

# FORT WORTH HOUSING FINANCE CORPORATION

Tuesday, January 26, 2021  
2:30 P.M.

City Council Conference Room, City Hall, Room 2020 (formerly Room 290)  
200 Texas Street  
Fort Worth, Texas 76102

## Viewing Only

Television: Charter 190; One Source 7; Verizon 5; AT&T Uverse 99  
City of Fort Worth Website Homepage: [Watch Live Online](#)

### Board of Directors

Kelly Allen Gray, President  
Jungus Jordan, Vice President  
Gyna M. Bivens, Secretary

Dennis Shingleton, Director  
Ann Zadeh, Director  
Cary Moon, Director

Carlos Flores, Director  
Betsy Price, Director  
Brian Byrd, Director

### City Staff

Fernando Costa, Assistant City Manager  
Denis McElroy, Senior Assistant City Attorney

### Corporation Staff

Fernando Costa, General Manager  
Victor Turner, Assistant General Manager  
Reginald Zeno, Treasurer  
Rhonda Hinz, Assistant Treasurer

- 
1. **Call to Order** – Kelly Allen Gray, President
  2. **Approval of Minutes from the Meeting Held on October 27, 2020** – Kelly Allen Gray, President
  3. **Written Reports:**
    - a. Unaudited Financial Statement as of December 31, 2020
    - b. Quarterly Investment Report as of December 31, 2020
    - c. Annual Independent Auditors Report for Fiscal Year 2020- CohnReznick
  4. **Consider and Adopt Resolution Approving Actions Related to the Refinance of Reserve at Quebec, LLC's Existing Permanent Loan for the Reserve at Quebec Apartments**—Chad LaRoque, Housing Development and Grants Manager, Neighborhood Services Department
  5. **Executive Session:** The Board of Directors of the Fort Worth Housing Finance Corporation may conduct a closed meeting to:
    - a. To seek the advice of its attorney about pending or contemplated litigation, settlement offers, or any matter in which the duty of the attorney for the Fort Worth Housing Finance Corporation under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act. [Tex. Govt.

Code §551.071]:

(i) legal issues concerning any current agenda item; and

- b. Discuss the purchase, sale, lease or value of real property, as authorized by Section 551.072 of the Texas Government Code, where deliberation in an open meeting would have a detrimental effect on the position of the Corporation in negotiations with a third party; and
- c. Discuss or deliberate negotiations relating to any economic development negotiations, as authorized by Section 551.087 of the Texas Government Code.

6. **Requests for Future Agenda Items** – Kelly Allen Gray, President

7. **Adjourn** – Kelly Allen Gray, President

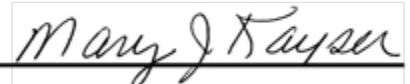
**Members of the Board of Directors may be participating remotely in compliance with the Texas Open Meetings Act, or under the provisions provided by the Governor of Texas in conjunction with the Declaration of Disaster enacted March 13, 2020.**

**City Council Conference Room 2020 is wheelchair accessible. Persons with disabilities who plan to attend this meeting and who may need accommodations, auxiliary aids, or services such as interpreters, readers, or large print are requested to contact the City’s ADA Coordinator at (817) 392-8552 or e-mail [ADA@FortWorthTexas.gov](mailto:ADA@FortWorthTexas.gov) at least 48 hours prior to the meeting so that appropriate arrangements can be made. If the City does not receive notification at least 48 hours prior to the meeting, the City will make a reasonable attempt to provide the necessary accommodations.**

**La Sala de Conferencias 2020 del Ayuntamiento está adaptada para silla de ruedas. Se solicita a las personas con discapacidades que planean asistir a esta reunión y que necesitan acomodaciones, ayudas auxiliares o servicios como intérpretes, lectores o impresiones con letra grande, que se comuniquen con el Coordinador del “Americans with Disabilities Act” (ADA) (la ley del Acto de Americanos con Discapacidades) de la Ciudad al (817) 392-8552 o por correo electrónico a [ADA@FortWorthTexas.gov](mailto:ADA@FortWorthTexas.gov) por lo menos 48 horas antes de la reunión par que se puedan hacer los arreglos apropiados. Si la Ciudad no recibe una notificación por lo menos 48 horas antes de la reunión, la Ciudad hará un intento razonable para proporcionar las acomodaciones necesarias.**

Please note that the Housing Finance Corporation is using a third party vendor to assist with its meetings. If there are service interruptions, including call in number changes, we will provide alternative call in numbers on the City of Fort Worth website whenever possible.

I, the undersigned authority, do hereby certify that this Notice of Meeting was posted on the City of Fort Worth official website and said Notice was posted on the following date and time Friday, January 22, 2021 at 9:00 a.m. and remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting.



City Secretary for the City of Fort Worth, Texas

**CITY OF FORT WORTH, TEXAS  
FORT WORTH HOUSING FINANCE CORPORATION  
TUESDAY, OCTOBER 27, 2020**

**Present:**

Secretary Gyna M. Bivens (Video)  
Director Betsy Price  
Director Carlos Flores  
Director Brian Byrd  
Director Cary Moon  
Director Jungus Jordan  
Director Dennis Shingleton  
Director Ann Zadeh (Video)

**Absent:**

President Kelly Allen Gray

**1. Call to Order**

With a quorum present, Vice President Jungus Jordan called the meeting to order for the Board of Directors of the Fort Worth Housing Finance Corporation (Corporation) at 2:36 p.m. on Tuesday, October 27, 2020, in the City Council Conference Room, Room 2020 (Formerly Room 290) of the Fort Worth Municipal Building, 200 Texas Street, Fort Worth, Texas.

**2. Approval of Minutes from Meeting Held on September 1, 2020**

Motion was made by Director Bivens and seconded by Director Price to approve the October 27, 2020, minutes of the Corporation as presented. The motion passed 8-0 (Allen Gray absent)

**3. Written Reports**

- a. Unaudited Financial Statement as of September 30, 2020
- b. Quarterly Investment report as of September 30, 2020

Director Moon had a question on the balances and staff will be getting back with the board with an answer.

**4. Presentation on the Proposed Sale of Five Single-Family Lots Located in the Stop Six Neighborhood to Jeremis Smith Investments, LLC and One Single-Family Lot Located at 2607 Clinton Avenue to 7 Tenten, LLC for the Purpose of Single-Family Housing Development**

Mr. Chad LaRoque, Housing Development and Grants Manager, Neighborhood Services Department, provided a briefing on the proposed sale of Five Single-Family Lots Located in the Stop Six Neighborhood to Jeremis Smith Investments, LLC and One Single-Family Lot Located at 2607 Clinton Avenue to 7 Tenten, LLC for the Purpose of Single-Family Housing Development

There was no action taken on this presentation. It was for informational purposes only.

**5. Consider and Adopt Resolution for the Sale of Single-Family Lots Located at 5401 Turner and 2803, 2805, 2929, 2933 Mount Horum Way in the Stop Six Neighborhood to Jeremis Smith Investments, LLC for Single-Family Housing Development**

**6. Consider and Adopt Resolution for the Sale of Single-Family Lot Located at 2607 Clinton Avenue in the Northside Neighborhood to 7 Tenten, LLC for Single-Family Housing Development**

Motion was made by Director Bivnes and seconded by Director Price, to approve Resolution No. FWHFC-2020-07, approving the Sale of Single-Family Lots Located at 5401 Turner and 2803, 2805, 2929, 2933 Mount Horum Way in the Stop Six Neighborhood to Jeremis Smith Investments, LLC for Single-Family Housing Development and to approve Resolution No. FWHFC-2020-08, approving the Sale of Single-Family Lot Located at 2607 Clinton Avenue in the Northside Neighborhood to 7 Tenten, LLC for Single-Family Housing Development. The motion carried 8-0 (Allen Gray absent)

**6. Executive Session**

There was no Executive Session.

**7. Request for Future Agenda Items**

There were no requests for future agenda items.

**8. Adjourn**

With no further discussion, Vice President Jordan adjourned the meeting of the Fort Worth Housing Finance Corporation at 2:42 p.m. on Tuesday, October 27, 2020.

These minutes approved by the Fort Worth Housing Finance Corporation Board of Directors on the \_\_\_\_ day of \_\_\_\_\_, 2020.

APPROVED:

---

Jungus Jordan

Vice President

---

Gyna M. Bivens  
Secretary

ATTEST:

---

Mary J. Kayser  
Secretary

**FORT WORTH HOUSING FINANCE CORPORATION**  
**BALANCE SHEET AS OF DECEMBER 31, 2020**  
**(UNAUDITED)**

| <b>ASSETS</b>                                                     | Balance Sheet     |     | GASB 34    |
|-------------------------------------------------------------------|-------------------|-----|------------|
|                                                                   | General           |     |            |
|                                                                   | Fund              |     |            |
| <u>Cash, Cash Equivalents and Investments</u>                     |                   |     |            |
| Cash at Bank- JP Morgan Chase - Checking                          | 806,946           |     |            |
| Cash at Bank- JP Morgan Chase - Savings                           | 5,720,372         |     |            |
| Cash at Bank - JP Morgan Chase - Affordable Housing               | 379,818           |     |            |
| Restricted cash, cash equivalents & investments - JP Morgan Chase | 5,484,941         |     |            |
| Cash, Cash Equivalents and Investments                            | 12,392,077        |     |            |
| <u>Other Assets</u>                                               |                   |     |            |
| Accounts Receivable - Other                                       | 2,127,368         | (1) |            |
| Allowance - Accounts Receivable                                   | (2,127,368)       | (2) |            |
| PSH Project Receivable                                            | 123,927           |     |            |
| Allowance - PSH Note Receivable                                   | (123,927)         |     |            |
| Columbia I Receivable                                             | 675,452           | (3) |            |
| Columbia II Receivable                                            | 400,000           | (3) |            |
| Mistletoe Receivable                                              | 750,000           | (3) |            |
| Accounts Receivable - Developer fees & Interest                   | 4,092,089         |     |            |
| Other accounts receivable                                         | 1,033             | (4) |            |
| Columbia Loan Interest Receivable                                 | 6,630             |     |            |
| Gas Lease Receivable                                              | 42                |     |            |
| Equity contribution - Mercantile                                  | 51                |     |            |
| Prepaid                                                           | 909               |     |            |
| Properties leased back to Partnerships for MF Projects            | -                 | (5) | 24,025,395 |
| Inventory - Land held for sale                                    | 2,163,717         | (6) |            |
| <b>Total Assets</b>                                               | <b>20,481,999</b> |     |            |
| <b>LIABILITIES, DEFERRED INFLOWS &amp; FUND BALANCE</b>           |                   |     |            |
| <u>Liabilities:</u>                                               |                   |     |            |
| Accounts payable                                                  | 11,777            |     |            |
| Accrued Exp payable                                               | 125               |     |            |
| Unearned Revenue                                                  | -                 |     | 22,964,144 |
| Due to City- Appropriation from Rental Rehab Rev. - VOE           | 615,000           | (7) |            |
| Total Liabilities                                                 | 626,903           |     |            |
| <u>Deferred Inflows:</u>                                          |                   |     |            |
| Unavailable Revenue                                               | 4,092,089         | (8) |            |
| <u>Fund Balances:</u>                                             |                   |     |            |
| Nonspendable                                                      | 2,164,677         |     |            |
| Committed                                                         | 300,000           | (9) |            |
| Assigned for Urban Redevelopment and Housing                      | 13,298,331        |     |            |
| Total Fund Balance                                                | 15,763,008        |     |            |
| <b>Total liabilities, Deferred Inflows &amp; Fund Balances</b>    | <b>20,481,999</b> |     |            |

Notes:

- (1) Unearned developer fees receivable, Investment at Villas of Eastwood.
- (2) Allowance for accounts receivable not earned and Advance to Villas of Eastwood.
- (3) Subordinate loan to Columbia Renaissance Square I, L.P., 140-unit multifamily rental property. The principal amount and interest @ 1% are due and payable in annual installments beginning 12 months after the date of project stabilization and the maturity date is 15 years. Mistletoe Station LLC, a 110-unit multifamily rental property. Interest payable quarterly during construction @ 4.5%. Upon conversion annual payments are due and payable until the maturity date @2%. Columbia II loan, interest is payable quarterly during construction period at the rate of the senior loan and 2% after the stabilization date. Matures 15 years the date of stabilization.
- (4) Mistletoe, Columbia I loan interest receivable and New Leaf Deferred forgivable loan receivable
- (5) Properties leased back to Partnerships (Race, Terrell, Angle, Enclave, Reserve at Quebec, Mercantile, Broadmoor, Enclave Park and Sphinx at Sierra Vista)
- (6) Cost of properties includes donated properties received for which fair market value as on date of donation was included as cost. It also includes properties assigned to HFC.
- (7) Villas of Eastwood needed gap financing in the amount of \$615,000.00 and the City approved a loan to FWHFC (M&C C-19047) FWHFC received the funds from the City and advanced to Villas of Eastwood.
- (8) Earned but unavailable Developer Fees, Management Fees and Interest on Dev. Fees from Partnerships for various Multi Family Projects.
- (9) Remaining balance of loans to Columbia Phase II.

