CORPUS CHRISTI HOUSING FINANCE CORPORATION

Proposed Greenwood Manor Project
Legal Structure and Liability Analysis

To: CCHFC Officers and Directors
From: John D. Bell, Local Counsel
Date: April 7, 2022

Background. The CCHFC previously adopted an inducement resolution indicating its preliminary intent to issue up to $15 million in revenue bonds in order to finance the development of the Greenwood Manor Project. An application has been filed with the Texas Bond Review Board seeking an allocation of the State volume cap allocated for multifamily housing revenue bonds and the developer has made an application for 4% low-income housing tax credits.

In order to make the project feasible and have the property exempt from property tax, the developer needs to structure the deal so that the land is owned by the CCHFC and leased to a limited partnership for the development of the project. The general partner of the limited partnership would need to be controlled by the CCHFC. The developer and tax credit investor would be limited partners in the limited partnership.

Additionally, the CCHFC would be issuing the multifamily housing revenue bonds as previously discussed and loaning additional funds for the development of the project.

Long-Term Ground Lease. As the owner of real estate, the CCHFC has potential liabilities as any owner of property, but those liabilities generally can be covered by one or more policies of commercial general liability insurance. The Lease would require the limited partnership to maintain in full force and effect through the term of the Lease commercial general liability insurance of at least $5 million with the CCHFC named as an additional insured. The Lease additionally would require that the limited partnership indemnify the CCHFC, as the landlord, from any liabilities.

Limited Partnership Structure. This structure previously has been used by the CCHFC in connection with the Costa Tarragona I and II projects in 2005 and 2012, respectively.

> ***LLC As General Partner.*** The CCHFC would form a limited liability company ("LLC") in which the CCHFC is the sole member. For IRS purposes, the LLC is a disregarded entity and not considered separate from the CCHFC, but for liability purposes, only the LLC – and not the CCHFC – has the liabilities of a general partner of the limited partnership. The sole asset of the LLC is its interest in the limited partnership. None of the other assets of the CCHFC would be at risk in connection with the proposed development. The only purpose of the LLC would be to serve as the general partner of this limited partnership.
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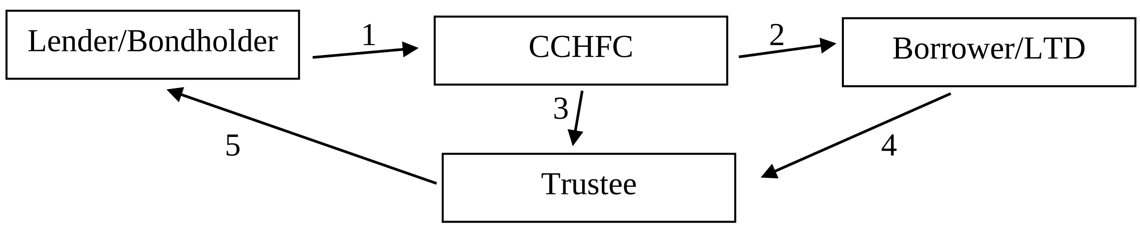
> ***Limited Partnership.*** The limited partnership ("LTD") would be comprised of the LLC as the general partner and the developer and other investors as limited partners. The payment

of expenses and flow of revenues received by the LTD would be specified in the limited partnership agreement. The CCHFC would have no responsibility for operation of the LTD. A professional management company under contract would operate the project and administer all funds and pay all expenses.

Issuance of Bonds. As noted in the earlier discussions, the multifamily housing revenue bonds would be solely repayable from the revenues of the Greenwood Manor Project. The LTD would be the borrower of the funds, and it would be required to make the necessary debt service payments on the bonds typical in these conduit financings. Although technically the CCHFC makes the loan, the terms are determined by the lender/bondholder, and the terms of the bonds issued are the same as the loan terms for the borrower. A bank trustee collects the monthly payments from the LTD, as the borrower, and uses them to pay the bond payments. The steps in the transaction are outlined below:



Steps in Transaction.

Step 1. CCHFC issues bonds to lender to obtain funds for loan.
Step 2. CCHFC loans funds to borrower on same terms as specified in bonds.
Step 3. CCHC assigns all rights to loan to Trustee for Lender/Bondholder.
Step 4. Borrower/LTD makes required loan payments to Trustee.
Step 5. Trustee pays funds received to Lender/Bondholder.

Liabilities of CCHFC Are Not Liabilities of the City. The CCHFC was formed under state law for the specific purpose of insulating the City of Corpus Christi from any liabilities in connection with its affordable housing activities. None of the liabilities of the CCHFC in any way are liabilities of the City of Corpus Christi.

No Impact on City Bonds. A bond issued by the CCHFC is not an obligation of the City of Corpus Christi and in no way impacts the City's bond rating or its ability to issue bonds or certificates of obligations. Nevertheless, the CCHFC historically has exercised caution in only issuing bonds that either are a private placement with a lender in the manner outlined above or rated AA or better with national rating agencies in order to avoid having the name "Corpus Christi" associated with any bond default. The CCHFC has no ability to levy taxes, and no taxing authority or credit of the City is involved in any of the CCHFC's financings.

Footnote on City CAFR. The financial reporting standards for the City, GASB requires that all conduit debt issued by issuers affiliated with the City be reported as a footnote on the City's comprehensive annual financial report. The bonds are not in any way a liability of the City, but since the CCHFC is affiliated with the City they are noted on the financial statements in that manner.