



**J E S D E V C O , I N C**

February 26, 2024

Mr. Rosalio Banuelos  
Director of Multifamily Asset Management  
Texas Department of Community Affairs  
221 East 11th Street  
Austin, TX 78701

Re: Change in Ownership Request for Paige Estates, Waco, McLennan  
County, TDHCA# 22121/23932

Dear Mr. Banuelos:

We are writing to request a Change of Ownership for Paige Estates, TDHCA #22121/23932. Paige Estates, L.P. is proposing to admit Waco Housing Authority (a PHA) into the existing partnership as the sole Member of the new General Partner, Waco Housing Opportunities Corporation. Its participation in the Partnership makes the development eligible for a 100% property tax exemption. Due to construction cost increases, increases in operating costs (payroll, insurance, property taxes), increases in interest rates, and decreases in equity pricing, Paige Estates is not feasible without significant changes.

In July of 2023, the TDHCA Board found that circumstances justified the application of Force Majeure to this application and granted an extension to the placed-in-service date to December 31, 2025. Specifically, the Board found that the disruptions that started with pandemic had not eased, that material and labor costs had significantly increased, and that interest rate hikes by the Federal Reserve justified an extension to allow developers to find ways to fill the funding gaps caused by the market. Since then, equity prices have dropped from \$0.87-\$0.88 to \$0.80-\$0.82, further compounding project feasibility.

Rather than change the construction scope which would directly impact residents and the number of residents served and could also decrease the quality of the finished product, Paige Estates is proposing a partnership with the Waco Housing Authority to

reduce operating expenses. The only potential way to realistically reduce operating expenses is through a public-private partnership which would allow us to reduce property taxes. This change is necessary to maintain feasibility and deliver critically needed housing to seniors in Waco and McLennan County. A reorganization of the ownership to qualify for ad valorem tax exemption and the admission of a co-developer with senior housing experience in Waco will materially benefit the development. This will improve the financial viability of the development by allowing the project to carry additional debt and provide financial support, experience, and operating capacity to the project. A separate Ownership Transfer form and supporting documents are included in this submittal. The current ownership entity, Paige Estates, L.P. will be modified as follows:

- The sole general partner of the Partnership will be replaced by Waco Housing Opportunities Corporation, of which the sole member shall be the Housing Authority of the City of Waco (PHA). The PHA will own 100% of the new general partner and shall own 0.0051% of the Partnership.
- JES Partnerships-Paige Estates, L.L.C. will become the Special Limited Partner (SLP) owning .0049% of the Partnership. JES Partnerships Member, L.L.C. will own 60% of the SLP and the current HUB will own 40% of the SLP. We also request that the board grant a waiver allowing applicant to keep all points related to the HUB's participation in the SLP instead of the GP. The GP will delegate substantial management and control authority to the SLP and the HUB member will continue to materially participate and gain important experience in the development. Therefore, this proposed structure results in no change to the development and is mere a change in title but not role, responsibility, or obligation, of the HUB member's participation.
- The Investor Limited Partner will remain the same and shall own 99.99% of the Partnership.
- The duties of the General Partner and the SLP will be set forth in an amended and restated Partnership Agreement, to be entered into at the closing among the General Partner, the SLP, and the Investor LP.
- Title to the fee interest in the development site will be transferred to the PHA at closing, and PHA will, as ground lessor, enter into a ground lease with the Partnership, as ground lessee. The Partnership will be the owner of the leasehold interest in the land, as well as the buildings and other improvements located on the land. The ground lease will provide a nominal annual rental. Upon termination of the Ground Lease, ownership of the improvements constituting the Development will revert to PHA or its designer.

This structure has been successfully utilized across Texas to achieve tax exemption and has been approved by the TDHCA Board on numerous other transactions. The original and revised organizational chart is attached as Exhibit A. This ownership structure will adhere to Texas Property Tax Code section 11.1825 and will be recognized by the McLennan County Appraisal District for ad valorem tax exemption.

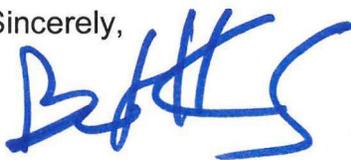
The resulting tax exemption lowers operational costs, allowing greater permanent loan proceeds, and combined with the other amendments, contributes to financial feasibility. Documents from the City of Waco acknowledging the tax-exempt organizational change and reaffirming its support for the development will be provided upon receipt.

