

# houston land bank



## **BOARD OF DIRECTORS**

Regular Meeting

9 April 2020

- |      |   |         |
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Separate Documents:

- VI. Executive Session
- VII. Template Lot Purchase and Development Contract
- VIII. Glass Ratner Financial Consultant Recommendations
- IX. President's Report - Powerpoint



Board of Directors Regular Meeting  
Thursday, April 9, 2020 at 12:15 PM CST

Note: This meeting will be held by videoconference due to City of Houston Stay Home Work Safe Order, and Governor Abbot's Executive Order regarding Public Meetings during the time of COVID 19.

To access and view the meeting please go to:

Via link from PDF/Website: <https://zoom.us/j/HoustonLandBank>

Manual Entry: <https://zoom.us/j/958928430?pwd=RGM0bUNraVFSS9ZUORIRjV2eUFSdz09>

Meeting ID: 958 928 430

Password: 015844

346 248 7799 US (Houston)

877 853 5247 US Toll-free

888 788 0099 US Toll-free

*The recording will be posted online after the meeting. Please contact [info@houstonlandbank.org](mailto:info@houstonlandbank.org) or call us at 281-655-4600*

## AGENDA

- I. Call to Order and Roll Call
- II. Swearing in of Christa Stoneham, Mayor's Appointment for Board Liaison Ex-Officio Board Member, by Director Courtney Johnson Rose. Ms. Stoneham is the Division Director of the City of Houston's Complete Communities.
- III. Public Speakers  
Speakers must be registered in advance by 11:30am on Thursday April 9, 2020, Please register at [info@houstonlandbank.org](mailto:info@houstonlandbank.org) or call us at 281-655-4600 . Directions for speakers will be posted at <http://www.houstonlandbank.org/resources> with the Agenda
- IV. Adopt Minutes of Regular Meeting on February 13, 2020
- V. Chairman's Greeting: Nicholas Hall
- VI. Committee Reports:
  - a. Finance Committee: Matt Zeis, General Update
  - b. Program Committee: Curtis Lampley, General Update and Program Recommendation Regarding Agenda Item X, XII
  - c. Partnership Committee: Courtney Johnson Rose, General Update
  - d. Marketing Committee: Vincent Marquez, General Update
  - e. Oversight Committee: Mario Castillo, General Update
- VII. President's Report: Anne Gatling Haynes, CEO/President
- VIII. Presentation- Recommendations for Financial System Improvements for the Houston Land Bank by Susan Smith, Glass Ratner, Financial Consultants.

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- IX. Consideration and Possible Action for Lot Disposition Contract Template—New HLB Housing Initiative
- X. Consideration and Possible Action for Revised Pilot Waiver of Reverter Rights for Mayberry Homes on lots:
  - 1. 9 Hoffman Street Lots (Prior Approved Contracts)
    - a. **Contract #** 071317-04  
**HCAD #'s** 0660250080805; 0660250080810; 0660250080811;  
0660250080813; 0660250080812; 0660250080814; 0660250080817;  
0660250080821; 0660250090934
  - 2. 0 Amboy Street – 2 lots
    - a. **Contract #** 100917-09  
**HCAD #'s** 0393430000009
- XI. Executive Session:
  - 1. Consideration and Possible Action for Acquisition of Real Property from City of Houston for the New Home Development Program.
    - a. HCAD # 031 117 000 0005  
1100 Frawley St, “Lindale Lift Station”
- XII. Executive Session:
 

Consideration and Possible Action for Construction Plan and Sales Price Modifications for contracts with Mayberry Homes

  - 1. 9 Hoffman Street Lots (Prior Approved Contracts)
    - a. **Contract #** 071317-04  
**HCAD #'s** 0660250080805; 0660250080810; 0660250080811;  
0660250080813; 0660250080812; 0660250080814; 0660250080817;  
0660250080821; 0660250090934
  - 2. 2208 Sam Wilson – 2 lots with one HCAD (Hold /New Contract)
    - a. **Contract #** 092716-01 (previous contract number)  
**HCAD #** 0092410000006
  - 3. 0 Salina & 0 Amboy Street – 4 lots with two HCADs
    - a. **Contract #** 100917-09  
**HCAD #'s** 0040360000004; 0393430000009
- XIII. Board Member Comments
- XIV. Adjournment



**HOUSTON LAND BANK  
MINUTES OF THE BOARD OF DIRECTORS REGULAR MEETING  
HOUSTON, TEXAS**

**February 13, 2020**

A regular meeting of the Board of Directors ("Board") of the Houston Land Bank ("HLB"), a Texas non-profit corporation created and organized by the City of Houston as a local government corporation pursuant to the Texas Transportation Code Annotated, Section 431.101, *et seq.*, and the Texas Local Government Code Annotated, Section 394.001 *et seq.*, was held in the City of Houston Permit Building, 900 Bagby Street, City Hall Annex, Council Chambers, Houston, Texas, on Thursday, February 13, 2020 at 12:15 p.m. Written notice of the regular meeting, which included the date, hour, place and agenda for the regular meeting, was posted in accordance with the Texas Open Meetings Act.

