



JES DEV CO, INC

February 26, 2024

Mr. Rosalio Banuelos
Director of Multifamily Asset Management
TDHCA
221 East 11th Street
Austin, TX 78701

Re: Change in Ownership Request for Estacado Estates, Amarillo, Randall
County, TDHCA# 22153

Dear Mr. Banuelos:

We are writing to request a Change of Ownership for Estacado Estates, TDHCA #22153. Estacado Estates, L.P. is proposing to admit the Panhandle Regional Housing Finance Corporation (PRHFC) into the existing partnership as General Partner. 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, Estacado 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, Estacado Estates is proposing a partnership with the Panhandle Regional

Housing Finance Corporation 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 Amarillo and Randall 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 Amarillo 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, Estacado Estates, L.P. will be modified as follows:

- The sole general partner of the Partnership will be replaced by a to be formed entity named Estacado Estates HFC GP, L.L.C., of which the sole member shall be the Panhandle Regional Housing Finance Corporation (PRHFC). The PRHFC, or an affiliate, will own 100% of the new general partner and shall own .0051% of the Partnership.
- JES Partnership-Estacado Estates, L.L.C. will become the Special Limited Partner (SLP) owning .0049% of the Partnership. JES Partnerships Member, L.L.C. will own 100% of the SLP. The new general partner will delegate development an operational authority to the SLP.
- The Investor Limited Partner shall 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 PRHFC at closing, and PRHFC 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 PRHFC 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 C. This ownership structure will adhere to Texas Property Tax Code section 11.1825 and will be

recognized by the Potter-Randall County Appraisal District for ad valorem tax exemption.

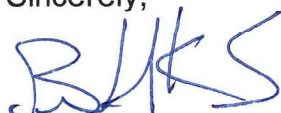
The resulting tax exemption lowers operational costs, allowing greater permanent loan proceeds, and combined with the other amendments, contributes to financial feasibility. Documents from the City of Amarillo acknowledging the tax-exempt organizational change and reaffirming its support for the development will be submitted 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 Estacado Estates feasible and a reality for the seniors of Amarillo and Randall 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 requested 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,

