited liability company (the “**Developer**”), and Bryan Leased Housing Associates LP I, LLC, a Minnesota limited liability company (the “**Class B LP**”, and together with Developer, and Preservation Partnership, the “**Developer Parties**,”) engage in real estate investment and development. Agency is a local tax-exempt governmental entity whose mission is to provide decent, safe, and sanitary housing for low to moderate income households and to manage resources efficiently and effectively. Preservation Partnership, its affiliates, and Agency hereby agree to work cooperatively to rehabilitate and preserve a 140 unit multifamily apartment development located at 1828 Sandy Point Road in Bryan, Texas and currently known as Sandy Creek (the “**Property**”). A 140 unit portion of the Property (the “**Multifamily Portion**”) was constructed in [2003] and was awarded low-income housing tax credits (“**LIHTCs**”) by the Texas Department of Housing and Community Affairs (“**TDHCA**”) and placed in service in [2003]. Pursuant to a Declaration of Land Use Restrictive Covenants for Low-Income Housing Credits (the “**LURA**”) connected with the LIHTCs, 85% of the residential units in the Multifamily Portion are reserved for households with incomes at 60% of the area median income, and 15% of the residential units in the Multifamily Portion are reserved for households with incomes at 30% of the area median income with rents established by HUD for the LIHTC program. The LURA is expected to terminate during [2045].

The parties agree as follows:

AGREEMENTS:

A. Ownership Structure; Affordability Restrictions.

1. The Property, as to the Multifamily Portion, is currently owned by One Forest Park, Ltd., a Texas limited partnership, (the “**Current Partnership**”), effective as to the Multifamily Portion, as of [_____, 202_]. The Preservation Partnership shall acquire and control the Property.

2. In the proposed transaction, pursuant to the Purchase Agreement between the Current Partnership and the Preservation Partnership (the “**Purchase Agreement**”), the Current Partnership will transfer the Property to the Preservation Partnership for \$9,200,000. Upon the Preservation Partnership’s acquisition of the Property from the Current Partnership, the Preservation Partnership will, as soon as possible following the acquisition of the Land from the Current Partnership, sell the land for \$100 to a wholly-owned subsidiary of the Agency (“**Lessor**”) and Lessor will enter into a long-term ground lease (the “**Lease**”) with the Preservation Partnership. The Lease, as more fully described below, will vest ownership of the improvements constituting the Property (the “**Project**”) in the Preservation Partnership. The Lessor agrees that it will subordinate its interest in the Lease, to the mortgage lenders of the Project. Funding for the acquisition of the Property will come from the Lender (as defined below) and the Equity financing, and will be paid to the Agency or its affiliate in the form of an up-front Lease payment, the amount of which will be equal to the purchase price of the Property, which shall be no greater than the amount determined by an appraisal obtained by the Preservation Partnership and shall be applied against the acquisition price. In addition to the up-front rental payment, which the Agency or its affiliate will use to pay the costs to purchase the Land.

3. The sole general partner of the Preservation Partnership will be an affiliate of Agency, which will own 0.005% of the Preservation Partnership (the “**General Partner**”).

4. The limited partners of the Preservation Partnership will include (i) the Class B LP which will own 0.005% of the Preservation Partnership, and (ii) one or more equity investor entities, when combined, will own 99.99% of the Preservation Partnership (collectively, the “**Limited Partner**”). Pursuant to the Partnership Agreement and a delegation agreement (the “**Delegation Agreement**”) the General Partner will delegate certain asset oversight and operational duties to the Class B LP and will retain approval rights as needed to protect its public purpose, including but not limited to:

- (i) any material change to the Partnership Agreement (as hereinafter defined) adverse to the interests of the General Partner;
- (ii) any material change in the rehabilitation plans or budget for the Property;
- (iii) any material amendment to the Mortgage Loan or associated documents (as hereinafter defined); or
- (iv) any change to the LURA or the Agency Restrictions.

5. The rights and responsibilities of the General Partner and Limited Partner (collectively, the “**Partners**”), as may be modified by the Delegation Agreement, will be set forth in an amended and restated agreement of limited partnership of the Preservation Partnership (the “**Partnership Agreement**”) to be entered into at Closing (as hereinafter defined).