Board members in attendance were:

Nicholas Hall	Mario Castillo
Pastor Steve Hall	Curtis Lampley
Ana Yáñez-Correa	Courtney Johnson Rose
Vincent Marquéz	

Board members absent were: David Collins, John Vasquez, Jesus DeAnda, Matt Zeis, Carol Galloway and Antoinette Jackson.

Others in attendance included: Anne Haynes, the CEO/President for the Houston Land Bank; Jennifer Allison of the Houston Land Bank; Ivan Zapata, Real Estate Manager of HLB; Marye Barba, Administrative Assistant for HLB; Greg Erwin and Mark Glanowski (Paralegal) of Winstead PC, outside legal counsel for the HLB; Sam Dike, Vice President of Community and Partnerships for HLB; Gracie Saenz, In-house counsel for HLB; Darice Harris, Compliance Officer for HLB; and Lance Gilliam with Harris County Precinct No. 1.

**I. Call to Order and Roll Call**

Chairman Nicholas Hall called the meeting to order at 12:25 p.m. A roll call of the Board members in attendance immediately followed. Chairman Hall noted that a quorum of the Board was present.

**II. Adopt Minutes of Previous Meetings**

**a. Adopt Minutes of Regular Meeting on January 9, 2020**

Chairman Hall noted that the minutes for the Board of Directors regular meeting held on January 9, 2020 were previously circulated for review and comment. He asked if there were any discussion and/or comments to the minutes from the Board members in attendance. Hearing none, he then requested a motion to approve the subject minutes. Director Castillo made a

motion to approve the minutes as written, which motion was then duly seconded by Pastor Hall and passed by the unanimous vote of the Board.

**b. Adopt Minutes of Special Meeting on January 29, 2020**

Chairman Hall then noted that the minutes for the Board of Directors special meeting held on January 29, 2020 were previously circulated for review and comment. He asked if there were any discussion and/or comments to these minutes from the Board members in attendance. Hearing none, he then requested a motion to approve the subject minutes. Director Castillo made a motion to approve the minutes as written, which motion was then duly seconded by Pastor Hall and passed by the unanimous vote of the Board.

**III. Public Speakers**

Nothing to report.

**IV. Chairman's Greeting—Nicholas Hall, Chair**

Chairman Hall thanked the Board members in attendance for being available for this meeting. He then informed the Board that the Housing Collaborative is conducting a Housing Affordability Breakthrough Challenge conference call today at 3:00 p.m. and encouraged the Board members to attend this initiative because HLB is a member of the Housing Collaborative.

**V. Committee Reports**

**a. Program Committee: Curtis Lampley**

Director Lampley reported that the Program Committee met on February 6, 2020 to continue working on the lot disposition program including changes and amendments to the terms of the lot acquisition contracts. Also, on February 10, 2020 the Program Committee attended two orientation sessions with the recently approved home builders to discuss the reporting dashboard now required by the HLB to track the progress of the construction of the affordable houses and the sales of such houses.

Mr. Dike stated that HLB is now selling its lots at an increased cost basis rather than under the \$1 Lot Program. Director Marqu ez informed the Board that one home builder attempted to change the construction plans from pier and beam foundation to concrete slab foundation and increase the selling price of the house. Directors Lampley and Marqu ez toured the lots on Knox Street but did not see any framing for houses on those lots. They also toured the house at 3013 Bolt Street and were pleased with the progress of construction to complete this house except for the light insulation by the attic door.

**b. Partnership Committee: Courtney Johnson Rose**

Director Rose reported that the Partnership Committee met on January 28, 2020 with the Community Land Trust and with Wells Fargo Bank to develop relationships for the affordable housing programs in the Complete Communities. She then stated that the Partnership Committee

met with the Marketing Committee to discuss HLB's website which recently had a major overhaul.

**c. Marketing Committee: Vincent Marquéz**

Director Marquéz informed the Board that representatives with the New Home Development Program will be meeting with the Marketing Committee for an educational session to understand the process of closing the sales of the affordable houses because it is a complicated process.

**d. Oversight Committee: Mario Castillo**

Director Castillo reported that the Oversight Committee met on February 7, 2020 to discuss new computer software for the pilot program, reviewed the new Lot Acquisition Contract terms and provisions, and discussed the changes to the policies and procedures of the HLB.

**VI. Consideration and possible action to create the Ad Hoc Policies and Procedures Committee**

Ms. Haynes informed the Board that this new committee would be responsible for HLB's policies and procedures. This committee will be chaired by Chairman Hall and will review all proposed changes.

Director Rose made a motion to create the Ad Hoc Policies and Procedures Committee which motion was duly seconded by Director Marquéz and passed by unanimous vote of the Board. Director Yanez-Correa requested to serve on this new committee.

**VII. President's Report: Anne Gatling Haynes, CEO/President**

Ms. Haynes informed the Board that she will be attending the Texas Association of Community Development Corporation conference to be held in Corpus Christi during March 1-3, 2020 and welcomed any Board members to also attend. She is preparing a budget for attending this conference and requested that anyone wishing to also attend let her know as soon as possible.