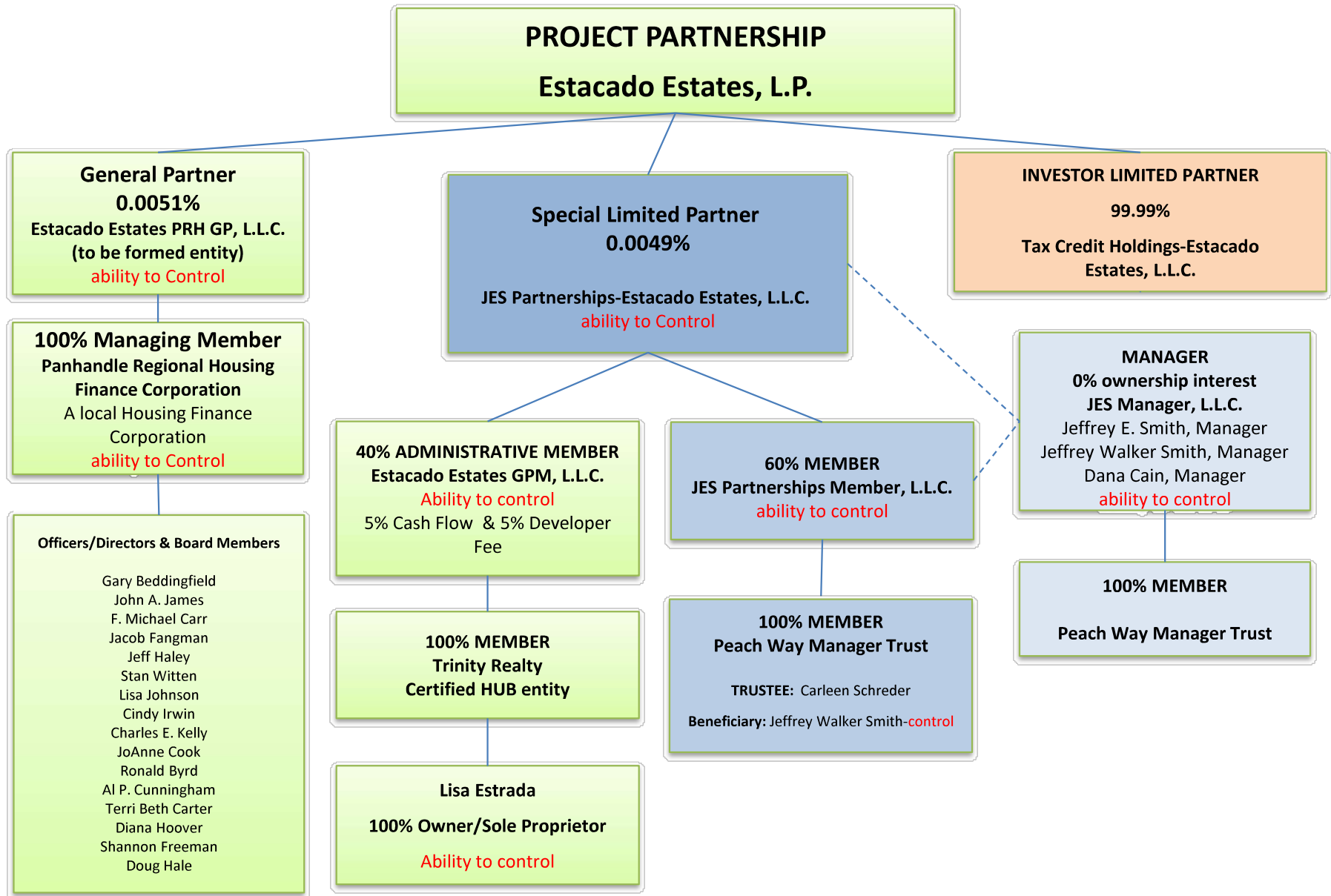


Brian Kimes

Authorized Representative

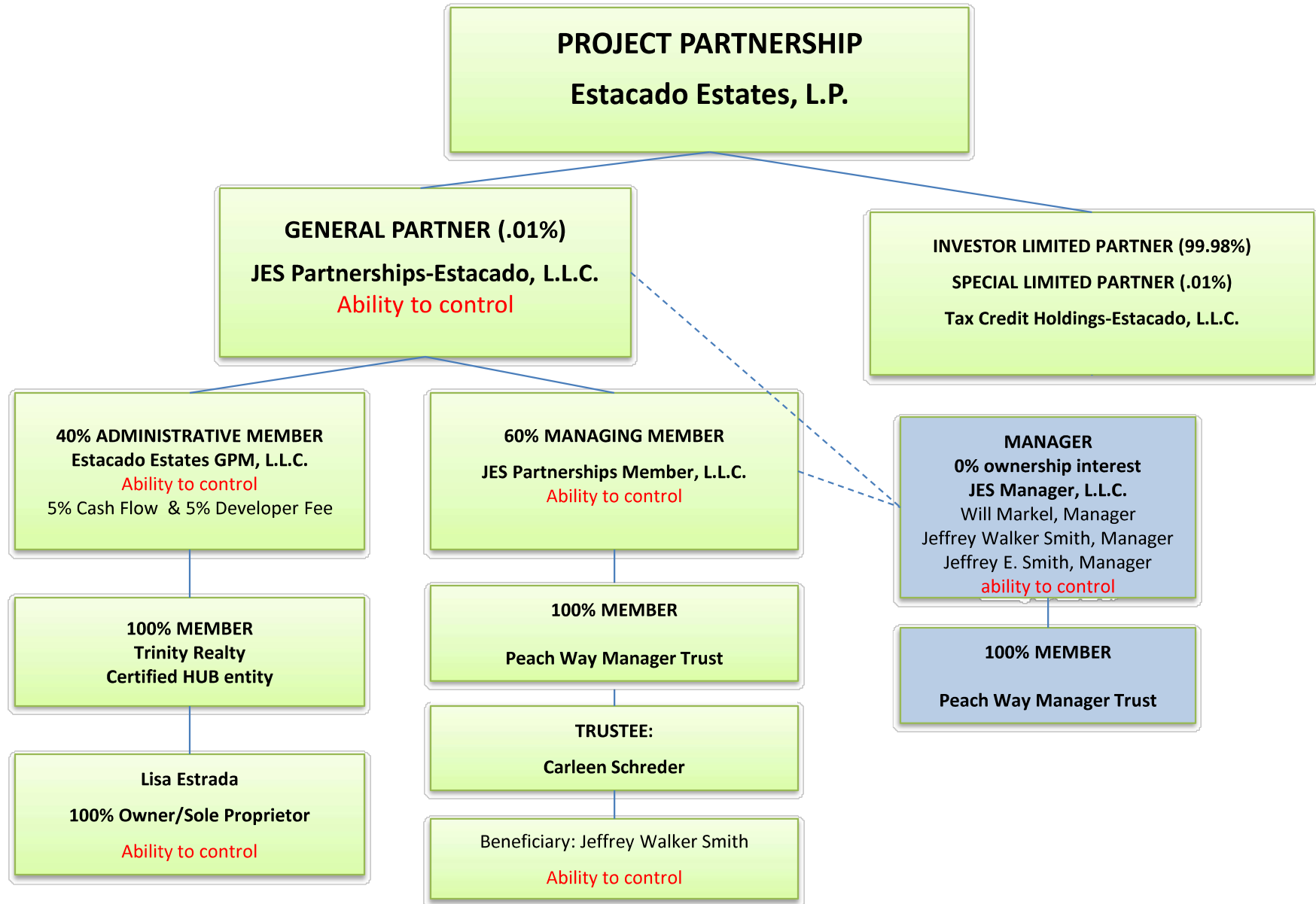
Estacado Estates, Amarillo, TX – post-transfer