6. In addition to the LURA, Agency will impose, monitor, and enforce rent and income restrictions whereby at least 40% of the residential units in the Property are reserved for households with incomes at 60% of the area median income, with rents established by HUD for the LIHTC program and the remainder of the residential units in the Property are reserved for households with incomes at 80% of the area median income, with rents that do not exceed 30% of the area median income (the “**Agency Restrictions**”). The Agency Restrictions shall be subordinate to the LURA while it is in existence and shall continue for 15 years after the date of Closing (as hereinafter defined), but may be subject to earlier termination: (i) at the discretion of the Agency if the Mortgage Loan is no longer outstanding, (ii) in the event of the removal of the General Partner from the Partnership or a loss of the Exemption (as defined below), (iii) upon foreclosure of any loan from a lender unrelated to the Class B LP, and (iv) at the election of the Class B LP upon the termination or expiration of the LURA and any regulatory agreements related to the issuance of tax-exempt bond financing. The Partnership shall bear all costs associated with monitoring and enforcement of the Agency Restrictions.

7. The General Partner and the Class B LP shall use reasonable efforts to cause the Partnership Agreement to reflect the following terms (recognizing that the Partnership Agreement has yet to be negotiated with the Limited Partner):

(i) The General Partner’s representations shall be limited to those within the General Partner’s actual knowledge and in no case shall due inquiry be required, it being understood and agreed that the General Partner will not be looked upon by the Limited Partners of the Preservation Partnership to conduct Project-related diligence;

(ii) The General Partner shall be indemnified by the Preservation Partnership for any liabilities incurred under the Partnership Agreement, except for liabilities incurred as a result of the General Partner’s gross negligence or willful misconduct and in no event shall such indemnification be contingent upon a ruling of a court of law;

(iii) The Contractor (as defined herein) shall be indemnified by the master subcontractor for any liabilities incurred in connection with the Project, except for liabilities incurred as a result of the gross negligence or willful misconduct of the Contractor, and in no event shall such indemnification be contingent upon a ruling of a court of law;

(iv) The General Partner shall not be required to covenant to undertake actions or obligations that the Developer, Class B LP, or Limited Partner will be required to take under the Partnership Agreement; and

(v) The Partnership Agreement shall contain a provision wherein the Limited Partners acknowledge that the obligations of the General Partner under the Partnership Agreement are obligations solely of the General Partner and not the owner of the General Partner.

B. Acquisition; Lease; Ad Valorem Tax Exemption.

1. Acquisition; Lease. Lessor will acquire the Land from the Preservation Partnership and will simultaneously enter into a 99-year Ground Lease (the “**Lease**”), as landlord, with the Preservation Partnership, as tenant. The Preservation Partnership will obtain the Mortgage Loan(s) (defined herein) to provide funds for the rehabilitation of the Project at Closing. Upon termination of the Lease at the end of its term, ownership of the Project shall revert to the Lessor; the Lease will set forth the disposition of the Project upon other events of termination under various circumstances, subject to foreclosure requirements of any lenders for the Project. Lessor shall not have any right to terminate the Lease during the term of the Preservation Partnership without the approval of the Limited Partner, and any third-party lender. The parties understand that both the Land and Project will serve as collateral for any loan, including the Mortgage Loan, and Agency will cooperate in providing such security interest as reasonably requested, including the subordination of the Lease to the Mortgage Loan and other debt financing.

2. Lease Payments. The Lease will call for the Preservation Partnership to make an up-front payment to Lessor in the amount equal to \$200,000, which shall be due upon the Closing. Thereafter, the Preservation Partnership shall make an annual lease payment in the amount of \$15,000 (the “**Annual Rent**”), beginning on the first anniversary of the effective date of the Lease and continuing on each anniversary date thereafter. The Annual Rent shall be subject to the availability of cash flow and accrues if unpaid.