**FORT WORTH HOUSING FINANCE CORPORATION**  
**REVENUES AND EXPENDITURES FOR PERIOD (3 MONTHS) ENDING DECEMBER 31, 2020**  
**(UNAUDITED)**

|                                                    | <b>General Fund</b> | <b>GASB 34</b> |
|----------------------------------------------------|---------------------|----------------|
| <b>Revenues</b>                                    |                     |                |
| Interest earned on investments                     | 1,449               |                |
| Developer Fees                                     | 3,093               |                |
| Gain on sale of land                               | 64,114              |                |
| MF Loan interest                                   | 8,531               |                |
| Ground lease income                                | -                   | 1,061,251      |
| Project cash flow                                  | 140,663             |                |
| Project closing fees                               | -                   |                |
| Option Fees                                        | 100                 |                |
| Misc. Revenue                                      | 4                   |                |
| Gas lease royalties                                | -                   |                |
| Affordable housing payment                         | -                   |                |
| <b>Total Revenues</b>                              | 217,954             |                |
| <b>Expenditures</b>                                |                     |                |
| Postage                                            | -                   |                |
| HOME Match                                         | -                   |                |
| Conference/ Travel and seminars                    | -                   |                |
| Property Tax - Mineral Interest                    | -                   |                |
| Audit Fees and Tax filing fees                     | 15,375              |                |
| Professional Fees                                  | 975                 |                |
| Liability, D&O insurance                           | 2,402               |                |
| PSH Project expenses                               | 115,790             |                |
| PSH Services                                       | 11,777              |                |
| Dues and membership                                | 3,596               |                |
| Consultant fees                                    | -                   |                |
| Mowing                                             | 8,161               |                |
| Bank service fees                                  | 17                  |                |
| Contractual services                               | -                   |                |
| Other expenses- Airporter Program Income to City   | -                   |                |
| <b>Total Expenditures</b>                          | 158,093             |                |
| <b>Excess of revenue over (under) expenditures</b> | 59,861              |                |
| Other Financing sources (Uses)                     |                     |                |
| Transfers out - to City of Fort Worth              | 108,879             |                |
| Transfers in                                       | -                   |                |
| <b>Total other Financing Sources (Uses)</b>        | 108,879             |                |
| Net change in Fund Balance/ Net Position           | (49,018)            |                |
| Fund Balances/ Net Position - Beginning of Year    | 15,812,026          |                |
| Fund Balances/ Net Position - End of Year          | 15,763,008          |                |

**FORT WORTH HOUSING FINANCE CORPORATION**  
**DETAILS OF PROPERTIES HELD FOR SALE AS OF DECEMBER 31, 2020**

| <u>SQ#</u>                    | <u>Address</u>                                 | <u>Status</u> | <u>Date of Acquisition</u> | <u>Value Paid</u> | <u>Tax Paid</u> | <u>Fees paid</u> | <u>Other Exp Capitalized</u> | <u>Constn Exp Capitalized</u> | <u>Donated Value</u> | <u>Total Value</u> | <u>GASB 34</u> |
|-------------------------------|------------------------------------------------|---------------|----------------------------|-------------------|-----------------|------------------|------------------------------|-------------------------------|----------------------|--------------------|----------------|
| <b>NORTHSIDE (District 2)</b> |                                                |               |                            |                   |                 |                  |                              |                               |                      |                    |                |
| 1                             | 2607 Clinton District 4                        | L             | 01/07/03                   | 3,215.00          |                 | 100.00           |                              |                               |                      | 3,315.00           |                |
| <b>SOUTHEAST (District 5)</b> |                                                |               |                            |                   |                 |                  |                              |                               |                      |                    |                |
| 2                             | 5250 Wonder Dr. & 5240 Wooten (Granbury Hills) | L             | 05/01/10                   | 631,757.18        |                 |                  |                              |                               |                      | 631,757.18         |                |
| 3                             | 5220 Anderson St.                              | L             | 04/13/04                   | 1,296.00          |                 | 100.00           |                              |                               |                      | 1,396.00           |                |
| 4                             | 5302 Anderson St. (Changed from 5300)          | L             | 01/07/03                   | 1,762.00          |                 | 100.00           |                              |                               |                      | 1,862.00           |                |
| 5                             | E. Berry St                                    | L             | 10/10/00                   | 28,265.70         |                 |                  |                              |                               |                      | 28,265.70          |                |
| 6                             | E. Berry St                                    | L             | 10/10/00                   | 7,023.60          |                 |                  |                              |                               |                      | 7,023.60           |                |
| 7                             | 4700 E. Berry St                               | L             | 05/19/00                   | 6,600.00          |                 |                  |                              |                               |                      | 6,600.00           |                |
| 8                             | 4700 E Berry St                                | L             | 05/19/00                   | 479.21            |                 |                  |                              |                               |                      | 479.21             |                |
| 9                             | 1604 Birdell                                   | L             | 09/01/05                   | 1,201.48          | 205.33          |                  |                              |                               | 2,500.00             | 3,906.81           |                |
| 10                            | 2803 Mount Horum Way                           | L             | 01/07/03                   | 1,116.00          |                 | 100.00           |                              |                               |                      | 1,216.00           |                |
| 11                            | 2805 Mount Horum way                           | L             | 01/07/03                   | 1,537.00          |                 | 100.00           |                              |                               |                      | 1,637.00           |                |
| 12                            | 5151 Charlene St.                              | L             | 05/19/00                   | 582.15            | 35.06           |                  |                              |                               | 2,000.00             | 2,617.21           |                |
| 13                            | 5175 Charlene St.                              | L             | 02/28/03                   | 1,176.00          |                 | 100.00           |                              |                               |                      | 1,276.00           |                |
| 14                            | 5328 Cottey                                    | L             | 07/05/02                   | 2,717.77          | 73.53           |                  |                              |                               |                      | 2,791.30           |                |
| 15                            | 5401 Cottey                                    | L             | 12/20/06                   | 4,650.48          |                 |                  |                              |                               |                      | 4,650.48           |                |
| 16                            | 2808 Dillard                                   | L             | 04/13/04                   | 544.32            |                 | 100.00           |                              |                               |                      | 644.32             |                |
| 17                            | 3012 Dillard                                   | L             | 04/13/04                   | 1,587.00          |                 | 100.00           |                              |                               |                      | 1,687.00           |                |
| 18                            | 3109 Eastcrest Ct.                             | L             | 06/15/01                   | 2,859.02          | 96.96           |                  |                              |                               |                      | 2,955.98           |                |
| 19                            | 3133 Eastcrest Ct.                             | L             | 06/15/01                   | 2,859.02          | 96.96           |                  |                              |                               |                      | 2,955.98           |                |
| 20                            | 3137 Eastcrest Ct.                             | L             | 06/15/01                   | 2,859.02          | 96.96           |                  |                              |                               |                      | 2,955.98           |                |
| 21                            | 2600 Marlin                                    | L             | 04/13/04                   | 606.00            |                 | 100.00           |                              |                               |                      | 706.00             |                |
| 22                            | 2709 Marlin                                    | L             | 04/13/04                   | 1,081.00          |                 | 100.00           |                              |                               |                      | 1,181.00           |                |
| 23                            | 5300 Pinson                                    | L             | 01/06/04                   | 4,600.00          |                 |                  |                              |                               |                      | 4,600.00           |                |
| 24                            | 4913 Ramey                                     | L             | 07/05/02                   | 1,582.91          | 43.59           |                  |                              |                               | 2,500.00             | 4,126.50           |                |
| 25                            | 3412 Stalcup                                   | L             | 06/04/99                   | 852.00            |                 | 100.00           |                              |                               |                      | 952.00             |                |
| 26                            | 2732 Stalcup                                   | L             | 06/04/99                   | 3,202.00          |                 | 100.00           |                              |                               |                      | 3,302.00           |                |
| 27                            | 5217 Turner                                    | L             | 08/06/99                   | 3,588.25          | 70.60           |                  |                              |                               |                      | 3,658.85           |                |
| 28                            | 5401 Turner                                    | L             | 04/13/04                   | 3,113.00          |                 | 100.00           |                              |                               |                      | 3,213.00           |                |
| 29                            | 2513 Wills Point Ct.                           | L             | 07/05/02                   | 1,651.37          | 39.76           |                  |                              |                               | 2,000.00             | 3,691.13           |                |
| 30                            | 2514 Wills Point Ct.                           | L             | 04/13/04                   | 508.00            |                 | 100.00           |                              |                               |                      | 608.00             |                |
| 31                            | 2929 Mount Horum Way                           | L             | 12/20/06                   | 4,650.50          |                 |                  |                              |                               |                      | 4,650.50           |                |
| 32                            | 2933 Mount Horum way                           | L             | 12/20/06                   | 4,650.50          |                 |                  |                              |                               |                      | 4,650.50           |                |
| 33                            | 2510 Sheraton                                  | L             | 03/04/08                   | 6,100.00          | 552.71          | 1.00             |                              |                               |                      | 6,653.71           |                |
| 34                            | 2512 Sheraton                                  | L             | 03/04/08                   | 5,000.00          | 552.71          | 1.00             |                              |                               |                      | 5,553.71           |                |
| 35                            | 2514 Sheraton                                  | L             | 03/04/08                   | 5,600.00          | 552.71          | 1.00             |                              |                               |                      | 6,153.71           |                |
| 36                            | 2516 Sheraton                                  | L             | 03/04/08                   | 5,000.00          | 552.71          | 1.00             |                              |                               |                      | 5,553.71           |                |
| 37                            | 2518 Sheraton                                  | L             | 03/04/08                   | 3,300.00          | 552.71          | 1.00             |                              |                               |                      | 3,853.71           |                |
| 38                            | 3104 Sirron                                    | L             | 01/01/01                   | -                 |                 |                  |                              |                               |                      | 0.00               |                |
| 39                            | 1708 Talton - DISTRICT 8                       | L             | 03/04/08                   | 6,100.00          | 337.48          | 1.00             |                              |                               |                      | 6,438.48           |                |
| 40                            | 1704 Colvin - DISTRICT 8                       | L             | 03/04/08                   | 3,000.00          | 95.44           | 1.00             |                              |                               |                      | 3,096.44           |                |
| 41                            | 5600 Bong                                      | L             | 05/10/08                   | 3,000.00          | 48.95           | 573.05           |                              |                               |                      | 3,622.00           |                |



