Plan for Disaster Recovery - Amendment No. 6
U.S. Department of Housing and Urban Development (HUD)

Consolidated Security, Disaster Assistance, and Continuing Appropriations Act,
Public Law 110-329

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AMENDMENT NO. 6:

Summary of Action Plan Changes

This document constitutes the Sixth Non-substantial Amendment to the State of Texas Plan for Disaster Recovery (Action Plan) dated February 18, 2009 for CDBG disaster recovery (CDBG-DR) funds related to Hurricanes Dolly and Ike.

The purpose of Action Plan Non-substantial Amendment 6 is to identify repayable program funds, expected program income to be received, and the application of program income within the Hurricanes Ike and Dolly CDBG-DR grant.

Project Description:

GLO awarded $65,338,403 to the Galveston Housing Authority (GHA) to provide a rental housing program to include rehabilitation, reconstruction and/or new construction activities for two hundred eighty-two (282) housing units in two developments of which fifty-one percent (51%) are of low and moderate-income.

The GHA contract identified the following language:

Not less than $3,800,000 of the Subrecipient’s expended R-LMI-MULTI activity funds shall be repayable to the GLO (Repayable Funds) as program income. The Subrecipient shall subgrant the funds to the Galveston Public Facility Corporation (GPFC) and GPFC will loan the Repayable Funds to the development’s owners (Owners) at each closing (Development Loans). The Subrecipient shall use the Repayable Funds to fund two Development Loans with mandatory debt service: one to The Villas on the Strand, LLC for the amount of $1,600,000 and the other to The Cedars at Carver Park, LLC for $2,200,000. During the construction period, both Development loans will not amortize and will have a 0% interest rate. Upon conversion to permanent, both Development Loans shall be provided at an interest rate equal to the Federal Home Loan Bank Community Investment Program (CJP) 17-year interest rate plus 225 basis points, fixed at closing and not to exceed 6.5%, with a 30-year amortization and repayment term, payable in 360 equal monthly installments. A Development Loan will convert to permanent and interest shall begin to accrue upon the lesser of the first day following stabilization at 90% occupancy for 90 days or 24 months for The Cedars at Carver Park and 26 months for The Villas on the Strand commencing when the Notice To Proceed is issued for each development, respectively. The first monthly payment for each Development Loan shall be due from Owners on the first day of the month following stabilization for each development.

Key Program Activities

Elements of the Contract and subsequent agreements by and between GHA and the GLO established a thirty (30) year loan agreement with an interest rate of 5.81%. Under the terms of the loan, repayment shall be triggered individually upon each housing development reaching stabilization. Stabilization occurs when occupancy rates reach 90% or greater and maintaining stabilization at 90% or greater for ninety (90) days thereafter. The first payment on the loan shall be due beginning on the first day of the
month following stabilization and follow the first of each month following the Loan Amortization Schedule.

I. Cedars at Carver Park Loan Amount: $2,200,000

- The mixed-income property reached the stabilization stage on July 16, 2017.
- The level of occupancy remained at or above 90 percent for the 90-day timeframe.
- The terms of stabilization were realized on October 14, 2017.
- The first payment loan became due the first day of the month following stabilization, or December 1, 2017.
- Monthly loan payments equal to $9,398.24.
- Note: Interest began accruing on August 14, 2016 (24 months after the Notice to Proceed was issued). Since stabilization remained at or above 90 percent, the amount of interest accrued from August 14, 2016, to October 14, 2017, was $149,123. This interest is separate and apart from interest generated from the servicing of the loan.

II. Villas on the Strand Loan Amount: $1,600,000

- The mixed-income property reached the stabilization stage on August 27, 2017.
- The level of occupancy remained at or above 90 percent for the 90-day timeframe.
- The terms of stabilization were realized on November 25, 2017.
- The first payment loan became due the first day of the month following stabilization, or November 1, 2017.
- Monthly loan payments equal to $12,922.58.
- Note: Interest began accruing on November 8, 2016 (26 months after the Notice to Proceed was issued). Since stabilization remained at or above 90 percent, the amount of interest accrued from November 8, 2016, to November 25, 2017, was $92,960. This interest is separate and apart from interest generated from the servicing of the loan.

Allocation of Earned Interest and Principal

GLO is expected to recover approximately $8,277,578.22 of program income from the Cedars at Carver Park and the Villas on the Strand mixed-income properties. The sum is comprised of principal and interest as itemized in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cedars Loan</td>
<td>$2,200,000.00</td>
</tr>
<tr>
<td>Cedars Interest on Loan</td>
<td>$2,452,128.81</td>
</tr>
<tr>
<td>Cedars Accrued Interest</td>
<td>$149,123.00</td>
</tr>
<tr>
<td>Villas Loan</td>
<td>$1,600,000.00</td>
</tr>
<tr>
<td>Villas Interest on Loan</td>
<td>$1,783,366.41</td>
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<tr>
<td>Villas Accrued Interest</td>
<td>$92,960.00</td>
</tr>
<tr>
<td></td>
<td>$8,277,578.22</td>
</tr>
</tbody>
</table>

GLO is electing to allocate the program income from the Cedars at Carver Park and the Villas on the Strand loan payments for use in the mixed-family scattered sites projects. GLO has created a DRGR scattered-site program income account to receipt generated program income and to prevent those funds from being drawn against other activities.