

February 20, 2025

VIA EMAIL DELIVERY

Cody Campbell
Joshua Goldberger
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

Re: Skyway Gardens II, Alpine, Brewster County, Texas (the "**Development**")
TDHCA No. 23119

Greetings:

We represent Skyway Gardens II, Ltd., a Texas limited partnership ("**Owner**"), which received an award of Housing Tax Credits in 2023. The Owner was prepared to close on its equity and construction loan financing in early April 2024, but shortly before the closing occurred, the equity syndicator notified the Owner that it was not able to close because it had lost its investor. Over the following six months, the Owner remained in contact with that syndicator in hopes that an investor might be found, and it also met with four other potential syndicators. The Owner was ultimately able to sign up with a new syndicator in October 2024. Accounting for the holidays and the time required for the new syndicator to fully underwrite the transaction, a closing in April or May of 2025 is now anticipated. However, because of the delay in the original closing, the construction schedule will put placement in service past the current deadline of December 31, 2025.

Relief Sought

Owner submits this request for approval at TDHCA's March 2025 board meeting of a reallocation of credits to 2024 and a related extension of the placement in service deadline to December 31, 2026, as permitted under the "Force Majeure" provisions in Section 11.6(5) of the QAP.

Support for Force Majeure Request

As noted, the parties were on the verge of closing the financing in April 2024. The financing documents had been fully negotiated and wires and signature pages were in escrow. At that point, the equity syndicator put the transaction on hold because it had lost its investor. Over the next several months, the equity syndicator and the Owner remained in contact, with regular follow-up by the Owner, while the equity syndicator tried to identify a replacement investor. Starting in July of 2024, the Owner started reaching out to other potential syndicators as well and was able to open discussions with four of them. Three of the four were unable to place the transaction, but the Owner signed a letter of intent with the fourth syndicator at the end of October 2024. Attached as Exhibit A to this letter is a timeline of events from the delay in the April 2024 closing until signing up with the new syndicator last year. For ease of reference, the timeline is sorted both by syndicator and also chronologically, but the information in both timelines is the same. The timeline highlights some of the more significant markers, but is not inclusive of every discussion that occurred between the Owner and the syndicators. For example, the Owner indicated that it was checking in with the original syndicator on a weekly basis after the April 2024 closing was delayed.

Investor Requirements

At the time of the anticipated closing in April 2024, the construction schedule was 20 months. The construction timeline and scope of work have not changed since then. However, because this timeline would now go past the original placement in service deadline, an update to that deadline is needed, not only to ensure that the Housing Tax Credits for the Development remain viable, but also because the new syndicator will not be able to obtain its committee approvals and move to closing without evidence of a new placement in service date. Exhibit B attached hereto is a letter from the new syndicator detailing its requirements for a new placement in service date.

Factors for Consideration

In accordance with Section 11.6(5) of the QAP, we believe Owner meets TDHCA's requirements for the relief sought, in that:

1. Owner has demonstrated the occurrence of a “force majeure” event of a supplier failure. The equity investor supplies an integral part of the financing, and its elimination made it impossible to close. And without the ability to close, no construction activity could be undertaken by the Owner.
2. The loss of the investor was not something that the Owner could have reasonably foreseen. As noted above, all expectations were that a closing would occur in early April 2024 and the Owner had no indication otherwise until the eve of closing.

3. Owner has endeavored to mitigate the loss of the investor by remaining in regular contact with the original syndicator in hopes that a new investor might be found relatively quickly and also by seeking out other potential syndicators to provide the equity funding. Owner also undertook efforts to keep the original construction and permanent debt lenders engaged in the transaction and has been able to retain them for the upcoming closing. The Owner also made efforts to keep the transaction alive from a tax credit compliance standpoint by submitting its 10% test documentation to TDHCA by the deadline in December 2024.

4. It will not be feasible to meet the existing placement in service deadline. The construction schedule calls for a projected completion in December 2026, which is well past the 2025 placement in service deadline.

In light of the foregoing, the Owner respectfully requests that this matter be considered at the next available Board meeting with a recommendation for approval. If additional information is required, please feel free to contact us.

Sincerely,

A handwritten signature in blue ink, appearing to read "Christine Richardson", with a stylized flourish at the end.

Christine R. Richardson

cc: Skyway Gardens II, Ltd.