| <u>SQ#</u>                                                  | <u>Address</u>                                      | <u>Status</u> | <u>Date of Acquisition</u> | <u>Value Paid</u>   | <u>Tax Paid</u> | <u>Fees paid</u> | <u>Other Exp Capitalized</u> | <u>Constn. Exp Capitalized</u> | <u>Donated Value</u> | <u>Total Value</u>  | <u>GASB 34</u>       |
|-------------------------------------------------------------|-----------------------------------------------------|---------------|----------------------------|---------------------|-----------------|------------------|------------------------------|--------------------------------|----------------------|---------------------|----------------------|
| <b>MITCHEL BLVD (District 8)</b>                            |                                                     |               |                            |                     |                 |                  |                              |                                |                      |                     |                      |
| 42                                                          | 2705 Berryhill Dr.                                  | L             | 04/14/04                   | 1,031.00            |                 | 100.00           |                              |                                |                      | 1,131.00            |                      |
| <b>NEAR SOUTHEAST (District 8)</b>                          |                                                     |               |                            |                     |                 |                  |                              |                                |                      |                     |                      |
| 43                                                          | 2651 Belzise Ter                                    | L             | 11/12/07                   | 4,250.00            | 47.27           | 352.50           |                              |                                |                      | 4,649.77            |                      |
| 44                                                          | 1401 Illinois Ave                                   | L             | 11/12/07                   | 4,250.00            | 47.27           | 352.50           |                              |                                |                      | 4,649.77            |                      |
| <b>TWU (District 8)</b>                                     |                                                     |               |                            |                     |                 |                  |                              |                                |                      |                     |                      |
| 45                                                          | 2710 Ave. C                                         | L             | 03/12/99                   | 4,760.32            | 24.33           |                  |                              |                                |                      | 4,784.65            |                      |
| <b>OTHER(District 8)</b>                                    |                                                     |               |                            |                     |                 |                  |                              |                                |                      |                     |                      |
| 46                                                          | 2709 Ash Crescent St                                | L             | 06/05/07                   | 3,900.00            |                 | 3.50             |                              |                                |                      | 3,903.50            |                      |
| 47                                                          | 2712 Ash Crescent (exchange w/3321&3323 NW 33rd St) | L             | 04/02/07                   |                     |                 |                  | 1,000.00                     |                                |                      | 1,000.00            |                      |
| 48                                                          | 2713 Ash Crescent St                                | L             | 06/05/07                   | 2,600.00            |                 | 3.50             |                              |                                |                      | 2,603.50            |                      |
| 49                                                          | 2670 Ash Crescent St                                | L             | 07/03/07                   | 3,200.00            |                 | 3.50             |                              |                                |                      | 3,203.50            |                      |
| 50                                                          | 2771 Belzise                                        | L             | 07/03/07                   | 2,700.00            |                 | 3.50             |                              |                                |                      | 2,703.50            |                      |
| 51                                                          | 2750 Ash Crecent St.                                | L             | 08/24/07                   | 4,000.00            | 48.95           | 561.00           |                              |                                |                      | 4,609.94            |                      |
| 52                                                          | 2650 Ash Crecent St.                                | L             | 08/07/07                   | 3,000.00            |                 | 7.00             |                              |                                |                      | 3,007.00            |                      |
| 53                                                          | 2770 Ash Crecent St.                                | L             | 09/29/07                   | 4,100.00            |                 |                  |                              |                                |                      | 4,100.00            |                      |
| 54                                                          | 2721 Belzise                                        | L             | 09/29/07                   | 3,100.00            |                 |                  |                              |                                |                      | 3,100.00            |                      |
| 55                                                          | 919 E. Maddox Ave.                                  | L             | 03/03/08                   | 3,500.00            | (6.40)          | 81.65            |                              |                                |                      | 3,575.25            |                      |
| 56                                                          | 921 E. Humbolt                                      | L             | 09/30/08                   | 3,000.00            |                 |                  |                              |                                |                      | 3,000.00            |                      |
| 57                                                          | 1301 E. Cannon                                      | L             | 09/30/08                   | 3,100.00            |                 |                  |                              |                                |                      | 3,100.00            |                      |
| 58                                                          | 1405 & 1407 E Cannon St                             | L             | 11/17/11                   | 20,000.00           | 17.49           | 369.00           |                              |                                |                      | 20,386.49           |                      |
| 59                                                          | 1115 E. Humbolt                                     | L             | 09/30/08                   | 5,000.00            |                 |                  |                              |                                |                      | 5,000.00            |                      |
| 91                                                          | Evans Rosedale property - 32 lots                   | L             | Various                    | 1,187,233.37        |                 | 6,237.75         | 26,758.90                    |                                |                      | 1,220,230.02        |                      |
| <b>Assigned property (Cartermetro)</b>                      |                                                     |               |                            |                     |                 |                  |                              |                                |                      |                     |                      |
| <u>TAD Appraised</u>                                        |                                                     |               |                            |                     |                 |                  |                              |                                |                      |                     |                      |
| 92                                                          | 1118 E. Tucker                                      | APL           | 09/18/08                   |                     |                 | 501.95           | 1,500.00                     |                                |                      | 2,001.95            |                      |
| 93                                                          | 1139 E. Cannon St                                   | APL           | 09/18/08                   |                     |                 | 533.95           | 1,500.00                     |                                |                      | 2,033.95            |                      |
| 94                                                          | 802 E. Magnolia                                     | APL           | 09/18/08                   |                     |                 | 501.95           | 1,500.00                     |                                |                      | 2,001.95            |                      |
| <b>Assigned property (TCDC) Formerly Mitchel Dev. Corp.</b> |                                                     |               |                            |                     |                 |                  |                              |                                |                      |                     |                      |
| 95                                                          | 2511 Mitchell Blvd                                  | APL           | 05/28/09                   |                     |                 | 18,172.76        | 39,220.00                    |                                |                      | 57,392.76           |                      |
| <b>MF Projects</b>                                          |                                                     |               |                            |                     |                 |                  |                              |                                |                      |                     |                      |
| 96                                                          | 2901 Race Street                                    | LB            | 1/1/2011                   |                     |                 |                  |                              |                                |                      | 0.00                | 1,110,000.00         |
| 148                                                         | Terrell Homes - 52 lots                             | LB            | 12/07/11                   |                     |                 |                  |                              |                                |                      | 0.00                | 560,000.00           |
| 149                                                         | 4250 Old Decatur Road - Angle                       | LB            | 01/01/14                   |                     |                 |                  |                              |                                |                      | 0.00                | 2,040,000.00         |
| 155                                                         | Enclave at Westport - 6 lots                        | LB            | 08/01/14                   |                     |                 |                  |                              |                                |                      | 0.00                | 2,871,000.00         |
| 156                                                         | Reserve at Quebec-3101 NW Centre Dr                 | LB            | 02/24/16                   |                     |                 |                  |                              |                                |                      |                     | 2,989,768.75         |
| 157                                                         | Mercantile Project - 3600 Tanacross Dr              | LB            | 09/29/16                   |                     |                 |                  |                              |                                |                      |                     | 4,634,200.00         |
| 158                                                         | 2900 Broadmoor                                      | LB            | 11/01/16                   |                     |                 |                  |                              |                                |                      |                     | 2,650,000.00         |
| 159                                                         | Enclave Park                                        | LB            | 03/13/18                   |                     |                 |                  |                              |                                |                      |                     | 5,570,425.89         |
| 160                                                         | Sphinx at Sierra Vista Senior Villas                | LB            | 06/28/19                   |                     |                 |                  |                              |                                |                      |                     | 1,600,000.00         |
| <b>HFC Terrell Properties</b>                               |                                                     |               |                            |                     |                 |                  |                              |                                |                      |                     |                      |
| 161                                                         | 969 E. Pulaski                                      | L             |                            | 10,664.09           |                 |                  | 4,626.83                     |                                |                      | 15,290.92           |                      |
| <b>Total</b>                                                |                                                     |               |                            | <b>2,044,662.26</b> | <b>4,183.08</b> | <b>29,766.06</b> | <b>76,105.73</b>             | <b>0.00</b>                    | <b>9,000.00</b>      | <b>2,163,717.12</b> | <b>24,025,394.64</b> |

\*LEGEND

|                            |            |
|----------------------------|------------|
| L-Land                     | 92         |
| UC-Under construction      | 0          |
| UCH -With House            | 0          |
| VH -Vacant Structure       | 0          |
| LB -Leased back            | 65         |
| APL-Assigned Property LAND | 4          |
|                            | <u>161</u> |

**FORT WORTH HOUSING FINANCE CORPORATION****Details of property transactions as of December 31, 2020**

|                                            | <u>Status</u> | <u>Date</u><br><u>Sold/</u><br><u>Purchased</u> | <u>Value</u><br><u>Paid</u> | <u>Tax</u><br><u>Paid</u> | <u>Fees</u><br><u>paid</u> | <u>Other</u><br><u>Exp Capitalized</u> | <u>Constr.Exp</u><br><u>Capitalized</u> | <u>Donated</u><br><u>Value</u> | <u>Total</u><br><u>Value</u> | <u>GASB 34</u> |
|--------------------------------------------|---------------|-------------------------------------------------|-----------------------------|---------------------------|----------------------------|----------------------------------------|-----------------------------------------|--------------------------------|------------------------------|----------------|
| <b>Opening Balance (October 1st, 2020)</b> |               |                                                 | 2,055,126.34                | 4,204.82                  | 29,766.06                  | 76,105.73                              | (0.00)                                  | 9,000.00                       | 2,174,202.94                 | 24,025,394.64  |
| Add:                                       |               |                                                 |                             |                           |                            |                                        |                                         |                                |                              |                |
| Additions                                  |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            | -              |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            | -              |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            | -              |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            | -              |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            | -              |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            | -              |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            | -              |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            | -              |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            | -              |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            | -              |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            | -              |
| <b>Total Additions</b>                     |               |                                                 | -                           | -                         | -                          | -                                      | -                                       | -                              | -                            | -              |
| Less:                                      |               |                                                 |                             |                           |                            |                                        |                                         |                                |                              |                |
| <b>Property Sold</b>                       |               |                                                 |                             |                           |                            |                                        |                                         |                                |                              |                |
| 5400 Cotley                                | L             | 10/30/20                                        | 5,232.04                    | 10.87                     |                            |                                        |                                         |                                | 5,242.91                     |                |
| 5402 Cotley                                | L             | 10/30/20                                        | 5,232.04                    | 10.87                     |                            |                                        |                                         |                                | 5,242.91                     |                |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            |                |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            |                |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            |                |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                | -                            |                |
| <b>Total cost of Properties sold</b>       |               |                                                 | 10,464.08                   | 21.74                     | -                          | -                                      | -                                       | -                              | 10,485.82                    | -              |
| Add: Assigned property                     |               |                                                 | TAD Value                   |                           |                            |                                        |                                         |                                |                              |                |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                |                              |                |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                |                              |                |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                |                              |                |
| <b>Total</b>                               |               |                                                 | -                           | -                         | -                          | -                                      | -                                       | -                              | -                            | -              |
|                                            |               |                                                 |                             |                           |                            |                                        |                                         |                                |                              |                |
| <b>Balance</b>                             |               |                                                 | 2,044,662.26                | 4,183.08                  | 29,766.06                  | 76,105.73                              | (0.00)                                  | 9,000.00                       | 2,163,717.12                 | 24,025,394.64  |

**Fort Worth Housing Finance Corporation**

Quarterly Investment Report as of December 31, 2020

JPMorgan Chase Bank, N.A.

| <b>Name of accounts</b>                  | <b>Commercial<br/>Checking</b> | <b>Premium<br/>Commercial<br/>Money Market<br/>savings - 5539</b> | <b>Premium<br/>Commercial<br/>Money Market<br/>savings - 9663</b> | <b>Premium<br/>Commercial<br/>Money Market<br/>savings - 2996</b> | <b>Total</b>  | <b>102%</b>   |
|------------------------------------------|--------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|---------------|---------------|
| <b>Interest rate</b>                     | -                              | 0.05%                                                             | 0.05%                                                             | 0.05%                                                             |               |               |
| <b>Interest Revenue - YTD</b>            | -                              | 715.67                                                            | 686.23                                                            | 47.52                                                             | 1,449.42      |               |
| <b>Balance as of 12/31/2020</b>          | 806,946.14                     | 5,720,371.81                                                      | 5,484,940.55                                                      | 379,818.12                                                        | 12,392,076.62 | 12,639,918.15 |
| <b>Less: FDIC Coverage</b>               |                                |                                                                   |                                                                   |                                                                   |               | (500,000.00)  |
| <b>Balance to be Collateralized</b>      |                                |                                                                   |                                                                   |                                                                   |               | 12,139,918.15 |
| <b>Pledged Collateral - Market Value</b> |                                |                                                                   |                                                                   |                                                                   |               | 12,377,500.45 |
| <b>Excess Collateral</b>                 |                                |                                                                   |                                                                   |                                                                   |               | 237,582.30    |