3. Ad Valorem Tax Exemption. The contemplated ownership structure and Project rental restrictions are expected to generate a 100% ad valorem tax exemption for the Project (the “**Exemption**”). Prior to entering into the Lease and the Partnership Agreement, the General Partner, on behalf of the Preservation Partnership, will work with the applicable appraisal district to obtain confirmation of the availability of the Exemption, as set forth in a tax exemption pre-determination letter. Provision of the Exemption is required in connection with Closing, and the on-going availability of the Exemption is a

condition of Agency's participation in the Preservation Partnership and the Project. A failure to secure the Exemption or a loss of such Exemption for any reason shall result in the removal of the General Partner from the Preservation Partnership by the Limited Partners, and upon such removal the Lessor agrees to sell the Land back to the Preservation Partnership for \$100. The Class B LP will have the right under the Partnership Agreement to remove the General Partner in connection with the loss of the Exemption and for certain breaches of its obligations under the Partnership Agreement but recognizes that such removal may result in a loss of the Exemption.

C. **Financing.**

1. To finance the acquisition of the Land from the Current Partnership, the Developer Parties will apply for one or more acquisition Loans.

2. To facilitate the Closing, the Developer Parties will apply for one or more construction and permanent debt financing loans, sourced from tax-exempt bonds from a qualified and financial institution ("**Lender**"), secured by a mortgage loan, or which collateral will consist of the improvements and the land (the "**Mortgage Loan**"). Agency will have the right to review and approve the financing arrangements.

3. The Developer Parties will cause Limited Partners to make an equity contributions to the Preservation Partnership at Closing and in subsequent installments (the "**Equity**"), which will be reflected in the Partnership Agreement.

4. The Developer Parties will provide all guarantees required by the Mortgage Loan or the Equity financing. Agency will not be required to provide any guarantees.

5. The parties anticipate that the Preservation Partnership will enter into all financing documentation related to tax-exempt bond financing and LIHTCs for the Project concurrently with the execution of the Partnership Agreement and the Lease, and the execution of all such documents and the funding contemplated thereby, collectively with the execution of the Partnership Agreement, are referred to as the "**Closing**".

6. The Developer Parties and Agency will cooperate as reasonably necessary and appropriate with respect to responding to due diligence and underwriting requirements for the Mortgage Loan and the Equity financing.

D. **Management and Operation.**

The Preservation Partnership will enter into an agreement for property management services with Dominion Texas Management Services, LLC. ("**Property Manager**"). The Partners will negotiate the property management agreement with the Property Manager on terms and conditions customary in the industry. The Limited Partner shall have the right to require replacement of the Property Manager under situations defined in the Partnership Agreement.

Annually, by no later than December 1 of the preceding fiscal year, the Property Manager shall provide the Partners with a proposed annual operating budget. The proposed budget shall be subject to the written approval of the Partners.

E. Rehabilitation.

1. The Developer, will provide comprehensive development services to the Preservation Partnership pursuant to a Development Agreement to be entered into by the Preservation Partnership and Developer (or its affiliate). Developer will be responsible for obtaining the services of design professionals for the design of any rehabilitation plans for the Project, with Agency's reasonable approval. The Project budget for implementation of rehabilitation plans shall be mutually approved by Developer and Agency.

2. In addition to design professionals, Developer will be responsible for the selection and engagement of other consultants and service providers, environmental consultants, engineers, contractors, subcontractors, architects, market analysts, appraisers, and legal counsel, including the Preservation Partnership's counsel.

F. Costs.

Developer Parties will pay all costs and fees associated with the pursuit of this transaction prior to Closing, which will include the costs and fees to secure the Mortgage Loan and the Equity. All pre-Closing costs incurred by Developer Parties, including without limitation, costs of legal counsel, will be reimbursed at Closing from the proceeds of the Mortgage Loan and the Equity. In the event this MOU is terminated or the transaction fails to close as contemplated herein, Developer Parties will be solely responsible for all costs above in this subsection, and Agency and its affiliates will have no responsibility for payment or reimbursement of such costs. In addition, the Preservation Partnership will pay for costs of Agency's counsel to negotiate the transaction documents, up to the amount of \$100,000. Such amount shall be paid at Closing.

G. Distributions, Allocations, and Expenses.

1. The parties anticipate that cash available for distribution from operations by the Preservation Partnership (after payment of required debt service to Lender in connection with the Mortgage Loan) will be negotiated and paid in accordance with the Partnership Agreement, and typical to other cash flow and sale or refinancing waterfalls agreed upon between Developer and the Limited Partners.

H. Disposition.

Throughout the life of the Preservation Partnership, Agency will have an option to acquire the Project (the "Purchase Option"). Such option to be completed no later than 120 days after the Agency exercises such Purchase Option. The purchase price for the Project under the Purchase Option shall be the greater of the amount set forth in I(a) or I(b) below,

as applicable (and in the event the provisions of I(c) apply, plus the amounts described therein), subject to the provisions set forth hereinbelow together with, in all cases, all other amounts due and owing to the Limited Partners under any provision of the Partnership Agreement and associated documents (including but not limited to adjusters, fees, repayment of loans, and amounts payable from cash flow as described in the Partnership Agreement), and all transfer taxes incurred in connection with such transfer:

(a) **Debt and Taxes.** An amount sufficient (i) to pay all debts (including partner loans) and liabilities of the Preservation Partnership upon its termination and liquidation as projected to occur immediately following the sale pursuant to the Purchase Option, and (ii) to distribute to the Partners, after payments, cash proceeds equal to the taxes projected to be imposed on the Partners of the Partnership as a result of the sale pursuant to the Purchase Option; or

(b) **Fair Market Value.** The fair market value of the Property, appraised as low-income housing to the extent continuation of such use is required under any use restriction, any such appraisal to be commissioned by the Agency, and appraiser approved by the Class B LP;

(c) **Exercise Prior to Expiration of Compliance Period.** If the Purchase Option is exercised prior to expiration of the compliance period, as defined in Section 42 of the Internal Revenue Code, an amount equal to the diminution of economic value to the Limited Partners as a result of the exercise of the Purchase Option (such diminution, the “**ILP Diminution**”), shall be added to the applicable amount under Paragraph I(a) or I(b) above, which amount shall include, without limitation, (i) all capital contributions of the Limited Partners which will not be returned by the General Partner, the Class B LP or the Partnership, (ii) the outstanding balance of all loans (and any accrued interest thereon) made to the Preservation Partnership by the Limited Partners or its Affiliates, which will not be otherwise repaid under Paragraph I(a), (iii) the amount of the projected tax credits which, as a result of the exercise of the Purchase Option, will not be available to the Limited Partners less the amounts paid pursuant to (i) above and the amount of any tax which will be recaptured from the Limited Partners as a result of the exercise of the Purchase Option, (iv) all losses, costs, damages and penalties incurred or payable by the Limited Partners with respect to tax credits already received (including the costs of any letters of credit, recapture bonds or other acceptable collateral in such form and amount determined by the Limited Partners in its sole and absolute discretion to protect the Limited Partners from such losses, costs, damages and penalties), (v) the present value of the anticipated cash flow payable to the Limited Partners using a discount rate of 4%, and (vi) all unreimbursed costs and expenses incurred by or on behalf of the Limited Partners with respect to (1) its admission to the Preservation Partnership, (2) its activities with respect to the Preservation Partnership, prior to the exercise of the Purchase Option and (3) any syndication efforts with respect to its partnership interest, provided all payments of such ILP Diminution shall be paid directly by the Agency to the Limited Partners, plus the diminution of economic value to the Class B LP and its affiliates as a result of the exercise of the Option (such diminution, the “Class

B LP Diminution”), which shall include without limitation, (A) all Capital Contributions of the Class B LP, (B) all outstanding loans made to the Preservation Partnership by the Class B LP or its affiliates, including without limitation, any operating deficit loans and any earned deferred Development Fee, (C) the present value of the anticipated cash flow and fees payable to the Class B LP and its Affiliates using a 6% discount rate, (D) all reasonable costs and expenses incurred by or on behalf of the Class B LP with respect to (x) its admission to the Preservation Partnership, and (y) its activities with respect to Preservation Partnership prior to the exercise of the Purchase Option, and (E) all losses, costs, penalties and damages incurred or payable by the Class B LP or its affiliates, provided all payments of such Class B LP Diminution shall be paid directly by the Agency to the Class B LP and its affiliates. The Class B and Limited Partners shall have up to 18 months after the exercise of the Purchase Option to calculate any of the foregoing losses that would otherwise be unable to be calculated or determined at the time of the exercise of the Purchase Option.

