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September 20, 2024

Via Email

Lucy Weber, Asset Manager
Asset Management Division
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: Material Application Amendment Request
Waterview Apartments, Anna, Texas – TDHCA #21414 / CMTS #5775

Dear Mr. Banuelos and Ms. Weber,

This is a request for a material application amendment on behalf of Anna Crossing Partners LP, a Texas limited partnership (“Owner”), in accordance with Section 10.405(a)(4)(G) of the 2024 Post Award and Asset Management Requirements Rules (the “Rules”). The Owner received an award of 4% Housing Tax Credits for the new construction of Waterview Apartments in the City of Anna, Texas (the “Development”). The 2021 4% Housing Tax Credit Application accurately indicated the Development will serve low-income households with a total of three hundred apartment units, of which all will be rent restricted. We respectfully request an amendment to the Application to implement a revision to the income limitation election under §42(g)(1) of the Internal Revenue Code of 1986, as amended (the “Code”), prior to filing of IRS Form 8609s as outlined in the table below. The Application elected the Average Income Test [§42(g)(1)(C)] and we wish to revise that election to the 40-60 Test [§42(g)(1)(B)].

	2021 4% Housing Tax Credit Application	Requested Material Application Amendment
Affordability:	75 units @ 50% AMI (25%) 150 units @ 60% AMI (50%) 75 units @ 70% AMI (25%)	300 units @ 60% AMI (100%)
Unit Mix:	34 One Bdrm 106 Two Bdrm 123 Three Bdrm 37 Four Bdrm	No change
Total Units:	300 total units	No change

We believe the requested amendment to the Application does not materially alter the Development, nor does it have a materially negative financial impact on the Development because the average income remains unchanged at 60% of AMI and the Potential Gross Revenue remains the same. Since the Development was not in the Competitive Round, the requested change in income limitation will not impact any other project.



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After approval of the Application submitted in 2021, multiple factors influenced the financial feasibility of the Development. The Application presumed tax credit equity pricing of \$0.90 and debt financing at an interest rate of 3.75%. In their respective term sheets included in the Application, both the lender and syndicator acknowledged the average income election by the Owner. By the time of closing, however, the capital markets were deteriorating, the Development's tax credit equity price had fallen to \$0.83, and the interest rate had risen to 4.04%. It was not foreseeable that the market would change as rapidly as it did. Additionally, lenders and syndicators have become increasingly unable to accept income averaging due to the administrative burden and perceived risk of non-compliance. Income averaging introduces difficulties in maintaining compliance with the varying income levels, which increases the risk of errors during the compliance monitoring process.

The Owner was able to close with its lender and syndicator despite the less favorable pricing terms by assuming a set-aside of 100% of the units @ 60% AMI in lieu of income averaging. We did not foresee that this change would require a material application amendment until the draft LURA was produced for review incorporating the average income restriction, otherwise we would not have taken the risk of closing without previously amending the Application. This The requested amendment will help to ensure the long-term financial feasibility of the Development while continuing to serve families with incomes at or below 60% AMI.

Attached are the Development Narrative (Tab #17) and the Rent Schedule (Tab #24) exhibits that have been revised to reflect this proposed change. The ProForma and Schedule of Sources exhibits are not impacted by this change.

Also attached you will find approval of the request herein from both the Owner's lender, Citibank, N.A., and syndicator, Stratford Capital Group LLC (the "Approvals"). In accordance with Section 10.405(a)(7) of the Rules, the Approvals include written acknowledgement that lender and syndicator are aware of the change requested herein which is necessary for the continued financial feasibility of the Development, and confirmation of any changes in terms as a result of the new election.

Included is the Material Amendment Fee of \$2,500.00 in accordance with Section 10.405(a) of the Rules.

Please let us know if you have any further questions or require further documentation.

Sincerely,

John Hickman
Director
Provident Realty Advisors, Inc.