She noted that six Board members attend the Community Land Trust and HLB partnering session to learn more about the partnerships and the Catalytic Land Cohort program with the cities of Atlanta and Portland.

She then reported that the HLB staff participated in three Complete Community planning sessions last month in the Kashmere Gardens, Magnolia, and Sunnyside neighborhoods. The HLB staff meet with the local leaders and community members in each of these neighborhoods. Director Galloway attended the session held in Kashmere Gardens. Also, on January 26, 2020 a Brunch-N-Launch open house was held for the Phase III and Phase IV houses by the two new listing brokers and HLB staff. Over 100 residents and home buyers attended this event to walk through five open houses available for purchase on Willow and Sealey Streets.

Ms. Haynes then informed the Board that final discussions were held with the Houston Community Development Department in connection with the revised primary Operations Grant and Amended and Restated Acquisition and Development Agreement concerning the reimbursement of administrative costs for HLB. The Operations Grant will provide additional administrative and program funding for Fiscal Year 2020-2021 while the Acquisition and Development Agreement is being revised to track more closely the day-to-day operations of the HLB with the New Home Development Program. Ms. Haynes reported that upon reviewing the time sheets of the HLB employees it was determined that 50% of employee time is for work related to the HLB housing program and 50% to the New Hope Development Program.

She noted that a significant amount of time is required for invoicing of HCDD activities between HLB's internal staff and the external bookkeeper because billing for utilities, security and marketing costs for the New Home Development Program is complex. Improved processes will be needed to streamline this work.

She then reported that the HLB has posted the Accounting Manager position and is finalizing the RFQ for legal services to provide a broader pool of legal services as needed, and is now drafting an RFQ for Bookkeeping/Accounting services.

Ms. Haynes then updated the status of matters relating to legal and compliance which included finalizing the draft of the new Lot Disposition Contract with the Program Committee and outside legal counsel and finalizing new compliance procedures for new lot disposition activities. In addition, the Limited Waiver of Reverter was completed which will assist lenders with their concerns with HLB's reverter rights when funding construction financing. Further, an inventory reconciliation was completed for all properties sold in 2019 and all former strike-off properties in coordination with the law firm of Linebarger Goggan Blair & Sampson, LLP.

Ms. Haynes next reported that the current inventory of HLB properties as of February 1, 2020 now totals 559 properties with 249 properties being held for the Houston Housing and Development Department, and 20 of those properties being held for the CHDO program. The remaining properties for disposition are still under review by the Program Committee which are primarily located in the Sunnyside, Trinity Gardens, and Settegast neighborhoods.

She then reported that 50 affordable houses were sold in 2019 and one in January 2020. There are now 38 houses under development related to prior lot purchase contracts which were recently revised under reset agreements. The Lot Maintenance Manager is visiting the properties to verify the status of construction of the affordable houses under the lot acquisition contracts.

Mr. Dike then addressed the Board to report on the progress of the Lot Disposition Program and the New Home Development Program. As promised to the Board at the January 29<sup>th</sup> Special Board meeting the public lot disposition website for the home builders to bid on was launched as of yesterday. A kick-off meeting was held on Monday with the builders to announce the new Lot Disposition Program for construction of affordable housing. Mr. Dike reported that 13 builders have submitted the forms required to indicate they are interested in purchasing certain lots. The Program Committee will then review the submitted applications. HLB will be conducting a builder open house every Wednesday where builders will be able to

select times to discuss with HLB the new lot purchase process and submit questions. The answers to such questions will be submitted to the other builders to keep them informed as well.

He then informed the Board that 13 houses of the 35 made available to the New Home Development Program have been sold to date and 3 are under contract to sell this month. An additional 19 houses have been made available to this program about two weeks ago. And four houses are still under construction.

### **VIII. Executive Session**

#### **a. Request by CEO/President for executive session for approval of amendments to Contract No. 072517-03 for Urban Meridian.**

At 1:04 p.m. Chairman Hall announced that the meeting will now be conducted in Executive Session.

Director Castillo made a motion to end the Executive Session of the meeting which was duly seconded by Director Rose and passed by the unanimous vote of the Board.

Chairman Hall announced that the Board meeting has now returned to an open session at 1:27 PM.

During the open session Director Marquéz made a motion to approve the requested amendments to Contract Nos. 072517-01 and 072517-03 with Urban Meridian which motion was duly seconded by Director Castillo and passed with the unanimous vote of the Board. The reset agreements will be written with the 120 days (4 months) for permitting and 150 days (5 months) for construction (270 days – 9 months total).

#### **b. Request by CEO/President for executive session for approval of amendments to Contract No. 102417-01 for Houston Business Development Inc.**

Chairman Hall announced that this item has been pulled from the Agenda.

### **IX. Board Member Comments**

Director Lampley announced that he wishes to be included as part of the discussion when existing lot acquisition contracts are re-bid with the home builders.

