

STRATEGIC HOUSING
FINANCE CORPORATION

of TRAVIS COUNTY

SHFC Action Item V.C
September 24, 2019

Resolution No. SHFC-2019-16: To Approve amendments to Funding Loan Agreement related to Multi-Family Mortgage Note Series 2013 (**The Paddock at Norwood Apartments**); Authorize the execution of such agreement; and Authorize the execution and delivery of an Amendment to Funding Loan Agreement and containing other provisions relating to the subject

Background Information:

Paddock at Norwood Apartments closed June 19th 2013. The Lender (CitiBank, NA) know desires to place this loan in a funding pool to be controlled by them. The Funding Loan Agreement must be modified to order for this transfer to that place. No other terms and conditions of the previously approved transaction with occur. Staff is requesting that this amendment to the Funding Loan Agreement be approved by the Board.

Requested Action:

Consider the appropriate action regarding **Resolution No. SHFC-2019-16:** To Approve amendments to Funding Loan Agreement related to Multi-Family Mortgage Note Series 2013 (**The Paddock at Norwood Apartments**); Authorize the execution of such agreement; and Authorize the execution and delivery of an Amendment to Funding Loan Agreement and containing other provisions relating to the subject.

Alternate Option:

The Board of Directors could elect to Not approve the following Resolution:

- Resolution No. SHFC-2019-16

Fiscal Impact:

No Fiscal Impact is anticipated with this request.

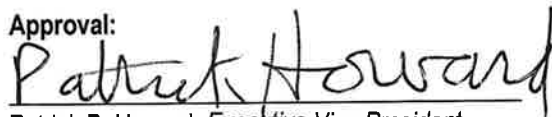
Attachments:

- A. Request Letter Form CitiBank, N.A.
- B. Amendment to Funding Loan Agreement

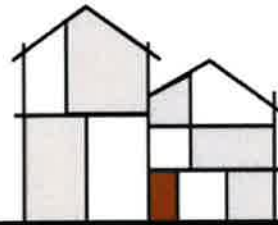
Prepared by:

Robert Onion – *Director of Real Estate Development*

Approval:



Patrick B. Howard, *Executive Vice President*



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WHEREAS, Strategic Housing Finance Corporation of Travis County (the "Issuer") has been duly created and organized pursuant to and in accordance with the provisions of the Texas Housing Finance Corporations Act, as amended, Texas Local Government Code, Chapter 394 (the "Act"), for the purpose of providing a means of financing the costs of residential ownership and development that will provide decent, safe and sanitary housing for persons of low and moderate income at prices or rentals they can afford; and

WHEREAS, the Act authorizes the Issuer: (a) to make loans to any person to provide financing for residential rental developments located within Travis County, Texas (the "County"), and intended to be occupied in part or in whole by persons of low and moderate income; (b) to borrow funds for the purpose of obtaining moneys to make such loans and provide such financing, to establish necessary reserve funds and to pay administrative costs and other costs incurred in connection with any such borrowing by the Issuer; and (c) to pledge all or any part of the revenues, receipts or resources of the Issuer, including the revenues and receipts to be received by the Issuer from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Issuer in order to secure the repayment of any such borrowing by the Issuer; and

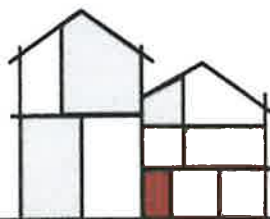
WHEREAS, the Issuer authorized the issuance, sale and delivery of its Multifamily Mortgage Revenue Note Series 2013 (The Paddock at Norwood Apartments) (the "Governmental Lender Note") pursuant to and in accordance with the terms of a Funding Loan Agreement dated as of May 1, 2013 (the "Original Funding Loan Agreement"), between the Issuer, BOKF, N.A. dba Bank of Texas, as fiscal agent (the "Fiscal Agent") and Citibank, N.A., as funding lender (the "Funding Lender"), for the purpose of lending the proceeds thereof to LDG Norwood, LP, a Texas limited partnership (the "Borrower"), to provide financing for the acquisition, construction and equipping of a multifamily rental residential development to be known as The Paddock at Norwood Apartments to be located within the County at 1044 Norwood Park Blvd., Austin, Texas 78752 (the "Project"); and