**Fort Worth Housing Finance Corporation  
(A Component Unit of the City of Fort Worth, Texas)**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**September 30, 2020**

---

# Fort Worth Housing Finance Corporation

## Index

|                                                                                                                                                                                                                          | <u>Page</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Independent Auditor's Report                                                                                                                                                                                             | 2           |
| Management's Discussion and Analysis                                                                                                                                                                                     | 4           |
| Financial Statements                                                                                                                                                                                                     |             |
| Balance Sheet/Statement of Net Position                                                                                                                                                                                  | 6           |
| Statement of Revenues, Expenditures, and Changes in Fund Balance/ Statement<br>of Activities                                                                                                                             | 7           |
| Discretely presented component unit - Balance Sheet                                                                                                                                                                      | 8           |
| Discretely presented component unit - Statement of Operations                                                                                                                                                            | 9           |
| Discretely presented component unit - Statement of Changes in Partners'<br>Equity (Deficit)                                                                                                                              | 10          |
| Notes to the financial statements                                                                                                                                                                                        | 11          |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements Performed in Accordance<br>with Government Auditing Standards | 27          |

## Independent Auditor's Report

To the Board of Directors  
Fort Worth Housing Finance Corporation

### Report on the Financial Statements

We have audited the accompanying financial statements of the Fort Worth Housing Finance Corporation, which comprise the balance sheet/statement of net position as of September 30, 2020, and the related statement of revenues, expenditures, and changes in fund balance/statement of activities for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and the general fund of the Fort Worth Housing Finance Corporation as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, on our consideration of the Fort Worth Housing Finance Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fort Worth Housing Finance Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fort Worth Housing Finance Corporation's internal control over financial reporting and compliance.



Austin, Texas  
December 8, 2020

## **Fort Worth Housing Finance Corporation**

### **Management's Discussion and Analysis September 30, 2020**

The Fort Worth Housing Finance Corporation ("FWHFC") is proud to provide this narrative overview and analysis of the FWHFC's financial activities for the year ending September 30, 2020. It is designed to identify changes in the FWHFC's financial position as well as individual fund issues or concerns. It should be read in conjunction with the Financial Statements following this Management Discussion and Analysis ("MD&A"), and the Notes to Financial Statements.

This MD&A is presented in conformance with the Governmental Accounting Standards Board ("GASB") financial reporting model as set forth in GASB Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 40, Deposit and Investment Risk Disclosures, GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. These financial reporting standards require the inclusion of three (3) basic financial statements, namely, Balance Sheet/Statement of Net Position and Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities.

This MD&A excludes Terrell Homes Ltd., a Discretely Presented Component unit of FWHFC.

#### **Financial Highlights**

- FWHFC's assets exceeded liabilities at September 30, 2020 by \$15,812,027 (Fund Balance). This amount represents an increase of \$1,814,172 from the balance at September 30, 2019 and this increase is mainly due to the increase in developer fees, cash flow payments from projects and affordable housing payments from developers who have received certain incentives from the City of Fort Worth.
- The FWHFC's cash and cash equivalents and investment balances as of September 30, 2020 totaled \$12,415,191 representing an increase of \$1,965,144 from September 30, 2019. This increase was due to an increase in developer fees, cash flow payments from the multifamily projects, and affordable housing payments.
- The FWHFC had total revenues of \$3,305,121 and total expenses of \$355,903 for the year ended September 30, 2020. The total revenues increased by \$1,862,248 and total expenses decreased by \$134,221. The favorable change in revenues was due to increased cash flow payments from multifamily projects, developer fees, gain/program income from the sale of land held for sale and construction of multifamily housing projects and affordable housing payments. The favorable change expense is mainly due to the recognition of the loss on the sale of assets in the prior year.

#### **Statement of Net Position**

The Statement of Net Position presents information about FWHFC's assets and liabilities and is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources for the FWHFC. The statement is presented in the format where assets, minus liabilities, equal "Net Position," formerly known as equity. Assets and liabilities are presented in order of liquidity. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the FWHFC is improving or deteriorating. Total assets of the FWHFC amounted to \$44,582,780, total liabilities amounted to \$23,617,413, and net position amounted to \$20,965,367 at September 30, 2020.



## Fort Worth Housing Finance Corporation

### Management's Discussion and Analysis September 30, 2020

#### Statement of Revenues, Expenditures, and Changes in Net Position

The purpose of the Statement of Revenues, Expenditures, and Changes in Net Position is to present the revenues earned and the expenses incurred, both operating and non-operating and any other revenues, expenses, gains, and losses received or spent by the FWHFC. Generally, operating revenues are amounts received from the multifamily projects for developer fees, project cash flow payments, management fees and affordable housing payments. Operating expenses are those paid to maintain the land held for sale and expenses associated with the FWHFC, such as legal fees, insurance, dues and memberships, consultant fees, and other miscellaneous expenses. Non-operating revenues are funds received for which goods and services are not provided. For the year ended September 30, 2020, total revenues amounted to \$2,275,660, and total operating expenses amounted to \$355,903, resulting in operating income of \$1,919,757. Other expense totaled \$1,135,046, making the change in net position for the year an increase of \$784,711.

#### Capital Assets

There were no property acquisitions during the year ending September 30, 2020. The summary below shows the balances for 2020 and 2019.

|                              | Balance,<br>September 30,<br>2020 | Balance,<br>September 30,<br>2019 |
|------------------------------|-----------------------------------|-----------------------------------|
| Capital assets - land leased | <u>\$ 24,025,395</u>              | <u>\$ 24,025,395</u>              |
| Total capital assets         | <u><u>\$ 24,025,395</u></u>       | <u><u>\$ 24,025,395</u></u>       |

Additional details for activities affecting capital assets are presented in Note 2 of the Notes to Financial Statements included in this report.

#### Request for Information

This financial report is designed to provide a general overview of the FWHFC's finances for interested parties. Questions concerning any of the information presented in this report or requests for additional information should be addressed to:

Fort Worth Housing Finance Corporation  
Assistant Treasurer  
200 Texas Street  
Fort Worth, TX 76102

**Fort Worth Housing Finance Corporation**

**Balance Sheet/Statement of Net Position  
September 30, 2020**

|                                                          | Balance Sheet/<br>General Fund | Adjustments   | Governmental<br>Activities<br>Statement of Net<br>Position |
|----------------------------------------------------------|--------------------------------|---------------|------------------------------------------------------------|
| <u>Assets</u>                                            |                                |               |                                                            |
| Cash and cash equivalents                                | \$ 12,415,191                  |               | \$ 12,415,191                                              |
| Receivables, net of allowance for uncollectibles         |                                |               |                                                            |
| Developer fees                                           | 3,018,455                      |               | 3,018,455                                                  |
| Developer fee interest                                   | 1,048,635                      |               | 1,048,635                                                  |
| Note receivable - Columbia                               | 695,777                        |               | 695,777                                                    |
| Note receivable - Mistletoe                              | 750,000                        |               | 750,000                                                    |
| Note receivable - Columbia Phase II                      | 400,000                        |               | 400,000                                                    |
| Notes receivable interest                                | 23,088                         |               | 23,088                                                     |
| Gas lease receivable                                     | 6,085                          |               | 6,085                                                      |
| Partnership management fee receivable                    | 25,000                         |               | 25,000                                                     |
| Prepaid expenses                                         | 951                            |               | 951                                                        |
| Inventory - development in progress                      | 2,174,203                      |               | 2,174,203                                                  |
| Land - leased to Partnerships                            | -                              | \$ 24,025,395 | 24,025,395                                                 |
| Total assets                                             | \$ 20,557,385                  |               | \$ 44,582,780                                              |
| <u>Liabilities and net position</u>                      |                                |               |                                                            |
| Liabilities                                              |                                |               |                                                            |
| Accounts payable - operations                            | \$ 38,268                      |               | \$ 38,268                                                  |
| Due to City                                              | 615,000                        |               | 615,000                                                    |
| Unearned revenue                                         | -                              | 22,964,145    | 22,964,145                                                 |
| Total liabilities                                        | 653,268                        |               | 23,617,413                                                 |
| Deferred inflows - unavailable revenue                   | 4,092,090                      | (4,092,090)   | -                                                          |
| Fund Balances                                            |                                |               |                                                            |
| Nonspendable                                             | 2,175,154                      |               |                                                            |
| Committed                                                | 300,000                        |               |                                                            |
| Assigned - Urban redevelopment and housing               | 13,336,873                     |               |                                                            |
| Total fund balance                                       | 15,812,027                     |               |                                                            |
| Total liabilities, deferred inflows,<br>and fund balance | \$ 20,557,385                  |               |                                                            |
| Net position                                             |                                |               |                                                            |
| Net investment in capital assets                         |                                |               | 1,061,251                                                  |
| Unrestricted                                             |                                |               | 19,904,116                                                 |
| Total net position                                       |                                |               | 20,965,367                                                 |
| Total liabilities and net position                       |                                |               | \$ 44,582,780                                              |

See Notes to Financial Statements.

**Fort Worth Housing Finance Corporation**

**Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities  
Year Ended September 30, 2020**

|                                             | General fund         | Adjustments | Governmental<br>Activities<br>Statement of<br>Activities |
|---------------------------------------------|----------------------|-------------|----------------------------------------------------------|
| <b>Revenues</b>                             |                      |             |                                                          |
| Interest earned on investments              | \$ 127,570           |             | \$ 127,570                                               |
| Developer fee income                        | 1,696,375            | (1,659,262) | 37,113                                                   |
| Developer fee interest income               | -                    | 382,120     | 382,120                                                  |
| Ground lease income                         | -                    | 242,681     | 242,681                                                  |
| Gain (loss) on land/home sales              | 9,964                | -           | 9,964                                                    |
| Gas lease royalties                         | 18,572               |             | 18,572                                                   |
| Project closing fees                        | 200                  |             | 200                                                      |
| Project cash flow revenue                   | 767,838              |             | 767,838                                                  |
| General contractor fee income               | -                    | 5,000       | 5,000                                                    |
| Other income                                | 2,000                |             | 2,000                                                    |
| Miscellaneous revenue                       | 682,602              |             | 682,602                                                  |
|                                             | <u>3,305,121</u>     |             | <u>2,275,660</u>                                         |
| <b>Expenses</b>                             |                      |             |                                                          |
| Postage                                     | 11                   |             | 11                                                       |
| Conference/travel and seminars              | 1,045                |             | 1,045                                                    |
| Bank charges                                | 167                  |             | 167                                                      |
| Dues and membership                         | 3,028                |             | 3,028                                                    |
| Contractual services                        | 536                  |             | 536                                                      |
| Mowing expense                              | 57,034               |             | 57,034                                                   |
| Property tax - mineral interest             | 314                  |             | 314                                                      |
| Liability, D&O insurance                    | 2,382                |             | 2,382                                                    |
| Consultant fees                             | 18,500               |             | 18,500                                                   |
| Professional fees                           | 34,305               |             | 34,305                                                   |
| Supportive services                         | 81,564               |             | 81,564                                                   |
| HOME Match                                  | 157,017              |             | 157,017                                                  |
|                                             | <u>355,903</u>       |             | <u>355,903</u>                                           |
| Excess of revenue over (under) expenditures | 2,949,218            |             | 1,919,757                                                |
| <b>Other financing sources (uses)</b>       |                      |             |                                                          |
| Transfers out - to City of Fort Worth       | (1,135,046)          |             | (1,135,046)                                              |
|                                             | <u>(1,135,046)</u>   |             | <u>(1,135,046)</u>                                       |
| Net change in fund balance/net position     | 1,814,172            |             | 784,711                                                  |
| Fund balance, beginning of the period       | 13,997,855           |             |                                                          |
| Fund balance, end of the period             | <u>\$ 15,812,027</u> |             |                                                          |
| Net position, beginning of the period       |                      |             | 20,180,656                                               |
| Net position, end of the period             |                      |             | \$ 20,965,367                                            |

See Notes to Financial Statements.