### **X. Adjournment**

Chairman Nicholas Hall asked if there were any additional matters to be considered by the Board. Hearing none, the regular Board meeting adjourned at 1:29 p.m. upon the motion of Director Collins and duly seconded by Director Lampley.



Minutes Prepared By:

Mark Glanowski (Paralegal) of Winstead PC and  
Graciela Saenz of Law Offices of Graciela Saenz

Signed on the \_\_\_\_\_ day of \_\_\_\_\_, 2020.

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President



# houston landbank

## PRESIDENTS REPORT

April 9, 2020

*.Many updates in the March 12 President's report remain 'recent updates,' and are not duplicated here. Please review for additional information!*

### General Activities/Announcements

- City Council unanimous approval for the two major grants with the City of Houston. **These grants keep us in motion for the next two years—and will be a foundation from which we will continue to build business activity for the organization.**
  - The Operations Grant provides additional administrative and program delivery funding for FY20-21 based on annual allocations by HCDD. This allows us to be provided 2m for FY20 and part of FY21, until the additional allocation of 1.65 M (minus administrative fees received this year) will be secured through supplemental TIRZ allocation.
  - The Amended and Restated A&D Agreement is being tailored to track more closely to day-to-day operations on the Program NHDP. These changes were summarized at the November 2019 Board Meeting.
- **New website**, including new copy and documents as well as design improvements. This continues to be a living page, and we will be continuing to add content as we go. We will also be looking at increasing the functionality of the website, especially with the Property map.
- **3013 Bolt is finished!** We received the Certificate of Occupancy from the City last month and will be closing with the homebuyer in the next few weeks! It is rewarding to see the house finished, and being a great neighbor. Great work by Cole-Klein Builders! Stay tuned for a virtual ribbon cutting!

### Operations

- The team is working remotely! We have a daily check in as a team, via Microsoft Teams, and have remained productive despite the circumstances.
- Advertised the RFQ for Legal Services on March 13. We have already advertised and distributed the RFQ through the City's OBO listserve. We have already received some proposals. Given the extended Stay Home Work Safe order, we will be extending the deadline through May 4.
- Finalized insurance renewal, with reduced pricing. Information provided to the Board of Directors on March 24.
- Weekly meetings with team to facilitate formal operating procedures handbook for the organization.

### Legal and Compliance

- Finalized procedures and notice templates for abandoned vehicles on lots and other evidence of trespassing.
- Reconciled inventory for insurance renewal
- Facilitated advancement of hold contracts, reset agreements, and provided notification to builders of Board decisions
- **Working with HCDD on CHDO program lenders to address terms in contract.**
- Reviewed and addressed a variety of compliance issues with former non-compliant builders, including greenlighting one builder who was approved as Established Builder but had to clear an old tax lien.
- Work with outside counsel and HPD public records request regarding investigation into prior builder.
- Review of easement and encroachment request from builder, advance for finalizing re-plat plan with City of Houston Planning Department.
- Facilitate negotiation with Builders on plan/spec/contract change requests to advance to Program Committee and Board of Directors
- Draft and update the Urban Harvest Community Garden lease for two lots which have been successful community gardens for ten years.
- Drafted various Covid-19 statements for vendors, contractors and staff.

#### HLB Inventory & Builders under Development

- As of April 6, 2020 (final numbers +/- 5 per week due to ongoing property review around outstanding contracts):
  - **557 Properties in Inventory**
  - **245 Holding for Housing**
    - Includes property under development for NHDP, Acres Homes, as well as those holding in Settegast, Fifth Ward, Sunnyside
    - 20 held for CHDO program, advancing to sale per prior board approval
    - Includes additional properties that are 6 acquisitions, but split across numerous HCADs
- Current Monthly Talley of HLB Home Building Initiative- sale development activity (based on prior lot disposition contracts):
  - **58 Homes sold in 2019**
  - **11 homes sold to date in 2020**
  - **44 are under development.** These are all still from prior lot contracts under reset agreements, with 2 additional about to be reset per prior Board approval.
  - 2 lots reverted (Hart Custom Homes) after repeated attempts to contact.
  - 21 lots are on Hold set to close soon with builder (8 contracts). 7 have advanced with at least two of the seven proposed to close this month.

- 11 Builders were sent monthly reports, with 6 reporting back (37 lots total). Those not reporting back and not in compliance (11 lots) are being sent 'Notice of Non Compliance' and further actions may be necessary
- Based on the three builders' reporting, 4 homebuyer closings are anticipated in the next three months.
- New HLB Home Initiative is in full swing.
  - **Applications closed on March 4, 2020. Staff has been reviewing applications submitted by 8 builders for about half of the lots for sale.**
  - Staff has been refining the final procedures for lot scoring and grading, and have processed nearly thirty applications.
  - The Board will see the first proposed contracts for sale at the May Board Meeting.
  - Staff is already reviewing additional lots that could be put up for sale.
  - Builders are very aware that regular reporting is key!

