



Holly Knight
Chief Executive Officer
202-699-1998 | holly@knightdev.co

Cindy Schneible
MCDC President
McKinney Community Development Corporation
cscheible@mckinneycdc.org

Subject: Remnant at Greenwood LP MCDC Loan

Dear Ms. Schneible:

The Remnant at Greenwood LP, along with Knight Development and the McKinney Housing Authority, has received a notice from the U.S. Department of Housing and Urban Development's (HUD's) Office of Recapitalization in regard to the HUD RAD process of the project. Due to elements beyond our control in this transaction, we would like to formally request an extension of the \$1,800,000 in funds for the Remnant at Greenwood LP from the McKinney Community Development Corporation.

On June 30, 2023, Holly Knight and Roslyn Miller received a letter from HUD's Director of the Office of Recapitalization informing us that HUD would not be able to provide a RAD Conversion Commitment prior to the project's initial closing deadline of July 17, 2023. There is a 45-day public comment period that is required for the revision process of the Annual Plan/Significant Amendment that was provided. This is a HUD legal review process that cannot be avoided. HUD has informed us that the review of the Financing Plan will continue.

Please see the current action plan for getting The Remnant at Greenwood LP to close:

July 17, 2023- Withdrawal of two bond reservations from the 2022 Bond round with payment of the closing fees required.

July 18-19, 2023- Resubmittal of two \$15,000,000 bond applications for the 2022 lottery. The bond application is good through the 2024 cycle.

October 2023- The project will be submitted into the 2023 lottery (as part of a dual track plan) with two \$15,000,000 bond applications for the 2023 lottery. These awards are usually announced in January with a closing no later than 180 days later. The HUD, City, and underwriter requirements are expected to be completed by January 2024. The anticipated closing date would be in April 2024.

November 15, 2023- The last day for 2022 bond allocations to be issued. If an allocation is received for the 2022 bond round, the 180-day closing deadline is still expected to occur from the date of allocation. The project will remain on a dual track, which will continue working towards an anticipated closing date of January 2024 in case the bond allocation waitlist is replenished. If a 2022 allocation is not received, we will already be entered into the 2023 lottery to receive allocations in January 2024.

HUD RAD process is still an ongoing review. The HUD Concept call has been completed and the RAD Financing Plan has been submitted for review. The RAD Conversion Commitment is anticipated by November 2023, which will require a 45-day public notice for the Annual Plan/Significant Amendment revision process. The 30–90-day Financing Plan review with HUD began June 29, 2023.



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We believe this project will close quickly once the bond allocation has been received and request an extension of the funds to this project. Without these funds, the project will have to repeat the bond process which would prevent us from getting to a closing date later this year. Once bonds are reallocated, the project will quickly move toward closing. This project could not proceed without the MCDC funds. Knight Development and the McKinney Housing Authority look forward to continuing working with you on this project. We are excited to bring more affordable housing to the city of McKinney. Your continued support is appreciated.

Sincerely,

A handwritten signature in blue ink that reads 'Holly Knight'. The signature is written in a cursive, flowing style.

Holly Knight CEO/Principal



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

June 30, 2023

Roslyn Miller
Executive Director
Housing Authority of the City of McKinney, Texas
rmiller@mckinneyha.org

Holly Knight
CEO/Principal
Knight Development
holly@knightdev.co

Subject: RAD Financing Plan
Merritt Homes C (PIC# TX027000001C)

Dear Ms. Miller and Ms. Knight:

The U.S. Department of Housing and Urban Development's (HUD's) Office of Recapitalization (Recap) has received your request to prioritize the closing of the Merritt Homes C transaction, the conversion of a public housing property's rental assistance to Project-Based Vouchers through the Rental Assistance Demonstration (RAD) program. Unfortunately, it's not possible to achieve the closing in the timeline you have outlined.

The Commitment to enter into a Housing Assistance Payments Contract, otherwise known as a CHAP, was issued on March 27, 2023. The necessary fair housing reviews were completed by the Office of Fair Housing and Equal Opportunity on May 23, 2023, and June 2, 2023, for Accessibility and Site/Neighborhood Standards, respectively. A Concept Call for the Merritt Homes C transaction was requested through the RAD Resource Desk on June 2, 2023, and held on June 8, 2023, with a follow up call on June 28, 2023. In the June 8 Concept Call and through other communication, Recap informed the Merritt Homes team that the Capital Needs Assessment (CNA) eTool was unacceptable as presented. When the Merritt Homes team increased their projected Reserve for Replacement deposit on June 22, making the eTool submission unnecessary, Recap immediately invited the Housing Authority to formally submit the Financing Plan. The PHA submitted the Financing Plan on June 29, 2023, following approval by the Office of Public and Indian Housing (PIH) of the Housing Authority's use of the Small PHA RAD/Section 18 Blend. Today, outstanding items include an approved Environmental Review under Part 58 where the Responsibility Entity issues a HUD Form 7015.16 Authority to Release Grant Funds and PIH approval of the Annual Plan/Significant Amendment. The Annual Plan/Significant Amendment was disapproved by PIH and the revision process has a required 45-day public notice period.

During the June 8 and June 28 calls with the Recap team, the Merritt Homes team indicated that it was necessary to close this transaction by July 17, 2023, or lose the tax credit allocation that was awarded to the Housing Authority. The Recap team informed the Merritt Homes team that the timeline proposed to meet the July 17 date was extremely aggressive. It is well outside normal processing timeframes for issuance of a RAD Conversion Commitment (RCC), let alone a full closing. Typically, the timeline for the final stages of a conversion include a Concept Call, an invitation to submit the Financing Plan when the Financing Plan is deemed substantially developed, up to 60 days for the PHA to submit the Financing Plan, 30-90 days for HUD review of the Financing Plan and issuance of the RCC, and 30-60 days for closing. As discussed on the Concept Call, the transaction, like all new construction projects, also requires approval from the HUD RAD transaction committee, which meets every Thursday following complete underwriting and review of the Financing Plan submission.

Recap closes all transactions as expeditiously as possible and works extremely hard to meet all development teams' deadlines. Throughout June, the Recap team has been pushing to accommodate the Merritt Homes schedule notwithstanding the very late submission of materials, well outside standard, publicly communicated timelines. However, due to the number of outstanding items, including the 45-day posting period for the Significant Amendment to the PHA Plan, the Merritt Homes C transaction will not meet its targeted close date of July 17, 2023. If there is any possibility of the Housing Finance Agency providing an extension of the July 17 date to give the Merritt Homes team the opportunity to complete the outstanding items and HUD sufficient time to work through the remaining issues in the financing plan and closing submissions, we are happy to continue pushing aggressively to closing.

Additionally, we are aware that the tax credit reservation was formally issued in January. If next year's reservations follow the same allocation time frame we urge you to submit your documents earlier so that the Recap and PIH teams have adequate time to review and approve the transaction.

Should you have any questions, please contact Ladrenna Figueroa, Branch Chief, at ladrenna.a.figueroa@hud.gov.

Sincerely,

Thomas R. Davis
Director, Office of Recapitalization

cc: John Ardovini, Transaction Division Director, Office of Recapitalization
Sarah Molseed, Acting Deputy Director, Office of Recapitalization
Ladrenna Figueroa, Branch Chief, Office of Recapitalization
Arnold Taylor, Transaction Manager, Office of Recapitalization
Derenda Bailey, Portfolio Management Specialist, PIH Fort Worth
Garrett Sauve, Portfolio Management Specialist, PIH Fort Worth