**Fort Worth Housing Finance Corporation  
Discretely Presented Component Unit**

**Balance Sheet  
December 31, 2019**

Assets

|                                    |    |           |
|------------------------------------|----|-----------|
| Investment in rental property, net | \$ | 6,901,072 |
| Cash and cash equivalents          |    | 14,959    |
| Restricted cash                    |    |           |
| Insurance escrow                   |    | 34,065    |
| Tenants' security deposits         |    | 18,200    |
| Replacement reserve                |    | 7,201     |
| Operating reserve                  |    | 221,832   |
|                                    |    | 281,298   |
| Total restricted cash              |    | 281,298   |
| Prepaid expenses                   |    | 12,069    |
| Tax credit monitoring fees, net    |    | 33,026    |
| Prepaid ground lease               |    | 552,047   |
|                                    |    | 552,047   |
| Total assets                       | \$ | 7,794,471 |

Liabilities and Partners' Equity (Deficit)

|                                                         |    |           |
|---------------------------------------------------------|----|-----------|
| Liabilities                                             |    |           |
| Accounts payable - operations                           | \$ | 1,552     |
| Other accrued liabilities                               |    | 16,634    |
| Accrued interest - other loans                          |    | 74,426    |
| Tenants' security deposits liability                    |    | 18,200    |
| Development fee principal payable                       |    | 233,738   |
| Development fee interest payable                        |    | 121,041   |
| Mortgages and notes payable, net of debt issuance costs |    | 2,743,973 |
| Prepaid rent                                            |    | 472       |
|                                                         |    | 472       |
| Total liabilities                                       |    | 3,210,036 |
| Contingency                                             |    | -         |
| Partners' equity (deficit)                              |    | 4,584,435 |
| Total liabilities and partners' equity (deficit)        | \$ | 7,794,471 |

See Notes to Financial Statements.

**Fort Worth Housing Finance Corporation  
Discretely Presented Component Unit**

**Statement of Operations  
Year Ended December 31, 2019**

|                                    |    |           |
|------------------------------------|----|-----------|
| Revenue                            |    |           |
| Rental revenue                     | \$ | 595,182   |
| Vacancy loss and concessions       |    | (24,051)  |
| Other operating income             |    | 12,324    |
|                                    |    | 583,455   |
| Operating expenses                 |    |           |
| Salaries and employee benefits     |    | 95,875    |
| Repairs and maintenance            |    | 43,590    |
| Utilities                          |    | 8,717     |
| Property management fee            |    | 31,930    |
| Property insurance                 |    | 35,381    |
| Payment in lieu of taxes           |    | 10,800    |
| Miscellaneous operating expenses   |    | 83,287    |
|                                    |    | 309,580   |
| Total operating expenses           |    | 309,580   |
| Net operating income (loss)        |    | 273,875   |
| Other income and (expenses)        |    |           |
| Interest income                    |    | 319       |
| Interest expense - first mortgage  |    | (136,000) |
| Interest expense - other loans     |    | (9,000)   |
| Asset management fee               |    | (10,000)  |
| Interest expense - development fee |    | (24,142)  |
| Depreciation                       |    | (294,152) |
| Amortization                       |    | (10,305)  |
|                                    |    | (483,280) |
| Total other income and (expenses)  |    | (483,280) |
| Net loss                           | \$ | (209,405) |

See Notes to Financial Statements.

**Fort Worth Housing Finance Corporation  
Discretely Presented Component Unit**

**Statement of Changes in Partners' Equity (Deficit)  
Year Ended December 31, 2019**

|                            | <u>Total partners'<br/>equity (deficit)</u> |
|----------------------------|---------------------------------------------|
| Balance, December 31, 2018 | \$ 4,793,840                                |
| Net loss                   | <u>(209,405)</u>                            |
| Balance, December 31, 2019 | <u><u>\$ 4,584,435</u></u>                  |

See Notes to Financial Statements.

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

#### Note 1 - Nature of operation

The City Council of the City of Fort Worth ("City") created the Fort Worth Housing Finance Corporation ("FWHFC") in 1979 pursuant to the Texas Housing Finance Corporations Act, Chapter 394 of the Texas Local Government Code ("Act"). The organization was created as a public instrumentality and nonprofit corporation for the purpose of benefiting and accomplishing public purposes on behalf of the City by financing the cost of residential ownership and development which provides decent, safe and sanitary housing for residents of the City at prices they can afford.

FWHFC also has the power to issue bonds and to make loans to any person, including lending institutions, the proceeds of which may be used by such lending institutions to make "home mortgages" as defined in the Act. At this time, the FWHFC has no outstanding bonds issued. The City Council serves as the Board of Directors of the FWHFC in accordance with its Bylaws. FWHFC is included in the City's financial statements as a blended component unit.

#### Financial reporting entity

Beginning in 2010, FWHFC entered into agreements with various developers to form limited partnerships or limited liability companies (collectively referred to as the "LPs") to develop multifamily housing projects for low to moderate income families and individuals who earn at or below eighty percent (80%) of Area Median Income ("AMI") as set annually by the United States Department of Housing and Urban Development ("HUD"). FWHFC created the following Texas limited liability companies ("LLCs") to serve as general partners ("GPs") or managing members in the LPs created to develop, construct, own and operate each project. FWHFC is the Sole Member of each LLC listed below:

- Race Street Lofts GP LLC (2010)
- Terrell Homes GP LLC (2010)
- Decatur-Angle GP LLC (2013)
- Enclave Westport GP, LLC (2014)
- Reserve at Quebec GP, LLC (2015)
- Mercantile Apartments GP LLC (2015)
- The Broadmoor at Western Hills GP LLC (2016)
- Enclave Park GP, LLC (2017)
- Riverside Senior Development GP, LLC (2017)

FWHFC considered the organizations and activities of each of the LPs to determine if any of them meet the condition for inclusion as component units. The decision to include a potential component unit was made by applying the criteria set forth in Governmental Accounting Standard ("GASB") Statement No. 14, The Financial Reporting Entity, GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 61, Financial Reporting Entity-Omnibus. Terrell Homes Ltd. has been reported as a discretely presented component unit because of the degree of control its general partner has over the LP as set out in its Amended and Restated Limited Partnership Agreement ("LPA"). Notes to the financial statements for Terrell Homes Ltd. are included on pages 19 to 26. These LPs are not presented in the financial statements because they do not meet the criteria set forth in the GASB statements referenced above.

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

More detailed information about the other LPs in which FWHFC is involved — Race Street Lofts Ltd., Decatur-Angle Ltd, Enclave Westport, LP, Reserve at Quebec, LLC, Mercantile Apartments Ltd., The Broadmoor at Western Hills Ltd., Enclave Park, LP, and Riverside Senior Investments, LP — is available on FWHFC's website <http://fortworthtexas.gov/housingfinancecorp>.

#### Discrete Component Unit

Terrell Homes GP LLC is the general partner ("GP") of Terrell Homes Ltd., the Texas limited partnership that developed, constructed, owns and manages a 54-unit single family affordable housing project known as the Terrell Homes I Apartments located on scattered sites in Fort Worth. Other partners include Rodney Simon, an individual (Class A Limited Partner), RBC Tax Credit Manager II (Special Limited Partner), and RBC Tax Credit Equity, LLC (Investor Limited Partner). The percentage interests of each partner are as follows:

|                          |        |
|--------------------------|--------|
| General Partner          | 0.01%  |
| Class A Limited Partner  | 0.009% |
| Special Limited Partner  | 0.001% |
| Investor Limited Partner | 99.98% |

The project is financed by a construction/permanent loan from a commercial lender, a loan of HOME funds from the City, and certain equity proceeds provided by an allocation of Housing Tax Credits to the project by the Texas Department of Housing and Community Affairs ("TDHCA"). The units are rented to tenants making at or below sixty percent (60%) of area median income ("AMI") and the rents in the project are restricted by TDHCA under the terms of a Land Use Restrictive Agreement ("LURA") that will remain on the property for forty (40) years. The project is also subject to the requirements of the HOME regulations, including tenant eligibility and rent restrictions, for a twenty (20) year affordability period.

The rights and obligations of the partners are set out in its LPA. FWHFC owns the land on which the project is located and has leased it to the LP, which owns the improvements, under the terms of a long-term ground lease. FWHFC has certain rights to purchase the improvements and the partnership interests as set out in the LPA and the ground lease as well as other agreements. The project is exempt from ad valorem taxes.

#### Note 2 - Basis of presentation and summary of significant accounting policies

The accounting policies of FWHFC conform to accounting principles generally accepted in the United States of America as applicable to governmental units and promulgated by GASB. The following is a summary of the more significant accounting policies.

#### Balance Sheet/Statement of Net Position

The balance sheet/statement of net position is used to report the two measurement focuses and basis of accounting used in governmental financial statements in a single financial statement. The General Fund (Fort Worth Housing Finance Corporation) Balance Sheet column is reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Revenues are generally considered available if received within sixty (60) days after the fiscal year-end. Expenditures are recorded when the related liability is incurred and payment is due. Capital assets are not considered current financial resources and therefore are not reported at the fund level.



**Fort Worth Housing Finance Corporation**

**Notes to Financial Statements  
September 30, 2020**

The Statement of Net Position column is reported and accounted for using the economic resources measurement focus and accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these activities are included in the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of the related cash flows.

The Adjustments column is used as a reconciliation between the balances reflected on the Governmental Fund Balance Sheet and the financial position for governmental activities as shown on the Statement of Net Position.

**Statement of revenues, expenditures, and changes in fund balance/statement of activities**

Similar to the balance sheet/statement of net position, this statement combines the two (2) measurement focuses and basis of accounting in a single financial statement. Where the previous statement is reporting on assets and liabilities of the entity, this statement reports the revenues and expenditures/expenses of the entity.

**Cash and cash equivalents**

Cash on hand includes demand deposits. As of September 30, 2020, this balance consists of deposits with one banking institution with total deposits of \$12,415,191. State law requires all time and demand deposits to be fully FDIC-insured or collateralized. FWHFC, as a component unit of the City, follows State law. In October 2019, the Board reviewed and approved the adopted policies for Investments, Reserves and Procurements. FWHFC has \$500,000 in four (4) FDIC-insured bank accounts with the remainder of its funds on deposit collateralized with pledged securities held by an independent custodian.

**Capital assets**

Capital assets are recorded at original cost. The donated capital assets should be reported at acquisition value. Capital assets include land totaling \$24,025,395 that was purchased by FWHFC as part of its participation in the LPs. The details of capital assets are shown below:

| <u>Name of Project</u>              | <u>Land Acquisition<br/>Amount</u> |
|-------------------------------------|------------------------------------|
| Terrell Homes I                     | \$ 560,000                         |
| Race Street Lofts                   | 1,110,000                          |
| Decatur-Angle Apts.                 | 2,040,000                          |
| Enclave at Westport                 | 2,871,000                          |
| Reserve at Quebec                   | 2,989,769                          |
| Mercantile Apts.                    | 4,634,200                          |
| Broadmoor Apts.                     | 2,650,000                          |
| Enclave Park                        | 5,570,426                          |
| Sphinx at Sierra Vist Senior Villas | 1,600,000                          |
|                                     | <u>\$ 24,025,395</u>               |

**Inventory**

Inventories are valued at cost. They consist of land which either is held for sale or for the construction of single-family houses for low to moderate income households to be sold to eligible buyers. As of September 30, 2020, FWHFC owned ninety eight (98 ) vacant lots and sixty-five (65) lots leased back to the LPs which fall into one of two categories: 1) held for sale or for construction of single family houses; or 2) held for sale or construction of a multifamily housing project. The total

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

value of all lots held as of the end of the fiscal year equates to \$2,174,203. FWHFC has sold two (2) vacant lots during the fiscal year.