WHEREAS, the proceeds of the Governmental Lender Note were used to fund a loan in the total principal amount of \$20,000,000 to the Borrower from the Governmental Lender pursuant to that certain Borrower Loan Agreement dated as of June 1, 2013, by and between the Governmental Lender and the Borrower; and

WHEREAS, the Funding Lender is now the holder of the Governmental Lender Note; and

WHEREAS, the Funding Lender has requested and the Governmental Lender and the Fiscal Agent have agreed to make certain changes to the Original Funding Loan Agreement; and

WHEREAS, the Board and its advisors have examined proposed forms of the Amendment to Funding Loan Agreement ("Amendment") and have determined to approve the execution and delivery of the Amendment and the taking of such other actions as may be necessary or convenient.



STRATEGIC HOUSING
FINANCE CORPORATION

of TRAVIS COUNTY

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Strategic Housing Finance Corporation of Travis County that:

Section 1. Approval, Execution and Delivery of the Amendment. The form and substance of the Amendment are hereby approved; and that the President or any Vice President, the Secretary or the Director of Real Estate Development of the Issuer are each hereby authorized to execute the Amendment and to deliver the Amendment to the Funding Lender and Fiscal Agent.

Section 2. Execution and Delivery of Other Documents. The officers of the Issuer are each hereby authorized to execute, deliver, attest and affix the Issuer's seal to such other agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 3. Power to Revise Form of Documents. Notwithstanding any other provision of this Resolution, the officers of the Issuer are each hereby authorized to make or approve such revisions in the form of the documents hereby approved as, in the opinion of counsel to the Issuer, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution; and approval of such changes by the Issuer shall be indicated by such officers' execution of the documents.

Section 4. Incorporation of Preamble. The recitals in the preamble of this Resolution are true, correct and complete and that each and all of such recitals and the findings therein are hereby incorporated by reference to the same extent as if set forth here in full.

Section 5. Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

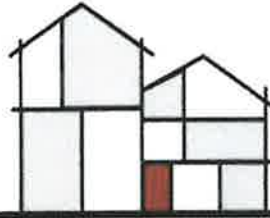
PASSED AND APPROVED this ____ day of September, 2019.



President

ATTEST:

Secretary



STRATEGIC HOUSING
FINANCE CORPORATION

of TRAVIS COUNTY

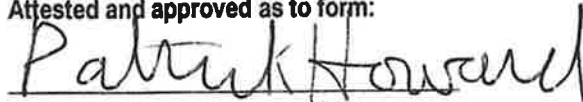
NOW, THEREFORE, BE IT FURTHER RESOLVED that the Board of Directors of the Corporation hereby:

1. Approves Resolution SHFC-2019-16,
2. Authorizes the Executive Vice President to execute all relevant policies and procedures.

Passed and approved the 24TH day of September, 2019.


Eddie Karam, *President, Board of Directors*

Attested and approved as to form:


Patrick B. Howard, *Executive Vice President*

CERTIFICATION

The above resolution, adopted by the Board of Directors of the Strategic Housing Finance Corporation of Travis County at a meeting held on the 24th day of September, 2019, is hereby certified to be a true and correct copy of an official copy thereof on file among the official records of such Corporation.

WITNESS my hand and seal of office this ____ day of September, 2019.

By: _____
Name: _____
Title: _____



September 11, 2019

Strategic Housing Finance Corporation of Travis County
502 East Highland Mall Boulevard, Suite 106-B
Austin, Texas 78752

Ladies and Gentlemen:

Citibank, N.A. ("Citi") is writing to request that the Strategic Housing Finance Corporation of Travis County execute the amendment to the Funding Loan Agreement ("FLA") relating to the following Governmental Lender Note:

Multi-Family Mortgage Revenue Note, Series 2013 (The Paddock at Norwood)

The amendment relates to Citi's plans to securitize certain portions of its affordable multifamily housing tax-exempt loan portfolio and deploy freed up capacity into the origination of new affordable multifamily housing loans. These securitizations will be executed through municipal conduit issuers, with Citi selling its loans to the municipal conduit issuers who will purchase the loans with the proceeds obtained by issuing pass-through certificates secured by the loans into the municipal market. The pass-through certificates will be rated investment grade by S&P and will be sold to investors. Citi has worked with S&P on the first such securitization and has received a BBB+ rating on the pass-through certificates.