#### HLB Lot & Property Maintenance

- NHDP Significant cleaning/disenfected of all properties, and they continue to get weekly visits during this Stay Home Work Safe period.
- A number of special visits and postconstruction re-construction have been addressed prior to closing to a homebuyer. These are items that were identified in the homebuyer inspection process. With more houses going under contract, this was significant additional work to manage. HLB has now started to institute third-party inspectors prior to the transfer of the house in order to address all potential issues in advance.
- Four lawn maintenance contractors completed their first month under new property maintenance schedule, and continue to work with proper protocols for distancing. Through the first round, a number of processes for reporting and addressing special conditions were improved.
- **Verified 6 properties for Legal/Compliance, and addressed 2 DON violations.**
- **Developed new Lot Maintenance SOP's and finalized process for engaging in EPP Property Management System.**
- Supported minor repairs on properties, including lightbulb and smoke detector sensors, facilitated six NHDP closings, and provided access to properties for inspection/appraisers.

#### NHDP-Highlights

- NHDP in Acres Homes:
  - Updated listings on website.
  - **18 Houses SOLD**

- **6 under contract** (plus one pending, about to go under contract) to close this month, in the next week.
- **11 are listed for Sale** (3 are remaining from Phase 1 and 2)
- 4 houses are remaining to be transferred by HCDD
- Phase 5 and Phase 6 each have 8 homes for a total of 16 homes. Some properties from Phase 7 is initiating construction. No construction timeline has been established. **HLB has requested 'kick off' meetings with the contractors to discuss quality control and procedures for Pre Sales.**
- Listing Broker:
  - Continuing to build a pipeline of potential homebuyers, and showings have continued by appointment only (limit to three people), although all open houses have been cancelled.

#### Acquisitions & Development - HLB

- Continuing to pursue builders who have not complied with contract obligations to repurchase properties.
- **Developing strategies for building inventory that will be discussed at the Strategic Planning retreat;**
  - Targeted community focused efforts including outreach and increased engagement
  - Reviewing surplus and lien properties from related agencies
  - Develop relationships with Developers interested in partnering to provide mixed-income neighborhoods
  - Outreach to owners adjacent to our parcel clusters to consider assembly
- Finalized repurchase contract to issue to Catholic Charities who have agreed to sell back 5 lots.
- Reviewed construction compliance for builder progress, and development plans from new applications
- Finalized 3013 Bolt close out and final steps to finish development.
- Finalizing RFQ for Market Analysis for Acres Home (on behalf of HCDD NHDP) and Market Analysis/Planning Scope for Settegast to assess neighborhood needs and real estate development strategy. Private landowner with a portfolio of property in and around our own lots has been interested in collaborating on the planning to achieve a mixed-income community.

#### Acquisitions, City of Houston Partnership, NHDP

- All activities are focused for the NHDP program, per the 'Acquisition and Development' Grant Agreement, approved by City Council on August 31, 2018.
- NHDP acquisition Activity Update
  - 5-10 Neighborhood focus areas, as determined by HCDD.

- **Over 850 total properties reviewed thus far, approximately 50 per month. Until now, most properties reviewed are above available market pricing as sellers are 'prepped' for an investor market.** We are currently updating our market cost/sf in all neighborhoods., but given the current economic status, there may be some better pricing out there.
- Progress to date
  - 67,900 SF vacant land contracts closed and ratified by the Board of Directors.
  - 26K SF vacant land under contract with longer timeline (under contract until May 29) due to site's unique qualities and environmental review, working on additional site assembly
  - 32k SF vacant land contracts terminated, due to unresolvable title issues, or HCDD decline.
  - **Approximately 290,000 SF of property is being considered for acquisition in various neighborhoods throughout the City.** LOI's have been sent to numerous owners based on our own research for HCDD, as well as requests from HCDD
  - Thanks to Director Johnson Rose, we have connected with HISD Surplus Property department, and will continue the conversation around a particularly large piece of land.
  - Further coordination with Linebarger regarding future auction sales online per zip code and status classifications.





## BOARD OF DIRECTORS MEMORANDUM

April 9, 2020

RE: HLB Form Lot Purchase and Development Contract Revisions

The LARA program had two contract lot disposition contracts over the many years of the program. Although they were updated every few years, over time, these contracts reflected the prior programs (Standard Purchase and Dollar Lot Program). All lot sales in the past two years of the organization were limited to Board Approved contracts that occurred prior to August 2018, and followed the prior programs under which the lots were approved. These contracts were edited over the years by Winstead, and issued by Winstead on behalf of LARA for each sale

In the past few months, the Program Committee has worked closely with the staff to update the core template contract to reflect the guidelines and values of the new lot disposition program, as well as reflect all the compliance issues Staff has observed on all contracts to date. The improvements have been made to assure a better contract vehicle under which builders will be responsible to the ultimate goals of the program.

This contract will be used for each individual lot sale, and will be introduced to the builder in an in-person meeting, and a term sheet signed. Additionally there will be staff oversight (through monthly reporting and site visits), and penalties assigned for any out-of-compliance issues. The key to a successful program requires both a solid contract, clear terms and communication to builder, and oversight.