The unforeseen construction and financial market upheaval has had a significant negative impact on affordable housing developments across Texas. The proposed ownership change is absolutely necessary to keep Paige Estates feasible and a reality for the seniors of Waco and McLennan County.

We understand that this application is not 100% complete. Given time constraints and the ever-shortening time to place these projects in service, we are submitting this application to start discussions with THDCA and allow TDHCA to begin its analysis for this request to be included on the April Board Meeting Agenda. It is our intent to supplement the application as documents come in and to have all the documents such as the MOU and letter acknowledging the city's ongoing support in TDHCA's hands in time to include in the board packet.

Please let us know if you need any additional information at this time.

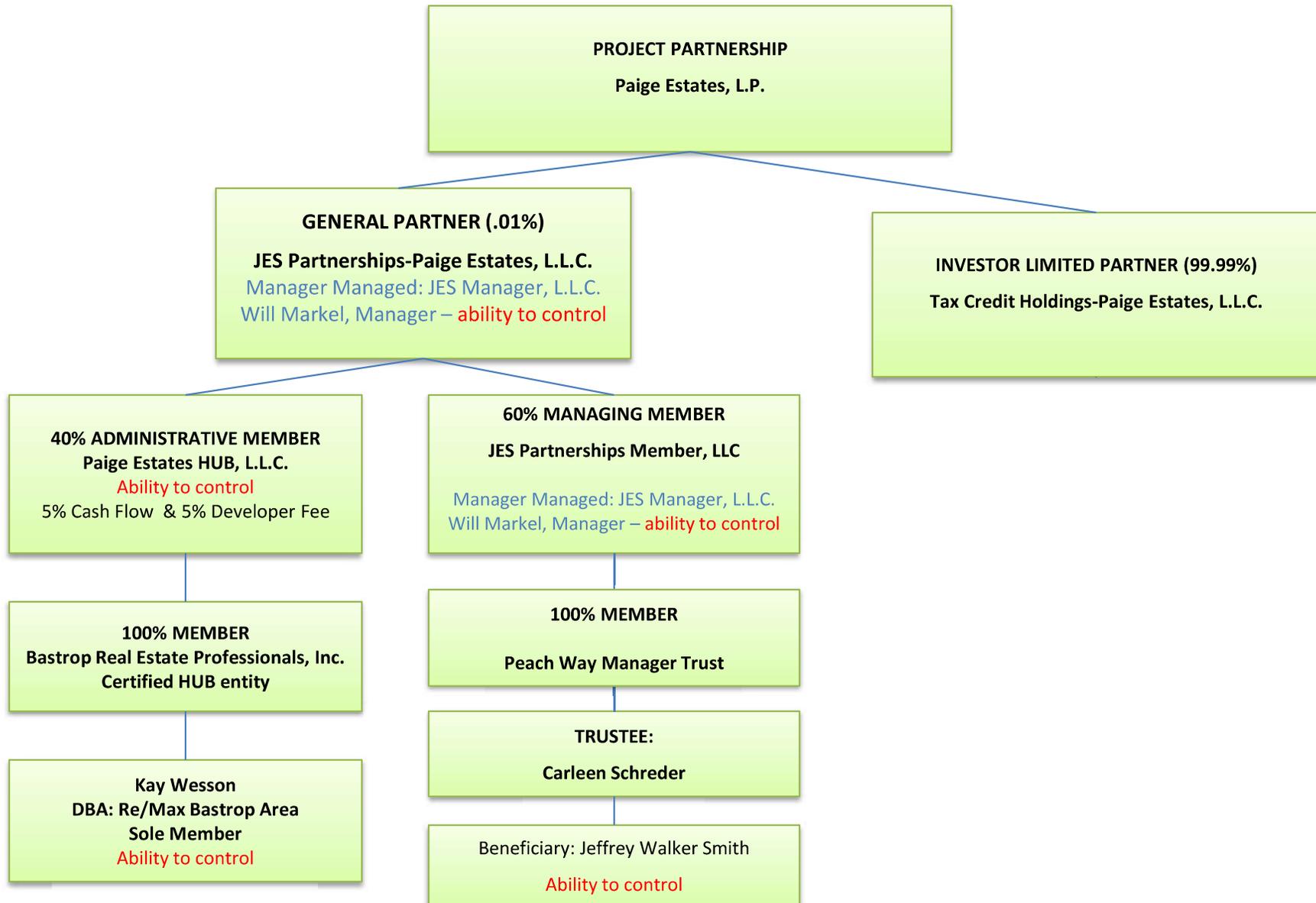
Sincerely,



Brian Kimes  
Authorized Representative

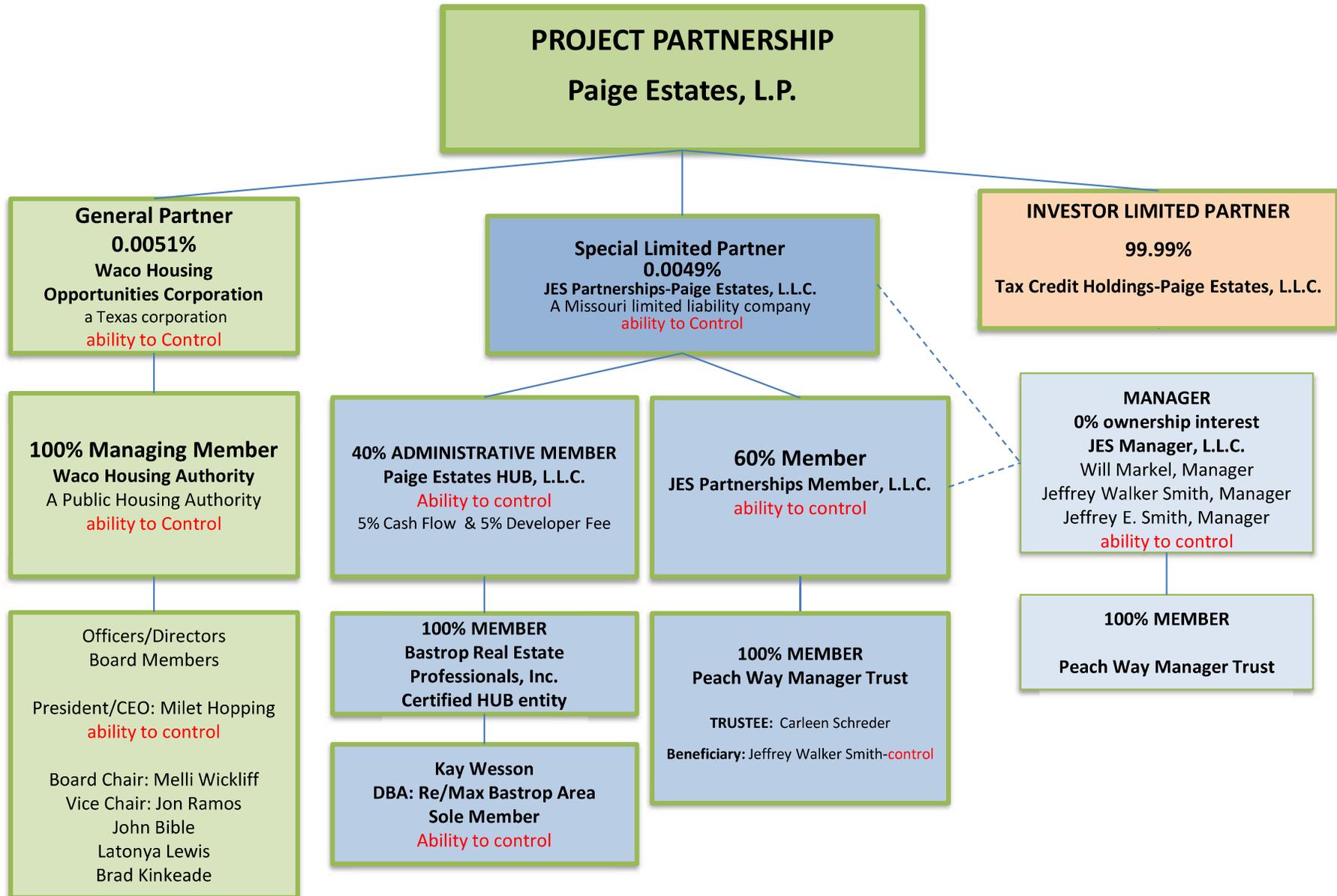
# Paige Estates – pre-transfer

## Organizational Structure – Owner/Partnership



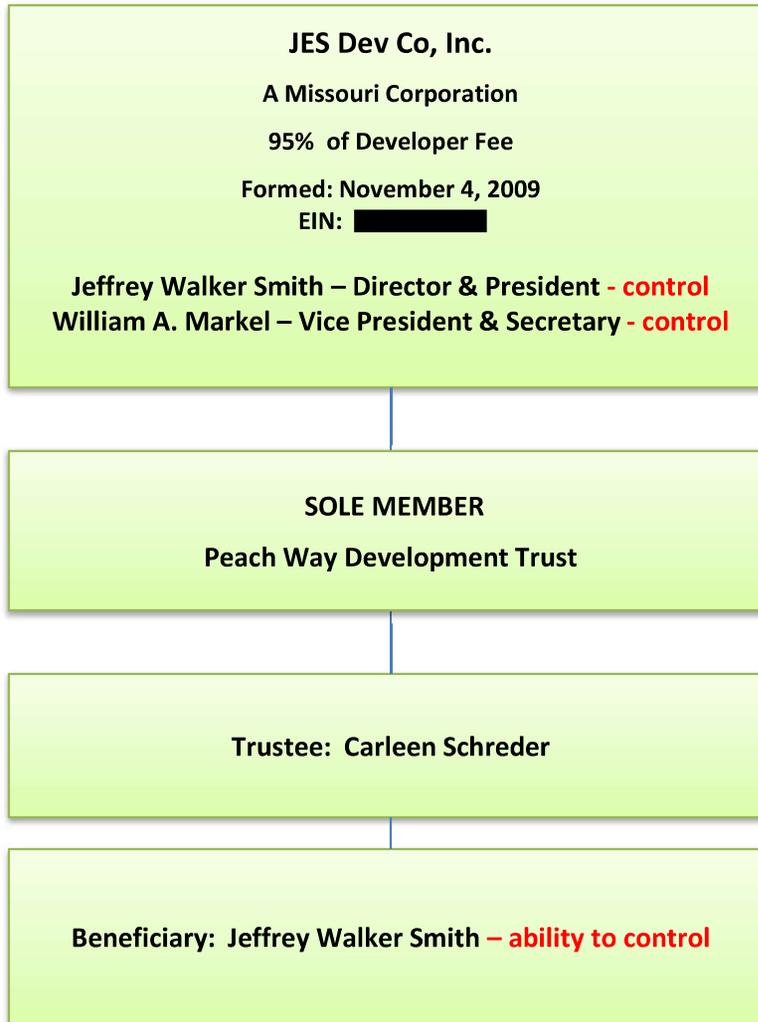
# Paige Estates, Waco, TX – post-transfer

Organizational Structure – Owner/Partnership



# JES Dev Co, Inc. – pre-transfer

## Project Developer



# JES Dev Co, Inc. – **post-transfer**

Project Developer

**JES Dev Co, Inc.**  
A Missouri Corporation  
70% of Developer Fee  
Formed: November 4, 2009  
EIN: [REDACTED]

**Jeffrey Walker Smith – Director & President - control**  
**William A. Markel – Vice President & Secretary - control**

**SOLE MEMBER**  
**Peach Way Development Trust**

**Trustee: Carleen Schreder**

**Beneficiary: Jeffrey Walker Smith – ability to control**

**Paige Estates HUB, LLC**  
0% Ownership Interest in Developer Entity  
**Receives 5% of Developer Fee**

**100% Member & Certified HUB**  
**Bastrop Real Estate Professionals, Inc.**  
Kay Wesson – Sole Member  
DBA: Re/Max Bastrop Area

**Waco Housing Opportunities Corporation**  
0% Ownership Interest Developer Entity  
**Receives 25% of Developer Fee**

**100% Member**  
Waco Housing Authority