The summary of changes in capital assets, inventory, and development in progress reported in the government-wide financial statement is shown below:

|                                | Balance,<br>September 30,<br>2019 | Transfers and<br>Additions | Transfers and<br>Deletions | Balance,<br>September 30,<br>2020 |
|--------------------------------|-----------------------------------|----------------------------|----------------------------|-----------------------------------|
| Inventory - land held for sale | \$ 4,340,171                      | \$ -                       | \$ (2,165,968)             | \$ 2,174,203                      |
| Capital assets - land leased   | 24,025,395                        | -                          | -                          | 24,025,395                        |
| Total                          | <u>\$ 28,365,566</u>              | <u>\$ -</u>                | <u>\$ (2,165,968)</u>      | <u>\$ 26,199,598</u>              |

#### Ground lease, unearned revenue

FWHFC entered into 99-year ground lease agreements with each of the LPs. The ground lease agreements call for an initial lump sum payment on each ground lease for the first year and \$100 per year for the rest of the lease term. Annual lease payments starting in the second year and the remainder of the lease term are deferred as long as the ground tenant is not in default of any liability, responsibility or obligation under the terms of the ground lease. The amount received in advance on the leases was recorded as unearned revenue and is being recognized over the term of the lease.

For the fiscal year ended September 30, 2020, FWHFC recognized \$242,681 of income related to the ground leases. As of September 30, 2020, unearned ground lease revenue was \$22,964,145. Estimated income recognition related to ground leases for each of the ensuing five years through September 30, 2025 is \$242,681 per year.

#### Income taxes

FWHFC is exempt from federal income tax, state franchise taxes and local sales taxes, and ad valorem taxes.

#### Due to City

##### Villas of Eastwood

On April 9, 2002, the City Council authorized a zero interest financial assistance agreement for \$615,000 with FWHFC to fill the gap of a shortfall in funding for the Villas of Eastwood Terrace, a 160-unit low and moderate income senior housing complex developed by the FWHFC. The owner of the project was Villas of Eastwood Terrace, LLC, a sole asset entity created by the FWHFC for the project. As part of the financing for the project, FWHFC issued \$9,660,000 of tax exempt multifamily revenue bonds, the proceeds of which funded a HUD-insured loan to the Villas of Eastwood Terrace, LLC for the project. FWHFC executed a Promissory Note for the \$615,000 in favor of City which matures on or after August 1, 2043, the maturity date of the HUD-insured loan. The project was sold in 2013 to a purchaser that assumed the HUD-insured loan, and the Villas of Eastwood Terrace, LLC was released by HUD from all liability. The purchaser has subsequently refinanced and paid off the HUD loan which in turn caused the bonds to be paid off. The Villas of Eastwood Terrace, LLC is still in existence and receives income from the mineral rights which it retained in the sale of the project. The matter of the loan will need to be considered by the City, and it is anticipated that such consideration will occur in 2021.

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

#### **CDBG Funds**

The City receives Community Development Block Grant ("CDBG") funds from HUD. The purpose of the grant funds is to benefit low and moderate income individuals and families. FWHFC entered into a CDBG contract with the City for a maximum amount of \$2,200,000 of the City's CDBG funds in the form of a no interest deferred forgivable loan. The funds were used to purchase the land for the Ariston, a proposed mixed income multifamily project in downtown Fort Worth. The CDBG contract and the loan documents require that the project must meet a CDBG National Objective and fulfill the CDBG Requirements described in the contract for a 20-year Performance Period, after which the loan would be forgiven. The FWHFC considered various development projects for affordable housing to meet the CDBG Requirements and the National Objective but the various proposals were all financially infeasible. On August 27, 2019 the FWHFC Board of Directors approved the sale of the land for \$2,852,000. The land was sold to SCP FW First St Land LLC on February 20, 2020 for \$2,852,000. The net sales proceeds of \$676,191.65 after the payment of the CDBG loan of \$2,155,432, other closing costs of \$13,876.40 and appraisal fees of \$6,500 was returned to the City as CDBG program income and is included in transfers out on the accompanying statement of activities. As of September 30, 2020 the total amount of the loan considered payable was \$0.

#### **Note 3 - Fund balance and net position**

Net position is presented on the Statement of Net Position. The net position represents the difference between (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through resolutions or policies adopted by the FWHFC's Board of Directors or through external restrictions imposed by creditors, granters, laws, or other governmental regulations. Net investment in capital assets represents capital assets less related loans outstanding at year-end.

Fund Balance is presented on the Balance Sheet for the General Fund. The components of fund balance include the following line items: (a) nonspendable fund balance, (b) restricted fund balance, committed fund balance, (d) assigned fund balance and (e) unassigned fund balance. For further explanation of each fund balance component, please see the following:

- a) Nonspendable fund balance (inherently nonspendable) include the:
  - A portion of net resources that cannot be spent because of their form.
  - A portion of net resources that cannot be spent because they must be maintained intact.
- b) Restricted fund balance (externally enforceable limitations on use) includes amounts subject to:
  - Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments.
  - Limitations imposed by law through constitutional provision or enabling legislation.
- c) Committed fund balance (self-imposed limitations set in place before the end of the period) includes:
  - The limitation imposed at the highest level of decision making that requires formal action
- d) Assigned fund balance (limitation resulting from intended use) consists of amounts where the:
  - Intended use is established by the body designated for that purpose.
  - Intended use is established by official designated for that purpose.

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

e) Unassigned fund balance (residual net resources) is the:

- Total fund balance in the General Fund in excess of nonspendable, restricted, committed, and assigned fund balance.

#### Receivables

Receivables are reported net of amounts not expected to be collected within one year of the reporting date. As of September 30, 2020, FWHFC had an allowance for uncollected accounts of \$615,000 for loans due at year-end. This amount includes Receivables of \$615,000 related to Villas of Eastwood Terrace, LLC.

#### Revenue Recognition

In the Statement of Activities, revenues are recognized in essentially the same manner as used in commercial accounting. Revenues relating to FWHFC's operating activities, including developer fee income, ground lease income, interest income and other sources of revenues are recognized in the accounting period in which they are earned.

In the statement of Revenues, Expenditures, and Changes in Fund Balance, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures in the current fiscal period. Revenue from Use of Money and Property, Developer Contribution, Program Income, Investment Income and Gas Lease Royalties are recognized when cash is received. Unavailable Revenues represent amounts for revenues that are not considered to be available to liquidate liabilities in the current period.

#### Significant Commitments

On October 22, 2019 the Board of Directors approved setting aside \$5,000,000 of FWHFC's funds for the development of permanent supportive housing for the chronically homeless in Fort Worth. These funds are available to any developer for permanent supportive housing (PSH) within the City of Fort Worth.

To date, there have been two commitments of the PSH set-aside funds:

1. On October 22, 2019, FWHFC Board authorized the use of up to \$1,250,000 of the PSH set-aside specifically for the development of permanent supportive housing for the purpose of supporting 50 units of permanent supportive housing developed through the Choice Neighborhoods Implementation ("CNI") Grant from the U.S. Department of Housing Urban Development ("HUD") and for the implementation of Stop Six Neighborhood Transformation Plan. To date, no funds have been dispersed.
2. On February 4, 2020, FWHFC authorized a forgivable loan of \$1,200,000 to New Leaf Community Services for the development of Quail Trail Apartments, a 48-units permanent supportive housing development. Closing occurred on July 30, 2020 and the FWHFC entered into a loan agreement for \$1,200,000. As of September 30, 2020, FWHFC disbursed \$8,137.

On October 22, 2019, the FWHFC Board also authorized the use of \$1,250,000 of existing fund balance (not PSH set-aside funds) for the purpose of permanent, low-interest loans for financing housing developments that are a part of the CNI initiative and the implementation of the Stop Six Neighborhood Transportation Plan

FWHFC made three loans in a prior year to affordable multifamily housing developments, a loan of \$700,000 to Columbia Renaissance Square I, LP, a loan of \$750,000 to Mistletoe Station, LLC and

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

a loan of \$700,000 to Columbia Renaissance Square II, L.P. Of these loans \$0, \$0, and \$300,000 respectively remain committed as of September 30, 2020.

#### Subsequent Events

Events that occur after the statement of net position date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Except as noted below, Management evaluated the activity of FWHFC through December 8, 2020 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred, except as noted, that would require recognition in the financial statements or disclosures in the financial statements.

#### HOME Funds

As a participant in the HOME program, the City must contribute or match no less than 25 cents for each dollar of HOME funds spent on affordable housing. For the fiscal year ended September 30, 2020, FWHFC contributed \$157,017 to the City for the City's HOME Match obligation. This payment is included on the accompanying statement of activities under HOME Match.

#### Services Received from City

FWHFC has no employees. All required functions are performed by City staff. During the fiscal year ending September 30, 2020, FWHFC paid \$458,839 to the City for the staff-related services it received during this fiscal year. This amount represents salary and fringe benefits of City staff who are involved in FWHFC projects and Indirect Expenses. This payment is included in the accompanying statement of activities under Transfers out - to the City of Fort Worth.

#### Note 4 - Developer fees

FWHFC has entered into development agreements with the LPs for payment for its services in overseeing development of various projects through completion. Payment of the agreed upon developer fees will be made from project development sources and net cash flows, as defined in the project agreements.

A summary of developer fee activity for the year ended September 30, 2020 is as follows:

| Development entity fee | Total<br>developer fee | Receivable at<br>September 30,<br>2019 | Earned in<br>FY20 | Payments<br>received in<br>FY20 | Receivable at<br>September 30,<br>2020 |
|------------------------|------------------------|----------------------------------------|-------------------|---------------------------------|----------------------------------------|
| Decatur Angle          | \$ 908,332             | \$ 562,906                             | \$ -              | \$ (39,833)                     | 523,073                                |
| Enclave at Westport    | 740,141                | -                                      | -                 | -                               | -                                      |
| Mercantile Apartments  | 1,768,200              | 1,453,200                              | -                 | (736,728)                       | 716,472                                |
| Race Street            | 175,000                | 22,308                                 | -                 | -                               | 22,308                                 |
| Terrell Homes          | 1,218,600              | 271,606                                | -                 | (61,242)                        | 210,364                                |
| Reserve at Quebec      | 996,730                | 690,724                                | -                 | (265,875)                       | 424,849                                |
| The Broadmoor          | 1,802,500              | 1,676,973                              | -                 | (555,585)                       | 1,121,388                              |
| Enclave Park           | 742,259                | -                                      | 37,113            | (37,113)                        | -                                      |
| Riverside Senior       | 1,685,250              | -                                      | -                 | -                               | -                                      |
|                        | <u>10,037,012</u>      | <u>4,677,717</u>                       | <u>37,113</u>     | <u>(1,696,376)</u>              | <u>3,018,454</u>                       |

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

| <u>Development interest</u>          | <u>Total<br/>developer fee</u> | <u>Receivable at<br/>September 30,<br/>2019</u> | <u>Earned in<br/>FY20</u> | <u>Payments<br/>received in<br/>FY20</u> | <u>Receivable at<br/>September 30,<br/>2020</u> |
|--------------------------------------|--------------------------------|-------------------------------------------------|---------------------------|------------------------------------------|-------------------------------------------------|
| Terrell Homes                        |                                | 103,505                                         | \$ 18,050                 | \$ -                                     | \$ 121,555                                      |
| Decatur Angle                        |                                | 39,686                                          | 12,420                    | -                                        | 52,106                                          |
| Enclave at Westport                  |                                | -                                               | -                         | -                                        | -                                               |
| The Broadmoor                        |                                | 239,469                                         | 176,170                   | -                                        | 415,639                                         |
| Mercantile Apartments                |                                | 224,516                                         | 134,006                   | -                                        | 358,522                                         |
| Enclave Park                         |                                | 59,339                                          | 41,474                    | -                                        | 100,813                                         |
|                                      |                                | <u>666,515</u>                                  | <u>382,120</u>            | <u>-</u>                                 | <u>1,048,635</u>                                |
| Total developer fees<br>and interest | <u>\$ 10,037,012</u>           | <u>\$ 5,344,232</u>                             | <u>\$ 419,233</u>         | <u>\$ (1,696,376)</u>                    | <u>\$ 4,067,089</u>                             |

#### Note 5 - Notes receivable

##### Villas of Eastwood note receivable

FWHFC has a note receivable with the Villas of Eastwood Terrace, LLC for the Villas of Eastwood Terrace, a low income senior housing project, for \$615,000. FWHFC cannot reasonably estimate when or if the note will be repaid, therefore an allowance for the outstanding balance is maintained during the note's term. As of September 30, 2020, the balance of the note receivable and the related allowance was \$0. As mentioned in Note 3, this amount is fully reserved and not expected to be collected within one year of the reporting date. No payments were received on this note during the fiscal year.