These are the key changes to the previous form - Lot Purchase and Development Contract and the rationale behind their proposed implementation.

1. **Closing** – Builders will no longer be able to select lots to hold and pay later. All lot purchases must be made at the time of closing.
2. **Deed of Trust** – This instrument would be used to secure the performance of the builder pursuant to the program guidelines and contract. It will be recorded at the time of closing with the builder in favor of HLB, and released upon a satisfactory builder closing to the homebuyer.
3. **Monetary Damages** – These damages will be assessed against builders who do not abide by the contract and program guidelines.

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4. **Earnest Money** – This tool would be utilized to ensure that the builder is serious about the purchase of the lot and will encourage them to do due diligence before purchasing.
5. **Administrative Fee** – This fee, which will apply to each additional house being built per lot, would be instituted to cover the extra Staff work hours that it takes to facilitate the construction/administrative process to closing. This is not anticipated on all or many lots, just some of the larger lots.
6. **Program Guidelines** – Vice President Dike has drafted a comprehensive set of guidelines that were developed to problem-solve some of the key compliance issues such as property taxes, qualified homebuyer certification, and mowing/maintaining lots after closing. These guidelines should provide the builders with more detailed information about the entire lot disposition process and requirements from purchase to sale.
7. **Residence Definition/Minimum Residential Construction Standards** – Staff wishes to implement minimum construction standards to ensure that the houses being sold through the program meet a certain quality and prevent homebuyer complaints.
8. **Schedule 1** – The standard timelines need to be changed to encompass a seven month period, from beginning to the end. This will include two months for permitting (commencement of construction), and five months for construction (completion of construction). If a property has additional work (infrastructure or replatting required),
9. **Term Sheet** – This document will memorialize the key terms of the contract and will be reviewed with the builder before execution of the contract.





BOARD OF DIRECTORS MEMORANDUM

Date: April 9, 2020

Re: Waiver of Reverter Rights – Pilot Template

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**OVERVIEW** – Mayberry Homes (HLB Established Builder) is requesting that HLB waive the right of reverter located in Contracts 071317-04 and 100917-09 so that they can obtain financing for construction, and proceed with construction on lots acquired through the prior LARA program.

**RECOMMENDATION** – The Program Committee is recommending approval of the Waiver of Reverter Rights – Pilot Template included in this Board Materials Packet for use on the properties listed in Exhibit A from Contracts 071317-04 and 100917-09. The Program Committee requests that the Staff report back to the Board of Directors on compliance with the issuance of this pilot waiver.

**BACKGROUND:** HLB has drafted a new template waiver that mirrors the one typically used at the point of sale to a homebuyer, but given unique circumstances are requesting that it be used during the period of development as it relates to lender’s financing requirements and the Builder is signing a ‘Reset Agreement’ to assure timeline compliance.

The properties under the \$1 lot program contain a right of reverter in the contract and Special Warranty Deed whereby HLB can automatically revert the land back into their ownership if certain terms are not met regarding commencement of construction and completion of construction. Previously, HLB would waive this right of reverter at the time the builder closes to the homebuyer so that title can be transferred fully to the homeowner, but in this case the lender is requesting such a waiver. Given the continued mission to assure affordable housing, the current public health crisis creating additional urgency to keep essential construction moving, the Program Committee and staff suggest that providing this waiver allows the organization to see the mission of the organization of homebuyers in homes in the shortest timeframe.

1) The Builder participated in the Property Audit process, attending meetings in April/May 2019 with HLB Staff to address status of lots and plans for development. They confirmed with staff intent to build within the year, mentioning that they had been held up as 4 of their total of 17 properties were receiving special financing from the City of Houston (NSP) which had been delayed in processing the unique financing product (those documents were finalized between June/July 2019). The NSP homes were completed in 2019. ‘Reset Agreements’ were issued in July and August of 2019 in order to get all builders in development under compliance, and completed by the end of the year.

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The Builder requested a waiver of HLB's reverter rights in September of 2019 citing lender issues with financing of lots with the reverter rights in place. Staff pointed out the language in the 'Reset Agreement' that had worked for other lenders in order to facilitate the lenders concerns. The Board approved a Limited Pilot Waiver approach on 9/10/2019 in response to this request. Once the Board approved the Limited Pilot Waiver, Staff and outside counsel, Greg Erwin, negotiated in good faith with the current lender Allegiance Bank to reach an agreement on terms of the Limited Pilot Waiver. The lender was initially collaborative and then ultimately not receptive to negotiations and eventually stopped responding to correspondence from HLB.

**2)** In January 2020, the Builder went to another lender, Unity Bank, and Staff proceeded to negotiate with them regarding terms of the Pilot Waiver and finalized an Agreement Regarding Reverted Lots. Please note that the Agreement Regarding Reverted Lots is an agreement that other builders have signed to extend their construction timeline and bring their outstanding contracts into compliance. Staff and Unity Bank successfully merged the 2 documents together (collectively "Reset Agreement") for purposes of the reverter rights and agreed upon a form. All parties signed the Reset Agreement and the document was filed with the county clerk's office, which is hereby attached for your reference. The completed and agreed to Reset Agreement provided financing for the property on Salina Street and evidenced at least one lender approval of the terms.