Because the FLAs Citi executed historically did not contemplate this specific type of securitization structure, Citi has had to modify the transfer provisions of the FLAs between Citi and each respective governmental lender for the securitizations that Citi is structuring and underwriting.

Specifically, the amendments to the FLAs allow for the following:

- Transfers to (i) a governmental entity or (ii) a trust or custodial arrangement established by a governmental entity, as long as any beneficial interests that are issued and secured by the loans are either (a) rated BBB- or higher (investment grade) or (b) purchased by a QIB;
- Removing the Minimum Beneficial Ownership Amount requirement for such transfers; and
- Removing the requirement for investor letters (also referred to as transferee representations in some of the tax-exempt loan deals) for such transfers.

Citi is requesting modifications to the applicable FLAs to capture the changes described above, along with some clean-up modifications to definitions and related provisions in the FLAs for consistency. The details of those changes are in the attached form FLA amendment.

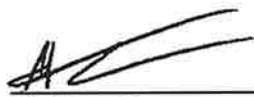
Ultimately, Citi believes that securitizing performing, well secured, seasoned, permanent loans on a pooled basis (with full disclosure documentation and investment grade ratings) will:

- create greater liquidity and reduce costs for affordable housing developments,
- ensure continued competition in the affordable housing finance market, and
- develop more affordable housing in your community.

Please let Citi know if there are any specific questions about this request or if you need any additional information.

CITIBANK, N.A.

By:

Name: 
Title: Vice President

AMENDMENT TO FUNDING LOAN AGREEMENT

by and among

CITIBANK, N.A.,
as the Funding Lender

and

STRATEGIC HOUSING FINANCE CORPORATION OF TRAVIS COUNTY,
as the Governmental Lender

and

BOKF, NA dba BANK OF TEXAS,
as the Fiscal Agent

dated as of _____, 2019

relating to:

\$20,000,000
Original Principal Amount
Strategic Housing Finance Corporation of Travis County
Multi-Family Mortgage Revenue Note
Series 2013
The Paddock at Norwood

AMENDMENT TO FUNDING LOAN AGREEMENT

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1.	Definitions	1
Section 1.2.	Interpretation	1
Section 1.3.	Titles and Headings	1

ARTICLE II

AMENDMENTS

Section 2.1.	Amendment to Article I	2
Section 2.2.	Amendments to Article II	2
Section 2.3.	Amendment to add new Exhibit B, a form of Required Transferee Representations	2

ARTICLE III

MISCELLANEOUS

Section 3.1.	Ratification of the Original Funding Loan Agreement	4
Section 3.2.	Authorization of Amendment	4
Section 3.3.	Binding Effect	4
Section 3.4.	Severability	4
Section 3.5.	Governing Law	4
Section 3.6.	Inclusion as Part of the Funding Loan Agreement	4
Section 3.7.	Governmental Lender Direction of Fiscal Agent; Approval of Funding Lender	4
Section 3.8.	Counterparts	4

AMENDMENT TO FUNDING LOAN AGREEMENT

This **AMENDMENT TO FUNDING LOAN AGREEMENT** dated as of _____, 2019 (this "**Amendment**"), by and among **CITIBANK, N.A.** (together with any successor to its rights, duties and obligations hereunder, the "**Funding Lender**"), **STRATEGIC HOUSING FINANCE CORPORATION OF TRAVIS COUNTY** (together with any successor to its rights, duties and obligations hereunder, the "**Governmental Lender**") and **BOKF, NA dba BANK OF TEXAS** (together with any successor to its rights, duties and obligations hereunder, the "**Fiscal Agent**").

A. Pursuant to the terms of that certain Funding Loan Agreement dated as of June 1, 2013 (the "**Original Funding Loan Agreement**"), the Governmental Lender issued its promissory note in the maximum principal amount of \$20,000,000 (the "**Governmental Lender Note**").

B. The proceeds of the Governmental Lender Note were used to fund a loan in the total principal amount of \$20,000,000 to LDG Norwood, LP, a Texas limited partnership (the "**Borrower**") from the Governmental Lender pursuant to that certain Borrower Loan Agreement dated as of June 1, 2013, by and between the Governmental Lender and the Borrower for the purposes described therein.

C. The Funding Lender is now the holder of the Governmental Lender Note and the Funding Lender under the Original Funding Loan Agreement.