##### Columbia note receivable

On June 21, 2016, FWHFC made a loan of \$700,000 to Columbia Renaissance Square I, L.P. for an affordable multifamily tax credit project. The loan accrues interest at one percent (1%) percent per annum with payments of principal and interest from net cash flow commencing twelve (12) months after project stabilization, as defined in the loan documents. The loan matures fifteen (15) years after project stabilization. The date of project stabilization was August 31, 2018. Loan payments commenced during the fiscal year. FWHFC earned interest of \$6,799 during the fiscal year. As of September 30, 2020, principal of \$695,777 and interest of \$6,799 remains receivable.

##### Mistletoe Station note receivable

On August 30, 2018, FWHFC made a loan of \$750,000 to Mistletoe Station, LLC for a mixed income multifamily tax credit project. The loan accrues interest at the greater of four and a half (4.5%) or the interest rate charged by the construction lender during the term of the project's construction loan, and the interest is due and payable in quarterly installments the during construction period. Interest accrues at the rate of two percent (2%) after the date of conversion as described in the loan documents and annual loan payments from net cash flow commence on June 30 after conversion. The loan matures fifteen (15) years and six (6) months after the maturity of the senior loan to the project. FWHFC disbursed \$700,000 in 2018 and the balance of \$50,000 during the current fiscal year. FWHFC earned interest of \$32,812 during the fiscal year. As of September 30, 2020, principal of \$750,000 and interest of \$8,626 remains receivable.

##### Columbia Phase II note receivable

On September 25, 2019, FWHFC made a loan of \$700,000 to Columbia Renaissance Square II, L.P. for a mixed income senior multifamily tax credit project. Interest accrues at the same rate as the first lien construction loan on the project and at the rate of two percent (2%) beginning at project stabilization as described in the loan documents. Interest is paid quarterly during the construction

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

period. Principal and interest are payable in equal annual installments from net cash flow beginning twelve (12) months after project stabilization. The loan matures fifteen (15) years after project stabilization, but no later than sixty (60) days after the maturity date of the senior indebtedness. FWHFC disbursed \$400,000 in 2019. FWHFC earned interest of \$15,642 during the fiscal year. As of September 30, 2020, principal of \$400,000 and interest of \$7,663 remains receivable.

#### **Note 6 - Enclave at Westport lawsuit**

During the year ended September 30, 2019, FWHFC was named as a defendant in a lawsuit against Centurion Stone of DFW, LLC, and owner entities associated with the Enclave at Westport project, including Enclave Westport GP, LLC. The plaintiff asserted injury due to alleged faulty installation of brick-work at the project. The plaintiff is seeking monetary relief in excess of \$100,000 but less than \$200,000. As of the report date, the lawsuit is ongoing and handled by legal counsel hired by the insurance company for Enclave Westport, LP; Galloway, Johnson, Tompkins, Burr & Smith. The parties reached an agreement under Rule 11 of the Texas Rules of Civil Procedure to dismiss all entities from the lawsuit except Enclave Westport, LP, the partnership, which will include the dismissal of Enclave Westport GP, LLC. Although an order of dismissal has not yet been signed, FWHFC expects it to occur and believes the Rule 11 agreement to be enforceable.

#### **Terrell Homes Ltd. (Year Ended December 31, 2019)**

##### **Note 1 - General**

Terrell Homes Ltd. (the "Partnership"), a Texas limited partnership, was formed on December 9, 2011, to construct, develop and operate 54 single-family houses, known as Terrell Homes I (the "Project") in Fort Worth, Texas. The Project is rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits ("Tax Credits") as provided for in Internal Revenue Code Section 42.

The general partner is Terrell Homes GP, LLC (the "General Partner"). The limited partners are RBC Tax Credit Manager II, Inc. (the "Special Limited Partner"), Rodney Simon (the "Class A Limited Partner"), and RBC Tax Credit Equity National Fund-15, L.P. (the "Limited Partner"). The Partnership will operate until December 31, 2068, or until its earlier dissolution or termination.

Profits, losses, and Tax Credits are allocated in accordance with the Amended and Restated Limited Partnership Agreement, dated December 9, 2011 (the "Partnership Agreement"). Profits and losses from operations and Tax Credits in any one year are allocated 99.98% to the Limited Partner, 0.001% to the Special Limited Partner, 0.009% to the Class A Limited Partner and 0.01% to the General Partner, with certain exceptions, as defined in the Partnership Agreement.

Pursuant to the Partnership Agreement, the Limited Partner is required to make capital contributions to the Partnership totaling \$9,405,000, which was adjusted to \$8,219,112 based on the amount and timing of the availability of Tax Credits as defined in the Partnership Agreement. As of December 31, 2019, the Limited Partner had provided cumulative capital contributions totaling \$8,219,112, and capital contributions of \$0 were outstanding.

The major activities of the Partnership are governed by the Limited Partnership Agreement and Internal Revenue Code Section 42. Each building of the Project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. Each building of the Project must meet the provisions of these regulations during each of 15 consecutive years in order to continue to qualify to receive the tax credits. Failure to comply with occupant

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken low-income housing tax credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the Limited Partners. In addition, the Partnership has executed an extended use regulatory agreement and declaration of restrictive covenants which requires the utilization of the Project pursuant to Section 42 for a minimum of 40 years, even if the Partnership disposes of the Project.

#### Note 2 - Summary of significant accounting policies and nature of operations

##### Accounting method

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized as earned and expenses as incurred, regardless of the timing of payments.

##### Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in financial statements and accompanying notes. Actual results could differ from those estimates.

##### Tenant receivable

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method is used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

##### Rental income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases.

##### Advertising

The Partnership expenses all advertising costs as they are incurred.

##### Rental property

Rental property is recorded at cost. Depreciation of rental property is computed primarily using the following methods and estimated useful lives:

|                                    | <u>Method</u> | <u>Estimated useful</u> |
|------------------------------------|---------------|-------------------------|
| Buildings and improvements         | Straight-line | 40 years                |
| Land improvements                  | Straight-line | 15 years                |
| Furniture, fixtures, and equipment | Straight-line | 5 years                 |

##### Impairment of long-lived assets

The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is



## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended December 31, 2019.

#### **Concentration of credit risk**

The Partnership maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts. The Partnership believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### **Debt issuance costs**

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgages and notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on loan

#### **Tax credit fees**

Costs of \$64,269 related to obtaining low-income housing tax credits are amortized over the mandatory 15-year compliance period. Amortization expense incurred during the year ended December 31, 2019 was \$4,285. Accumulated amortization as of December 31, 2019 was \$31,243.

Estimated amortization expense for each of the five ensuing years through December 31, 2024 is \$4,285 per year.

#### **Income taxes**

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2017 remain open.

#### **Ground lease**

The Partnership accounts for its ground lease as an operating lease and records expense based on the average minimum yearly base lease accrual calculated over the term of the lease. The ground lease accrues at varying amounts over time

#### **Reclassifications**

Reclassifications have been made to the prior year balances to conform to the current year presentation.

#### **Change in accounting principles**

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18 *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (Deposits held in trust) when reconciling beginning and ending balances in its statement of cash flows. The update also

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended December 31, 2019. The adoption of the ASU resulted in a clarification concerning accounts previously described under the heading restricted cash on the balance sheet in previous reporting periods.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). Effective January 2019, the Partnership adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the Partnership's contracts with customers. No practical expedients were applied. The majority of the Partnership's revenue is derived from leases with tenants of the property generally for terms of one year or less, which are accounted for in accordance with *Leases (Topic 840)*. Therefore, adoption of ASU 2014-09 had no impact on the recognition of rental revenue of the property during the periods presented or on the opening balances of partners' equity (deficit) as of January 1, 2019.

#### Note 3 - Rental Property

Rental property is comprised of the following at December 31, 2019:

|                                    |    |                    |
|------------------------------------|----|--------------------|
| Land improvements                  | \$ | 1,049,815          |
| Buildings and improvements         |    | 8,138,538          |
| Furniture, fixtures, and equipment |    | 604,684            |
| Total fixed assets                 |    | <u>9,793,037</u>   |
| Less: Accumulated depreciation     |    | <u>(2,891,965)</u> |
| Fixed assets, net                  | \$ | <u>6,901,072</u>   |

#### Note 4 - Restricted deposits and funded reserves

Pursuant to the Partnership Agreement and other agreements, the Partnership is required to deposit funds to establish reserve accounts.

##### Reserve for replacements

The Partnership is required to make monthly deposits to a reserve for replacements account for use in funding maintenance and replacement costs. Monthly payments are required based on a total amount of \$300 per unit per year, or \$16,200 annually, beginning at the conversion of the Project Loan to their permanent phase, increasing by 3.0 percent per year.

##### Operating reserve

The Partnership is required to establish an operating reserve in the amount of \$215,000. The reserve shall be established on or before the payment of the third capital contribution, as defined in the partnership agreement. Funds shall be used to meet operating expenses and debt service obligations. Withdrawals from the reserve are subject to approval by the Special Limited Partner.

##### Insurance escrow

The Partnership established and maintains an insurance escrow.

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

The restricted deposits and funded reserves as of December 31, 2019 are as follows:

|                            | Security<br>deposits | Insurance<br>escrow | Operating<br>reserve | Replacement<br>reserve | Total<br>restricted cash |
|----------------------------|----------------------|---------------------|----------------------|------------------------|--------------------------|
| Balance, December 31, 2018 | \$ 17,250            | \$ 29,717           | \$ 221,499           | \$ 7,168               | \$ 275,634               |
| Plus: Deposits             | 950                  | 39,547              | 333                  | 21,250                 | 62,080                   |
| Less: Withdrawals          | -                    | (35,199)            | -                    | (21,217)               | (56,416)                 |
| Balance, December 31, 2019 | <u>\$ 18,200</u>     | <u>\$ 34,065</u>    | <u>\$ 221,832</u>    | <u>\$ 7,201</u>        | <u>\$ 281,298</u>        |

#### Note 5 - Mortgages and notes payable

##### Permanent loan

On June 2, 2014, the Partnership obtained permanent financing (the "Permanent Loan") of \$2,000,000 for the Project from Comerica Bank. The Permanent Loan bears interest at a fixed rate of 7% and is secured by a deed of trust on the Project. The Permanent Loan requires monthly payments of principal and interest of \$13,306 based on a thirty-year amortization period and matures on June 2, 2029, at which time the entire unpaid principal balance and accrued interest will become due and payable.

##### City of Fort Worth

The Partnership entered into a loan agreement with the City of Fort Worth ("CFW") for \$900,000 of HOME funds (the "City Loan") to be used for the construction of the Project. The City Loan matures on June 21, 2031 and is payable from available Cash Flow. The City Loan is secured by a deed of trust on the Project. The City Loan bears interest at a fixed rate of 1.0% per annum.