Organizational Structure – Owner/Partnership



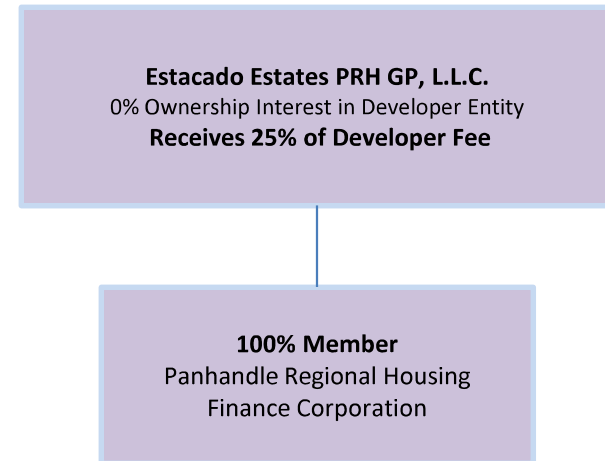
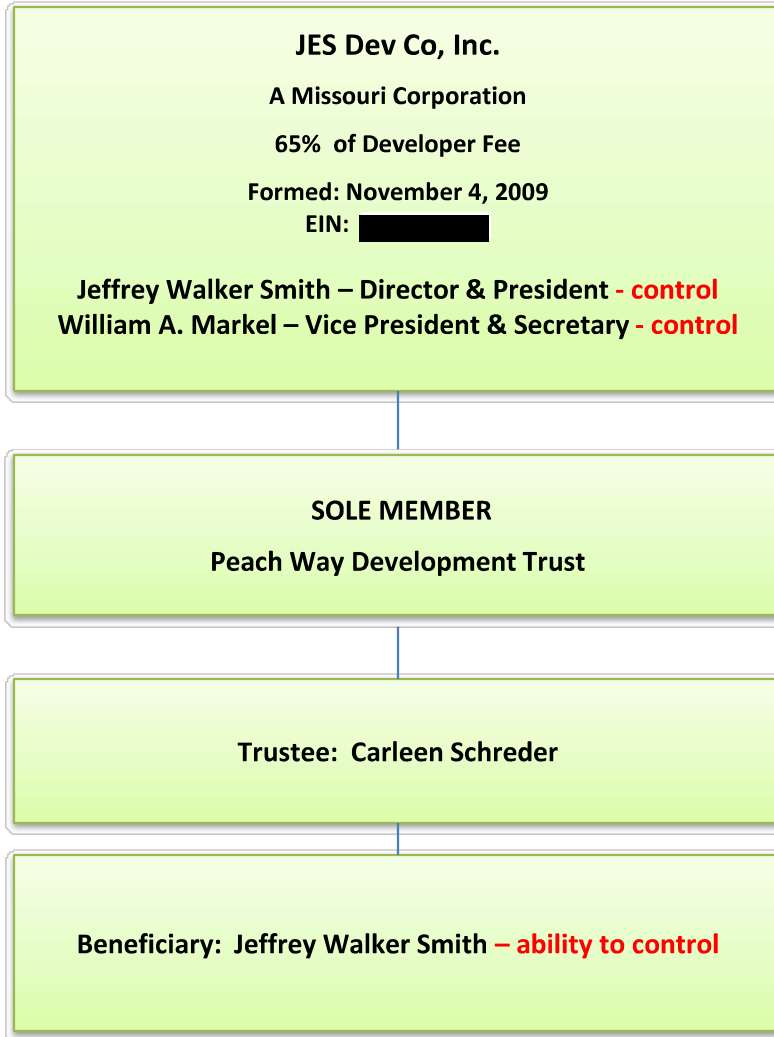
Estacado Estates – pre-transfer

Organizational Structure – Owner/Partnership



JES Dev Co, Inc. – post-transfer

Project Developer



JES Dev Co, Inc. – pre-transfer

Project Developer

