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May 31, 2024

Mr. Rosalio Banuelos, Director of Asset Management
Texas Department of Housing and Community Affairs
221 E. 11th Street
Austin, Texas 78701

Via Email: rosalio.banuelos@tdhca.state.tx.us

Re: TDHCA Application #23209 – Lost Oaks, Houston, TX – Material Application
Amendment Request

Mr. Banuelos,

In accordance with §10.405(a)(4) of the Post Award and Asset Management Requirements, Lost Oaks LP (the “Applicant”) is writing to request a material amendment to the above-mentioned application. We have also included a Material Amendment Fee in the amount of \$2,500.

Lost Oaks, LP received an award of tax credits in July 2023 for Lost Oaks in Houston, TX. The development will serve families with a total of 78 units (23 one-bedroom units, 50 two-bedroom units, and 5 three-bedroom units) of which all units will be rent restricted.

The Applicant needs to revise the financial projections for the development to address the challenges posed by rising costs and reduced borrowing capacity due to increased interest rates, which have rendered the project financially infeasible. To address this issue, the applicant suggests transitioning from a 40-60 set-aside to income averaging as a strategy to maintain feasibility. This proposed change would not affect the points initially requested in the original 2023 9% LIHTC application.

The rationale behind these adjustments stems from the Applicant’s inability to manage the macroeconomic variables influencing the project's viability. With rising interest rates, reduced tax credit pricing, and inflation and supply chain issues causing construction costs to rise, the development must make adjustments to the financial model to offset these constraints.

Our proposed changes are outlined in the table below:

Application	Amendment
Total Units: 78	No change
Unit Mix: 23 1BR Units, 50 2BR units, 5 3BR units	No change
Affordability: 8 units @ 30% AMI 32 units @ 50% AMI 38 units @ 60% AMI	Affordability: 11 units @ 30% AMI 32 units @ 50% AMI 26 units @ 60% AMI 9 units at 80% AMI

This modification does not materially alter the Development in a negative manner, nor would it have had an adverse effect on the selection of the Applicant in the 2023 9% application round as there is no reduction in points resulting from this amendment.

The outlined modifications constitute a Material Amendment as per §10.405(a)(4)(G). The modifications were unforeseeable during the application process as it was impossible to anticipate the ongoing decline in the macroeconomic environment since the submission of the Lost Oaks 9% application to the Department. This change is crucial to uphold the financial viability of the development. We kindly request that this amendment be brought before the TDHCA Board with a favorable staff recommendation.

We appreciate your consideration of this request and look forward to a favorable determination. If you have any questions or would like to discuss this amendment request further, please do not hesitate to contact myself at (713) 806-4280 or tpate@mark-dana.com, Toby Williams at (806) 928-8004 or twilliams@mark-dana.com, or David Koogler at (281) 292-1968 or dkoogler@mark-dana.com at any time.

Sincerely,

A handwritten signature in black ink, appearing to read 'Taylor Pate', with a long horizontal flourish extending to the right.

Taylor Pate
Vice President

cc: David Koogler, President, (281) 292-1968; dkoogler@mark-dana.com
Toby Williams, VP & Director of Development, (806) 928-8004; twilliams@mark-dana.com
Larry Blaser, Senior Project Manager - Development, (281) 292-1968; lblaser@mark-dana.com