D. The Funding Lender, the Governmental Lender and the Fiscal Agent have agreed to make certain changes to the Original Funding Loan Agreement.

For and in consideration of the mutual agreements hereinafter contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. The capitalized words and terms used in this Amendment shall have the meanings as set forth in the Original Funding Loan Agreement, unless the context or use indicates a different meaning or intent, or unless a different meaning is ascribed to them herein.

Section 1.2. Interpretation. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to included correlative words of the plural number and vice versa. This Amendment and all the terms and provisions hereof shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

Section 1.3. Titles and Headings. The title and headings of the articles and sections of this Amendment have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Amendment or any provision hereof or in ascertaining intent, if any question of intent should arise.

ARTICLE II

AMENDMENTS

Section 2.1. Amendment to Article I. Section 1.1 of the Original Funding Loan Agreement is hereby amended by (a) adding a new definition for "**Approved Transferee**":

"Approved Transferee" means (1) a "qualified institutional buyer" ("QIB") as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof (the "Securities Act") that is a financial institution or commercial bank having capital and surplus of \$5,000,000,000 or more, (2) an affiliate of the Funding Lender, (3) a trust or custodial arrangement established by the Funding Lender or one of its affiliates or any state or local government or any agency or entity which is a political subdivision of a federal, state or local government (a "Governmental Entity"), in each case (i) the beneficial interests in which will be owned only by QIBs or (ii) the beneficial interests in which will be rated in the "BBB" category or higher without regard to modifier (or the equivalent investment grade category) by at least one nationally recognized rating agency, or (4) a Governmental Entity.

(b) adding a new definition for "**Minimum Beneficial Ownership Amount**":

"Minimum Beneficial Ownership Amount" means an amount no less than fifteen percent (15%) of the outstanding principal amount of the Funding Loan.

(c) adding a new definition for "**Required Transferee Representations**":

"Required Transferee Representations" means the representations in substantially the form attached to this Funding Loan Agreement as Exhibit B.

Section 2.2. Amendments to Article II. Section 2.6(b) of the Original Funding Loan Agreement is hereby amended by deleting that subsection in its entirety and replacing it with the following:

"The Funding Lender shall have the right to sell (i) the Governmental Lender Note and the Funding Loan, or (ii) any portion of or a participation interest in the Governmental Lender Note and the Funding Loan, to the extent permitted by Section 2.6(d) below, provided that such sale shall be only to Approved Transferees that execute and deliver to the Funding Lender, with a copy to the Governmental Lender, the Required Transferee Representations; provided, however, that no Required Transferee Representations shall be required to be delivered by transferees or beneficial interest holders described in clauses (3) or (4) of the definition of "Approved Transferee."

Section 2.6(d) shall be added to the Original Funding Loan Agreement as follows:

"Notwithstanding the other provisions of this Section 2.6, no beneficial ownership interest in the Governmental Lender Note and the Funding Loan shall be sold in an amount that is less than the Minimum Beneficial Ownership Amount; provided, however, that beneficial ownership interests in the Governmental Lender Note and Funding Loan described in clause (3) of the definition of "Approved Transferee" may be sold in any amount without regard to the Minimum Beneficial Ownership Amount."

Section 2.3. Amendment to add new Exhibit B, a form of Required Transferee Representations.

Exhibit B to the Original Funding Loan Agreement shall be amended and restated as follows:

EXHIBIT B

FORM OF REQUIRED TRANSFEREE REPRESENTATIONS

_____, 20__

The undersigned, as holder (the "Holder") of the loan (the "Funding Loan") in the original amount of \$20,000,000 from CITIBANK, N.A. (the "Funding Lender") to the STRATEGIC HOUSING FINANCE CORPORATION OF TRAVIS COUNTY (the "Governmental Lender") evidenced by the Government Lender's Multi-Family Mortgage Revenue Note Series 2013 The Paddock at Norwood dated June 19, 2013 (the "Governmental Lender Note") originated under a Funding Loan Agreement dated as of June 1, 2013 (the "Funding Loan Agreement") between the Funding Lender and the Governmental Lender, hereby represents that:

1. The Holder has sufficient knowledge and experience in financial and business matters with respect to the evaluation of residential real estate developments such as the Project to be able to evaluate the risk and merits of the investment represented by the Funding Loan. We are able to bear the economic risks of such investment.