Mortgages payable and related activity as of and for the year ended December 31, 2019 consists of the following:

|                                                                  | December 31, 2019   |                   |                     |
|------------------------------------------------------------------|---------------------|-------------------|---------------------|
|                                                                  | Comerica            | CFW               | Total               |
| Principal balance, December 31, 2019                             | \$ 1,884,884        | \$ 900,000        | \$ 2,784,884        |
| Unamortized debt issuance costs                                  | (40,911)            | -                 | (40,911)            |
| Mortgages payable, net of unamortized debt issuance costs        | <u>\$ 1,843,973</u> | <u>\$ 900,000</u> | <u>\$ 2,743,973</u> |
| Accrued interest                                                 | <u>\$ -</u>         | <u>\$ 74,426</u>  | <u>\$ 74,426</u>    |
| Interest expense per note agreement                              | \$ 134,330          | \$ 9,000          | \$ 143,330          |
| Amortization of debt issuance costs reported as interest expense | 1,670               | -                 | 1,670               |
| Total interest expense                                           | <u>\$ 136,000</u>   | <u>\$ 9,000</u>   | <u>\$ 145,000</u>   |
| Effective interest rate                                          | <u>7.22%</u>        | <u>1.00%</u>      |                     |

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

Future minimum principal payments over each of the next five years and thereafter are due as follows:

|                           |                  |                  |                  |
|---------------------------|------------------|------------------|------------------|
| 2020                      | \$ 28,634        | \$ 131,039       | \$ 159,673       |
| 2021                      | 30,704           | 128,969          | 159,673          |
| 2022                      | 32,923           | 126,749          | 159,672          |
| 2023                      | 35,303           | 124,369          | 159,672          |
| 2024                      | 37,855           | 121,817          | 159,672          |
| 2025-2029                 | 1,719,465        | 520,147          | 2,239,612        |
| <br>Total                 | <br>\$ 1,884,884 | <br>\$ 1,153,090 | <br>\$ 3,037,974 |
| Less current maturities   | (28,634)         |                  |                  |
| <br>Net long-term portion | <br>\$ 1,856,250 |                  |                  |

#### Note 6 - Related party transactions

##### Development fee payable

Pursuant to the Development Agreement, NRP Holdings, LLC (non-related party), the Class A Limited Partner, and FWHFC, the sole member of the General Partner, earned \$1,374,000 (the "Development Fee") for development services rendered in connection with the construction and development of the Project. NRP Holdings, the Class A Limited Partner and FWHFC were allocated \$135,400, \$20,000, and \$1,218,600 of the Development Fee, respectively. Payments on the Development Fee are made from Net Cash Flow, as defined in the Partnership Agreement. Interest accrues on the unpaid Development Fee at 8.00% per annum. As of December 31, 2019, Development Fee principal of \$233,738 remained payable. Interest expense incurred for the year ended December 31, 2019 was \$24,142. Accrued development fee interest as of December 31, 2019 was \$121,041.

##### Operating deficit guaranty

Pursuant to the Partnership Agreement, if at any time during the period commencing on the stabilization date and ending the fifth anniversary of the stabilization date, an operating deficit exists, the General Partner is obligated to provide funds to the Partnership as necessary to pay such operating deficits, provided, however, that the General Partner is not obligated to fund operating deficits in excess of \$230,000 in the aggregate. Operating deficit loans are unsecured, non-interest bearing will only be repaid from the Project's cash flows, and are fully subordinated to other Partnership debt.

##### Asset management fee

Pursuant to the Partnership Agreement, the Special Limited Partner is entitled to an annual asset management fee of \$10,000 for the annual review of the operations of the Partnership and Project. The fee is to be an operational expense of the Partnership, paid quarterly and accrues if unpaid. Asset management fee incurred for each of the year ended December 31, 2019 was \$10,000. As of December 31, 2019, no amounts remain payable.

##### Partnership management fees

Pursuant to the Partnership Agreement, the General Partner is entitled to an annual partnership management fee of \$5,000 beginning in the year the Partnership achieves breakeven, as defined in the Partnership Agreement. The Partnership management fee is payable from the Project's

## Fort Worth Housing Finance Corporation

### Notes to Financial Statements September 30, 2020

available Cash Flow. As of December 31, 2019, no partnership management fees have been earned or remain payable.

#### **Incentive management fee**

Pursuant to the Partnership Agreement, the General Partner is entitled to an annual, noncumulative incentive management fee payable from Cash Flow from operations, as defined in the Partnership Agreement. For the year ended December 31, 2019, no incentive management fee was incurred.

#### **Note 7 - Property management fees**

Pursuant to the property management agreement, NRP Management, LLC (the Manager) receives a monthly property management fee equal to the greater of 5% of gross receipts or \$35 per unit but, in no event less than \$2,450. The Manager is also entitled to an administrative fee of \$300 per unit per month but only to the extent of available Cash Flow. The property management fee and administrative fee shall be increased each year by an amount equal to the yearly increase of the consumer price index. Property management fees incurred and paid for the year ended December 31, 2019 was \$31,930.

#### **Note 8 - Ground lease**

In December 2011, the Partnership entered into a 99-year ground lease agreement (the "Ground Lease") with FWHFC. The Partnership is bound by the responsibilities and obligations in the Ground Lease. In December 2011, the Partnership prepaid \$560,000 for the initial 15 years of rent under the Ground Lease. The annual rent on the Ground lease is \$100. During 2012, the Partnership incurred \$35,940 of costs in connection with the Ground Lease that was capitalized and included in the prepaid ground lease in the accompanying balance sheet. For the year ended December 31, 2019, the Partnership incurred ground lease expense of \$6,020 and is included in amortization expense on the accompanying statement of operations. As of December 31, 2019, the prepaid ground lease was \$552,047.

#### **Note 9 - Economic concentration**

The Partnership operates the property located in Fort Worth, Texas. Future operations could be affected by the changes in economic or other conditions in the geographical area or by changes to the federal low-income housing subsidies or the demand for such housing.

#### **Note 10 - Low-income housing tax credits (unaudited)**

The Partnership was allocated low-income housing tax credits by the Texas Department of Housing and Community Services amounting to \$10,027,580. As of December 31, 2019, \$7,187,088 and of the tax credits has been utilized by the partners, respectively.

**Fort Worth Housing Finance Corporation**

**Notes to Financial Statements  
September 30, 2020**

The expected availability of the remaining tax credits is as follows:

| <u>Year</u>   | <u>Amount</u>       |
|---------------|---------------------|
| 2020          | \$ 1,002,758        |
| 2021          | 1,002,758           |
| 2022          | 1,002,758           |
| 2023          | 1,002,758           |
| 2024          | <u>834,976</u>      |
| Total         | <u>\$ 4,846,008</u> |
| Total credits | \$ 10,027,580       |
| Less claimed  | <u>(7,187,088)</u>  |
| Remaining     | <u>\$ 2,840,492</u> |

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards*

To the Board of Directors  
Fort Worth Housing Finance Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fort Worth Housing Finance Corporation, which comprise the balance sheet/statement of net position as of September 30, 2020, and the related statement of revenues, expenditures, and changes in fund balance/statement of activities for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fort Worth Housing Finance Corporation's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fort Worth Housing Finance Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fort Worth Housing Finance Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Fort Worth Housing Finance Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CohnReznick LLP*

Austin, Texas  
December 8, 2020





**Independent Member of Nexia International**

**[cohnreznick.com](http://cohnreznick.com)**

**RESOLUTION NO. FWHFC-2021-**

**FORT WORTH HOUSING FINANCE CORPORATION**

**RESOLUTION APPROVING ACTIONS RELATED TO THE REFINANCE OF  
PERMANENT FINANCING BY RESERVE AT QUEBEC, LLC RELATED TO  
THE RESERVE AT QUEBEC APARTMENTS**

**WHEREAS**, the City Council of the City of Fort Worth (the “**City**”) created the Fort Worth Housing Finance Corporation (the “**Corporation**”) in 1979 pursuant to the Texas Housing Finance Corporation Act to facilitate the development of decent, safe quality, affordable, and accessible housing for low and moderate income City residents through lending and construction activities;

**WHEREAS**, on January 6, 2015 the Board of the Corporation approved certain agreements with MV Residential Development, LLC (“**MV**”), an affiliate of the Miller-Valentine Group, for the development of a **296**-unit mixed income multifamily rental project located at 6655 Calgary Lane, Fort Worth, Tarrant County, Texas known as “Reserve at Quebec” (the “**Project**”);

**WHEREAS**, MV formed Reserve at Quebec, LLC, a Texas limited liability company (the “**Company**”), to construct, own and manage the project and to be the borrower on the loans, and the Board of the **Corporation** approved the creation of Reserve at Quebec GP, LLC (“**GP LLC**”), and authorized it to act as Managing Member of the **Company**;

**WHEREAS**, in February 2016, **Corporation** and **Company** entered into a ground lease pertaining to the lease of the tract of land on which the **Project** would be developed (“**Ground Lease**”);

**WHEREAS**, the Project was financed using multiple funding sources, including the following loans to the Company: a **221(d)(4)** loan from Dougherty Mortgage LLC, a Delaware limited liability company, and insured by the United States Department of Housing and Urban Development (“**HUD**”) in the approximate principal amount of **\$26,850,000.00** (the “**HUD Loan**”) and HOME loans from the City of Fort Worth in the amounts of **\$1,500,000.00** and **\$2,000,000.00**;

**WHEREAS**, in July 2017, construction was complete and the **Project** opened to the public and has been in operation since that time;

**WHEREAS**, in approximately May 2020, Bellwether Enterprise Real Estate Capital, LLC, a Delaware limited liability Company, (“**Lender**”) began discussions with **MV** regarding the advantages to the **Company** of refinancing the **HUD Loan**, and it was determined that if the **HUD Loan** were refinanced there would be significant cost savings;

**WHEREAS**, **Company** desires to obtain a loan in the approximate principal amount of Twenty-Five Million Ten Thousand and No/100 Dollars (\$25,010,000.00)

from **Lender**, to be insured by **HUD** pursuant to Section 223(a)(7) of the National Housing Act, as amended, to finance all of the costs of refinancing the existing indebtedness on the Project (“**Refinance Loan**”);

**WHEREAS**, **HUD** requires as part of the **Refinance Loan** that the **Ground Lease** be amended to bring the terms into alignment with the current **HUD**-approved language;

**WHEREAS**, the changes to the **Ground Lease** do not impact the material terms such as term, payment, remedies, or the rights and obligations of each party;

**WHEREAS**, the Board of the Corporation adopts the following Resolutions, acting on its own behalf and on behalf of the **GP, LLC** as Managing Member of the **Company**:

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FORT WORTH HOUSING FINANCE CORPORATION:**

1. THAT the Board approves the **Company’s** application for a 223(a)(7) loan from **Lender** and insured by **HUD** in the approximate principal amount of **\$25,010,000.00** for the **Project**, and approves the delivery and execution of all loan documents required by **Lender** and/or **HUD** as the **Corporation**, acting by and through the representatives authorized in Paragraph 2 and acting on behalf of **GP, LLC** as Managing Member of the **Company**, may deem advisable, necessary or required for the consummation of the **Refinance Loan** for the **Project** (“**Refinance Loan Documents**”), and that the **Refinance Loan Documents** in each and every respect are approved and authorized.
2. THAT Fernando Costa, as the General Manager of **Corporation**, and Victor Turner, as the Assistant General Manager of **Corporation**, be, and are each hereby, authorized, empowered and directed to execute the **Refinance Loan Documents** on behalf of the **Corporation**, as the sole member of **GP, LLC** as Managing Member of **Company**, and to perform all acts and do all things which they each may deem necessary or desirable to complete the transaction contemplated herein with such assignments, certificates and other agreements, instruments or documents as they, in their sole discretion, may deem advisable, necessary or required.
3. THAT Fernando Costa, as General Manager of **Corporation** and Victor Turner, as the Assistant General Manager of **Corporation**, be, and are each hereby, authorized, empowered and directed to certify and attest any documents which such officer/manager may deem necessary or appropriate to complete the transaction contemplated herein on behalf of the **Corporation**, as the sole member of **GP, LLC** as Managing Member of **Company**; but such certification or attestation shall not be required for the validity of the particular document; and

4. THAT any and all transactions necessary for the completion of the **Refinance Loan** by any of the managers, members, officers or representatives of **Company**, with any person or entity, including but not limited to **Lender**, prior to the adoption of the foregoing resolutions, including, but not limited to, the negotiation and execution of the **Refinance Loan Documents**, including any amendment to the existing **Ground Lease** in accordance with **HUD** requirements, be, and they are hereby, ratified, confirmed and approved in all respects for all purposes; and
5. THAT the foregoing powers and authorizations shall continue in full force and effect until written notice of revocation has been given to **Lender** and its receipt obtained therefor.
8. THAT these Resolutions take effect from the date of their adoption.

**AND IT IS SO RESOLVED.**

Adopted January 26, 2021.

**FORT WORTH HOUSING FINANCE CORPORATION**

By:

\_\_\_\_\_  
Kelly Allen Gray, President