Exhibit A -- Timeline for loss of investor and identification of replacement

Exhibit B -- New syndicator correspondence

Exhibit A Timeline

TIMELINE BY SYNDICATOR

Affordable Equity Partners (AEP)

- 4/5/24: Original closing date. Wire was sent by AEP and then recalled the same day. AEP indicated that it should be able to close the following week.
- 4/23/24: AEP advised it should be able to close in a couple of weeks.
- 5/24/24: AEP advised that they were seeking a replacement from their investor pool.
- 6/10/24: AEP indicated there were some issues with their investors in the Texas market.
- 6/18/24: AEP indicated they should have an update in a couple of weeks.
- 7/19/24: AEP indicated it was hoping to have a solution by the middle of the following week.
- 8/15/24: AEP indicated it was looking at another route for an investor and hoped to have an update soon.
- 9/10/24: AEP informed the Owner that their investors were not interested in the Texas market at that time.

*Throughout this time, Owner was also checking in with AEP on a consistent basis.

R4 Capital

- 7/9/24: Owner provided development information and proposed numbers.
- 7/31/24: R4 indicated they did not have fund capacity to take on this transaction.

WNC

- 8/12/24: Owner provided development information and proposed numbers.
- 10/15/24: Owner received proposed letter of intent from WNC.
- 10/30/24: Signed letter of intent.
- 11/24 - present: Underwriting with WNC in process.

Midwest Housing Equity Group (MHEG)

- 8/12/24: Owner provided development information and proposed numbers.
- 09/2024: MHEG informed Owner they did not have fund capacity to take on this transaction.

Hunt Capital Partners, LLC

- 9/23/24: Owner provided development information and proposed numbers.
- 10/17/24: Hunt advised that their pricing would not be competitive for this transaction.

TIMELINE IN CHRONOLOGICAL ORDER:

- 4/5/24: Original closing date with Affordable Equity Partners (AEP). Wire was sent by AEP and then recalled the same day. AEP indicated that it should be able to close the following week.
- 4/23/24: AEP advised it should be able to close in a couple of weeks.
- 5/24/24: AEP advised that they were seeking a replacement from their investor pool.
- 6/10/24: AEP indicated there were some issues with their investors in the Texas market.
- 6/18/24: AEP indicated they should have an update in a couple of weeks.
- 7/9/24: Owner provided development information and proposed numbers to R4 Capital.
- 7/19/24: AEP indicated it was hoping to have a solution by the middle of the following week.
- 7/31/24: R4 indicated they did not have fund capacity to take on this transaction.
- 8/12/24: Owner provided development information and proposed numbers to WNC and to Midwest Housing Equity Group (MHEG).
- 8/15/24: AEP indicated it was looking at another route for an investor and hoped to have an update soon.
- 9/10/24: AEP informed the Owner that their investors were not interested in the Texas market at that time.
- 09/2024: MHEG informed Owner they did not have fund capacity to take on this transaction.
- 9/23/24: Owner provided development information and proposed numbers to Hunt Capital Partners, LLC.
- 10/15/24: Owner received proposed letter of intent from WNC.
- 10/17/24: Hunt advised that their pricing would not be competitive for this transaction.
- 10/30/24: Owner signed letter of intent with WNC.
- 11/24 - present: Underwriting with WNC in process.

Exhibit B

WNC Correspondence



Roy Lopez
Investment Builders, Inc.
7400 Viscount Blvd., Suite 109
El Paso, TX 79925

February 19, 2025

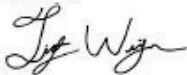
To: Mr. Roy Lopez,

As you know, Skyway Gardens II was awarded their 9% federal tax credit credits in 2023, which means the project has a 12/31/2025 Placed-In-Service deadline. WNC has a huge concern as the current construction schedule reflects a 20-month construction period, which means you would not finish construction until the fourth quarter of 2026. Based on the previous transactions I've worked on, I know that TDHCA can provide for a force-majeure credit refresh because of unforeseen delays. WNC is requesting that Investment Builders, Inc., work with TDHCA on a credit refresh, to provide comfort that the project will still be able to benefit from Federal Low-Income Housing Tax Credits when the project is completed in late 2026. Without this refresh, our legal counsel will not be able to issue a favorable tax opinion.

As mentioned on the phone, with the uncertainty around knowing if this project will receive a credit refresh, my investment committee is asking us to not close until the credits are refreshed. It is our desire to expedite the credit refresh process, to avoid further delays in the construction of much-needed new units of affordable housing in Alpine, TX. Should you receive a credit refresh in March, WNC will then be able to request investor approval so we can be in a position to close in April. Should you receive a credit refresh in April, WNC will be in a position to close in May. Can you please reach out to TDHCA for guidance on how they suggest we proceed with a credit refresh?

I appreciate your help on this matter.

Regards,

A handwritten signature in dark blue ink, appearing to read "Timothy Winger".

Timothy Winger
Project Manager - Underwriting
(310) 801-2404
twinger@wncinc.com