2. The Holder acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and the Holder has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Governmental Lender, [the Project] [the use of proceeds of the Funding Loan] and the Funding Loan and the security therefor so that, as a reasonable investor, the Holder has been able to make its decision to [extend/purchase] the Funding Loan [or an interest therein]. The Holder acknowledges that it has not relied upon the Governmental Lender for any information in connection with the Holder's purchase of the Funding Loan [or an interest therein].

3. The Holder is an Approved Transferee.

4. The Holder acknowledges that it is purchasing [an interest in] the Funding Loan for investment for its own account and not with a present view toward resale or the distribution thereof, in that it does not now intend to resell or otherwise dispose of all or any part of its interests in the Funding Loan; provided, however, that the Holder may sell or transfer the Governmental Lender Note and the Funding Loan as provided in Section 2.6 of the Funding Loan Agreement.

5. In the event any placement memorandum to be provided to any subsequent buyer or beneficial owner of such portion of the Funding Loan will disclose information with respect to the Governmental Lender other than its name, location and type of political subdivision and general information with respect to the Funding Loan and the Borrower Loan and the related documents, the Holder will provide the Governmental Lender with a draft of such placement memorandum and the Governmental Lender shall have the right to approve any description of the Governmental Lender therein (which approval shall not be unreasonably withheld).

6. The Holder understands that the Governmental Lender Note is a limited obligation of the Governmental Lender; payable solely from funds and moneys pledged and assigned under the Funding Loan Agreement, and that the liabilities and obligations of the Governmental Lender with respect to the Governmental Lender Note are expressly limited as set forth in the Funding Loan Agreement and related documents.

7. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Funding Loan Agreement.

ARTICLE III

MISCELLANEOUS

Section 3.1. Ratification of the Original Funding Loan Agreement. Except as supplemented and amended hereby, the Original Funding Loan Agreement is in all respects ratified and confirmed and the Original Funding Loan Agreement as so supplemented and amended hereby shall be read, taken and construed as one and the same instrument. Except insofar as herein otherwise expressly provided, all the provisions, definitions, terms and conditions of the Original Funding Loan Agreement as supplemented and amended hereby, shall be deemed to be incorporated in, and made a part of, this Amendment, and the Original Funding Loan Agreement as supplemented and amended by this Amendment and as otherwise supplemented and amended is in all respects ratified and confirmed.

Section 3.2. Authorization of Amendment. This Amendment shall be construed as having been authorized, executed and delivered under the provisions of Section 10.1 of the Original Funding Loan Agreement. The Funding Lender, the Governmental Lender and the Fiscal Agent hereby waive the provisions of Section 10.3 of the Original Funding Loan Agreement requiring the delivery of an Opinion of Counsel and a Tax Counsel No Adverse Effect Opinion in connection with the execution of this Amendment.

Section 3.3. Binding Effect. This Amendment shall inure to the benefit of and shall be binding upon the Governmental Lender, the Funding Lender, the Fiscal Agent, any Approved Transferee and their respective successors and assigns.

Section 3.4. Severability. If any provision of this Amendment shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatsoever.

Section 3.5. Governing Law. This Amendment shall be governed exclusively by and construed in accordance with the internal laws of the State applicable to contracts made and performed in the State.

Section 3.6. Inclusion as Part of the Funding Loan Agreement. This Amendment on its delivery shall be a part of the Funding Loan Agreement and all references herein to "Funding Loan Agreement" shall include reference to this Amendment as well as the Original Funding Loan Agreement.

Section 3.7. Governmental Lender Direction of Fiscal Agent; Approval of Funding Lender. By its execution of this Amendment, the Governmental Lender hereby directs the Fiscal Agent to execute this Amendment and the Funding Lender hereby approves the execution of this Amendment by the Fiscal Agent.

Section 3.8. Counterparts. This Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature Page for The Paddock at Norwood Funding Loan Agreement Amendment]

IN WITNESS WHEREOF, the parties have executed this Amendment to Funding Loan Agreement, all as of the date first above written.

STRATEGIC HOUSING FINANCE CORPORATION
OF TRAVIS COUNTY

By: Patrick Howard
Name:
Title:

CITIBANK, N.A., as Funding Lender

By: _____
Name:
Title: Vice President
Citi Deal ID #22215

BOKF, NA DBA BANK OF TEXAS, as Fiscal Agent

By: _____
Name:
Title: