



October 20, 2023

Rosalio Banuelos
Director of Multifamily Asset Management
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: Request for Material Amendment for Grand Station Apartment Homes, TDHCA #20476

Dear Mr. Banuelos:

Please accept this letter as a request for a Material Amendment in accordance with 10 TAC §10.405(a)(4)(G) of the 2023 Asset Management Rules. The original application for Grand Station Apartment Homes included an election under §42(g) of the Internal Revenue Code that indicated that at least 40% of the residential units would be both rent restricted and occupied by individuals whose income is 60% or less of the median gross income, adjusted for family size. More specifically, the application also indicated that 100% of the units would be rent and income restricted at the 60% AMI level.

We are requesting to change that election to "Average Income" in accordance with IRC §42(g)(1)(C). Attached you will find approval for this requested change from both our lender Merchants Capital, and our equity investor/syndicator CREA. Because this development is already being leased, we are not proposing a new rent schedule at this time and are leasing 100% of the units at the 60% AMI level. Therefore, there are no revised application exhibits.

Please let me know if you need any additional information from me.

Sincerely,

A handwritten signature in black ink that reads "Jean Latsha". The signature is written in a cursive, flowing style.

Jean Latsha
Vice President - Development
Pedcor Investments, A Limited Liability Company
jlatsha@pedcor.net

(512) 470-7312

Jean Latsha

From: Ashley Hagan <ahagan@creallc.com>
Sent: Monday, October 23, 2023 9:04 AM
To: Tom Crowe; Kathleen Ramey; Jean Latsha
Cc: Adam Lavelle; Tony Bertoldi; Jeffrey Whiting
Subject: Grand Station

All,

We have received investor approval for the change to AI on Grand Station. Please find the approval below.

This email is to confirm CREA, as tax credit investor for Grand Station Apartment Homes, is aware the Managing Member is submitting a request to Texas Department of Housing and Community Affairs (TDHCA) for a Material Amendment in accordance with Section 10.405(a)(4)(G) of the 2023 Asset Management Rules, in order to change the election under IRC Section 42(g) from "40/60" to "Average Income" prior to filing IRS Form(s) 8609. This new election will not cause any change in terms.

Please forward the approvals from TDHCA and HUD/HUD Servicer once received, and we will commence the document modifications necessary for the operating agreement.

Thanks

Ashley Hagan
Senior Vice President
Asset Management



30 S. Meridian St, Suite 400 / Indianapolis, IN 46204
O: 317.808.7182 / C: 317.450.5442
ahagan@creallc.com / CREALLC.com

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September 20, 2023

Kristin Quintana, MAP Underwriter
MERCHANTS CAPITAL CORP.
410 Monon Boulevard, 5th Floor
Carmel, IN 46032-2345

SUBJECT: Firm Commitment Amendment III
Grand Station
FHA #115-35913
Austin (Travis County), TX 78728

Dear Ms. Quintana:

This letter represents amendment number three to the Firm Commitment dated September 11, 2020, Firm Commitment Amendment I dated December 14, 2020, and Firm Commitment Amendment II dated January 21, 2021, for the above-captioned project.

- The original Firm Commitment was issued based upon the assumption of the Broadly Affordable rents (100%) being restricted to 60% AMI. The Firm Commitment is being amended prior to final endorsement because the Regulatory Agreement is being revised to reflect the use of income averaging with new rents at **30%, 50%, 60%, and 70% AMI.**

All other terms and conditions to the Firm Commitment (09/11/2020), Firm Commitment Amendment I (12/14/2020), and Firm Commitment Amendment II (01/21/2021), as previously issued, remain in effect. If you have any questions regarding this amendment, please contact Fawn Barrington, Senior Underwriter, at Fawn.Barrington@hud.gov and Lisa Richardson, Closing Coordinator, at Lisa.Richardson@hud.gov.

Sincerely,

ARTHUR WELLS
Digitally signed by: ARTHUR WELLS
DN: CN = ARTHUR WELLS C = US O = U.S. Government OU =
Department of Housing and Urban Development, Office of
Administration
Date: 2023.09.20 16:27:15 -0500

Arthur J. Wells
Fort Worth Underwriting Branch 3 Chief
Southwest Multifamily Region

Enclosures

*Fort Worth Regional Office
307 West 7th Street, Suite 1000
Fort Worth, TX 76102-5108*

*Kansas City Satellite Office
400 State Avenue, Suite 300
Kansas City, KS 66101-2406*



September 20, 2023

Art Wells
Underwriting Branch Chief
US Department of Housing and Urban Development
Multifamily Housing, Southwest Region
307 W. 7th St., Suite 1000
Fort Worth, TX 76102

Re: Grand Station
FHA #115-35913
Request for Amendment

Dear Art,

Please allow this letter to serve as our formal request to amend the **Grand Station** HUD Firm Commitment dated **September 11, 2020**.

Underwriting Revisions

Grand Station initially endorsed February 2021 and is nearing construction completion. Final endorsement is targeted for September 27, 2023, with conversion taking place in October. Originally, rents were underwritten, and the Firm Commitment was issued under the assumption 100% of the Subject's units would be restricted to 60% AMI. However, the client has elected to use income averaging, which requires a change to the recorded Regulatory Agreement. The current Regulatory Agreement references the 20% at 50% AMI or 40% at 60% AMI set aside. The revised Regulatory Agreement will reference the Income Averaging set aside.

As we discussed via email this week, our plan is to submit this Amendment Request to the Firm Commitment, detailing the proposed change to income averaging, along with the below analysis and backup documentation on the current achieved rents versus the original underwritten rents (to document how the DSCR will be the same or higher). Once the Amendment Request is reviewed/approved by HUD, we will work with our attorneys to amend the Regulatory Agreement and send along to HUD OGC for review before anything is recorded.

Below is our rent analysis, which compares our original underwriting (100% @ 60%) to current leasing activity at 60% AMI to current leasing activity using income averaging. As you can see, utilization of income averaging results in nearly the exact amount of GPR as compared to 60% AMI rents.

Original Underwriting - 40@60					
Bedrooms	Square Feet	Units	Median Income	Net Rent per Unit	Monthly Rent
1	733	84	60%	\$975	\$81,900
2	1016	108	60%	\$1,200	\$129,600
3	1221	24	60%	\$1,325	\$31,800
					\$243,300
Annual					\$2,919,600

Current Leasing Activity - 40@60					
Bedrooms	Square Feet	Units	Median Income	Net Rent per Unit	Monthly Rent
1	733	84	60%	\$1,069	\$89,796
2	1016	108	60%	\$1,302	\$140,616
3	1221	24	60%	\$1,512	\$36,288
					\$266,700
Annual					\$3,200,400

Current Leasing Activity - Income Averaging					
Bedrooms	Square Feet	Units	Median Income	Net Rent per Unit	Monthly Rent
1	733	3	30%	\$611	\$1,833
1	733	3	50%	\$1,049	\$3,147
1	733	69	60%	\$1,069	\$73,761
1	733	9	70%	\$1,069	\$9,621
2	1016	4	30%	\$736	\$2,944
2	1016	4	50%	\$1,262	\$5,048
2	1016	88	60%	\$1,302	\$114,576
2	1016	12	70%	\$1,302	\$15,624
3	1221	1	30%	\$849	\$849
3	1221	1	50%	\$1,456	\$1,456
3	1221	19	60%	\$1,512	\$28,728
3	1221	3	70%	\$1,512	\$4,536
					\$262,123
Annual					\$3,145,476

As shown below, the DSCR drops 3bps from 1.61x to 1.58x with income averaging.

	Original Application - 40@60	Current Leasing Activity 40@60	Current Leasing Activity Income Averaging
Potential Gross Rent	\$2,919,600	\$3,200,400	\$3,145,476
Vacancy	-\$152,948	-\$166,988	-\$164,242
Net Rental Income	\$2,766,652	\$3,033,412	\$2,981,234
Other Income	\$139,368	\$139,368	\$139,368
Effective Gross Income	\$2,906,020	\$3,172,780	\$3,120,602
Advertising	\$10,800	\$10,800	\$10,800
Management Fee	\$87,181	\$95,183	\$93,618
Other Admin	\$70,632	\$70,632	\$70,632
Electric	\$47,066	\$47,066	\$47,066
Water/Sewer	\$161,374	\$161,374	\$161,374
Trash Removal	\$16,200	\$16,200	\$16,200
Payroll	\$239,616	\$239,616	\$239,616
Repairs	\$75,000	\$75,000	\$75,000
Exterminating	\$5,000	\$5,000	\$5,000
Insurance	\$62,640	\$62,640	\$62,640
Ground Expenses	\$74,000	\$74,000	\$74,000
Replacement Reserves	\$54,000	\$54,000	\$54,000
Other Taxes	\$9,514	\$9,514	\$9,514
Total Expenses	\$913,023	\$921,025	\$919,460
Net Operating Income	\$1,992,997	\$2,251,754	\$2,201,142
Debt Service	\$1,396,959	\$1,396,960	\$1,396,959
DSCR	1.43	1.61	1.58

Enclosed please find a rent roll dated 9/8/23 which we used for our above analysis. Please contact us with any questions. Thank you for your assistance.

Sincerely,



Michelle Small
FHA Chief Underwriter

Enclosure(s)

cc: Ken Cooper
Eddie Dietrick
David Hines
Kristin Quintana
Christin Currie
Regina Burks
Vicki Major
Michael Reichert