The Class B LP shall have a perpetual right to market the Project for sale, which shall include, at the Class B LP’s option, termination of the Lease, and transfer of the fee interest in the Land to the purchaser for \$100. In the event that the Class B LP receives such an offer to purchase the Project and the offer is acceptable to the Class B LP, the Class B LP may request a sale of the Project (“**Sale Request**”) by written communication to Agency. Any transfer shall be considered an Early Termination of the Ground Lease and Partnership Agreement. Upon receipt of a Sale Request from the Class B LP, Agency will have a right of first refusal for 30 days to elect to purchase Project on the same terms of the purchaser’s offer. If Agency does not elect to exercise its right of first refusal upon 30 days’ prior written notice to Agency, the Project and the Land shall be sold to such purchaser without the need of Agency’s consent but with the cooperation of Agency, and the Preservation Partnership shall be dissolved.

Notwithstanding anything in this MOU to the contrary, the termination (whether by any action or inaction by the General Partner and/or its affiliates or by a change in law), or inability to obtain the Exemption shall be a cause for removal of the General Partner from the Preservation Partnership. In the event that Agency’s affiliate is removed as General Partner of the Preservation Partnership, Agency shall cause the Lessor to convey the fee interest in the Land to the Preservation Partnership or its designee for \$100 and the rights of first refusal and any other rights of Agency and the General Partner with respect to long-term ownership of the Project shall terminate, along with the Agency Restrictions. In addition, all rights of first refusal and options will terminate upon the removal of the General Partner or the sale of the Project, and Agency shall execute a release or termination of all rights of first refusal and options.

I. Miscellaneous.

1. The venue of any disputes between the parties shall be in Brazos County, Texas where the Project is located.

2. This MOU reflects the entire understanding between the parties and may only be amended in writing, signed by all parties. This MOU is a not contract and is merely an "agreement to agree".

3. Except as otherwise provided herein, the parties hereto are each prohibited from assigning any of its interests, benefits or responsibilities hereunder to any third party or related third party, without the prior written consent of the other party, such consent not to be unreasonably withheld.

4. Agency's execution of this MOU is subject to approval by Agency's Board of Directors.

5. Any notice, request, demand, instruction or other document to be given or served hereunder shall be in writing and shall be (a) delivered personally, (b) sent by overnight express courier, postage prepaid, or (c) sent electronically (e-mail), each addressed to the parties at their respective addresses set forth below, and the same shall be effective upon receipt if delivered personally, by overnight courier or by facsimile or electronically (with proof of delivery). A party may change its address for receipt of notices by service of a notice of such change in accordance herewith. If any deadline under this MOU falls on a Saturday, Sunday or legal holiday, the deadline shall be extended to the next business day.

Agency: Brazos County Housing Finance Corporation
[]
Attn: []
Email: []

With a copy to: []

Developer: Bryan Leased Housing Development I, LLC
14555 Dallas Pkwy Suite 100
Dallas, Texas 75254
Attn: Jeff Spicer
Email: jeff.spicer@dominiuminc.com

With a copy to: Winthrop & Weinstine, P.A.
225 South Sixth Street, Suite 3500
Minneapolis, MN 55402
Attn: Jeff Drennan
jdrennan@winthrop.com

The "Attention" person for each party shall be its designated representative for purposes of the MOU. Each party shall be able to rely upon direction of the designated representative of the other, far that direction to have been duly authorized by such party. Either party may change its designated representative by written notice to the other party.

6. The parties agree to execute such documents and do such things as are necessary or appropriate to facilitate the development of the Project and the consummation of their agreement herein.

7. Agency acknowledges that Developer believes certain information with regard to this proposed transaction is proprietary, commercial and financing information related to Developer's method of doing business (the "**Developer Information**"). Agency will strive to maintain the confidentiality of the Developer Information, subject to Agency's obligations under the Texas Public Information Act (the "**PIA**"). If reasonably requested by Developer after receipt of an open records request, Agency will seek an opinion from the Texas Attorney General as to whether the Developer Information constitutes a lawful exception under the PIA.

[Remainder of page intentionally left blank for signature]

EXECUTED on the dates hereafter indicated, but to be effective as of the date above shown.

Agency:

Bryan County Housing Finance Corporation

By: _____

Name: []

Title: []

Date: _____

Preservation Partnership:

Bryan Leased Housing Associates I, Limited Partnership

By: Bryan Leased Housing Associates I, LLC

Its: General Partner

By: _____

Name: Mark S. Moorhouse

Title: Senior Vice President

Date: _____

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