**3)** The Builder requested the same Reset Agreement for the 9 lots on Hoffman Street, 4 for Spirit of Texas and 5 for Whitney Bank. The Reset Agreement was drafted and signed by the Builder, who then forwarded it to the lender. On April 2, 2020 the Builder informed Staff that the lender would not agree to the terms of the Reset Agreement and provided an analysis from their counsel as to what were the points of contention in a memo, which is hereby attached for your reference. The Committee, Staff, and the Builder discussed the Reset Agreements and Builder's request on April 2, 2020. Staff reiterated the need for there to be certain stipulations regarding the waiver of reverter rights, specifically if construction is not commenced timely, or if it is not completed timely. The Builder relayed that his lenders would not approve the waiver as written and reiterated that they wanted the old waiver they received previously which waived all of HLB's rights. This prior waiver was the one typically sent at the point of closing to the Homebuyer, but was provided to the Builder at the point of financing in the past, prior to summer of 2018. Additionally, the Committee and the Staff have discussed ways to pro-actively partner with lending institutions to develop a final and future Limited Waiver that can be a program baseline for all new contracts.

**4)** In response to the latest request from the Builder, as well as careful consideration of the extenuating circumstances, and the desire to get the properties developed as soon as possible to provide affordable housing, Staff has drafted a new Waiver of Reverter Rights - Pilot Template that it has presented to the Committee, who is now recommending for approval.

P.O. Box 131106, Houston, Texas 77219  
281.655.4600

[houstonlandbank.org](http://houstonlandbank.org)



**Exhibit "A"**

Original Contract Number 071317-04

<b>Builder</b>	<b>HCAD</b>	<b>Address</b>	<b>Purchase Price</b>	<b>Request</b>	<b>Determination</b>	<b>Next Steps</b>
Mayberry Homes	1. 0660250080805	1. 0 Hoffman	1. \$1	Waiver of Reverter Rights	Board approval for Waiver of Reverter Rights – Pilot Template	Placed on agenda for Board review and approval
	2. 0660250080810	2. 0 Hoffman	2. \$1			
	3. 0660250080811	3. 0 Hoffman	3. \$1			
	4. 0660250080813	4. 0 Hoffman	4. \$1			
	5. 0660250080812	5. 7315 Hoffman	5. \$1			
	6. 0660250080814	6. 0 Hoffman	6. \$1			
	7. 0660250080817	7. 0 Hoffman	7. \$1			
	8. 0660250080821	8. 0 Hoffman	8. \$1			
	9. 0660250090934	9. 0 Hoffman	9. \$1			

Original Contract Number 100917-09

<b>Builder</b>	<b>HCAD</b>	<b>Address</b>	<b>Purchase Price</b>	<b>Request</b>	<b>Determination</b>	<b>Next Steps</b>
Mayberry Homes	1. 0393430000009	1. 0 Amboy	1. \$1	Waiver of Reverter Rights	Board approval for Waiver of Reverter Rights – Pilot Template	Placed on agenda for Board review and approval



## WAIVER OF REVERTER RIGHTS AGREEMENT

This Waiver of Reverter Rights Agreement ("Agreement") is executed this the \_\_\_\_ day of \_\_\_\_\_, 2020 by HOUSTON LAND BANK (formerly known as Land Assemblage Redevelopment Authority), a Texas local government corporation created pursuant to TEX. TRANSP. CODE ANN. § 431.101 ("HLB").

### RECITALS

A. By Special Warranty Deed dated effective as of \_\_\_\_\_ recorded under County Clerk's File No. \_\_\_\_\_ of the Official Public Records of Real Property of Harris County, Texas ("Deed"), HLB conveyed the property, among other property, described on Exhibit "A" attached hereto (the "Property") to \_\_\_\_\_, a \_\_\_\_\_ ("Grantee").

B. Exhibit C to the Deed, Paragraphs 2 and 3, provide for a right of reverter in favor of HLB in certain circumstances (collectively, the "Reverter Rights").

C. Grantee has requested that HLB conditionally waive the Reverter Rights and HLB has agreed to do so subject to the terms and conditions set forth herein:

### AGREEMENT

1. The Recitals are hereby incorporated by reference herein for all purposes.
2. Subject to Grantee's timely compliance with the provisions of this Agreement, the Deed and the Contract as hereby modified, HLB hereby waives the Reverter Rights.
3. Effective upon the full execution and recordation of this Agreement, Section 2 of Exhibit "C" to the Deed is hereby amended (a) by deleting the words "this Deed" appearing in the fifth (5th) line thereof and substituting in lieu and in place thereof (this "Agreement") and (b) by inserting as the last sentence of Section 2 of Exhibit "C" to the Deed the following:

"Grantee (i) agrees to give HLB monthly status updates in a detailed report (the "Report") which shall include, but not be limited to, the current construction status and specific delays in construction as to the Commencement of Construction and Completion of Construction in the manner set forth in Section 11.08 of the Contract amongst HLB and Grantee dated \_\_\_\_\_ (as hereinafter defined). The Report shall be sent to the address set forth in Section 12.02 of the Contract or such other address as HLB may deliver to Grantee pursuant to the Contract. Each Report shall be due on or before the first day of each month thereafter until completion of construction; (ii) Grantee will complete construction of the home on or before six (6) months from the date hereof (the "Completion Deadline"); (iii) Grantee will additionally provide to HLB in the manner set forth above a 'Qualified Income Certification' for the homebuyer, as required by the City of Houston, at least twenty (20) days before closing to a homebuyer; and (iv) except as expressly noted in each

Report delivered pursuant to this Agreement, Grantee confirms that it is in compliance with all other terms and conditions of the Contract."

The remainder of Section 2 of Exhibit "C" to the Deed remains as written.

4. Grantee acknowledges and agrees that time is of the essence in connection with this Agreement. Failure of Grantee to timely comply with the provisions of Section 3 of this Agreement as hereby modified, shall constitute a default by Grantee under the Deed and the Contract and shall entitle Grantor to exercise the rights of reverter contained in the Deed.

5. Grantee hereby ratifies, reaffirms and confirms its obligations under the Declaration of Land Use Restrictions ("Restrictive Covenants") executed by HLB as of \_\_\_\_\_, recorded in the Official Public Records of Real Property of Harris County, Texas under County Clerk's File Number \_\_\_\_\_.

6. This Agreement shall be deemed covenants running with the Land and shall be binding upon and inure to the benefit of HLB and Grantee and their respective legal representatives, heirs, executors, administrators, successors and assigns.

EXECUTED this the \_\_\_\_ day of \_\_\_\_\_, 2020.

HOUSTON LAND BANK (formerly known as Land Assemblage Redevelopment Authority), a Texas local government corporation created pursuant to TEX. TRANSP. CODE ANN. § 431.101

By: \_\_\_\_\_  
Anne Haynes, President

THE STATE OF TEXAS    §  
  §  
COUNTY OF HARRIS    §

Before me, the undersigned authority, on this day personally appeared Anne Haynes, President of the HOUSTON LAND BANK (formerly known as Land Assemblage Redevelopment Authority), a Texas local government corporation created pursuant to TEX. TRANSP. CODE ANN. § 431.101, who acknowledged the foregoing as the act of said local government corporation and for the purposes and consideration expressed in the foregoing instrument.

Given under my hand and seal of office on the \_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
Notary Public in and for the State of Texas

**EXHIBIT "A"**

**LEGAL DESCRIPTION OF PROPERTY**

Exhibit "A"





### AGREEMENT REGARDING REVERTED LOTS

This Agreement Regarding Reverted Lots (this "Agreement") is executed as of the 25<sup>th</sup> day of February, 2020 (the "Effective Date") by Houston Land Bank, a Texas local government corporation ("HLB") formerly known as the Land Assemblage Redevelopment Authority and Mayberry Homes, Inc., a Texas corporation ("Developer").

#### RECITALS

A. HLB has heretofore conveyed to Developer the Property described on Exhibit "A" attached hereto (the "Land") pursuant to that certain Special Warranty Deed dated as of March 16, 2018 recorded in the Official Public Records of Real Property of Harris County, Texas under Harris County Clerk's File Number 2018-158117 (the "Deed").

B. Pursuant to the Deed, HLB retained the power, among other things, to terminate the estate conveyed by HLB to Developer under certain conditions as more specifically provided for in Sections 2 and 3 of Exhibit "C" to the Deed (the "Reverter Rights"), thereby in any such instances, terminating all rights, title and interest of Developer in and to the Land.

C. Developer failed to comply with the provisions of Section 2 and Section 3 of Exhibit C to the Deed and, pursuant to the terms thereof, the Land automatically reverted to HLB and is currently owned by HLB.

D. Developer and Unity National Bank, a national banking association ("Lender"), have asked HLB to rescind the Reverter Rights such that title to the Land shall be vested in Developer again as of the date hereof. HLB has agreed to do so subject to the terms and conditions set forth herein.

#### AGREEMENT

In consideration of foregoing, and other good and valuable consideration, the receipt and sufficiency are hereby acknowledged and confessed, HLB and Developer hereby agree as follows:

1. HLB hereby waives, revokes and declares null and void the Reverter Rights vested in HLB pursuant to the provisions of Sections 2 and 3 of Exhibit "C" to the Deed that have accrued under the terms thereof prior to the date of this Agreement.

2. HLB confirms that title, as of the date hereof, is vested in Developer and agrees upon request by any purchaser of the Land from Developer or Lender making a loan to Developer to construct the improvements to be constructed thereon to execute and deliver a without warranty deed to Developer in form and substance reasonably satisfactory to HLB and the title company insuring the Lender's Deed of Trust, and at Developer's cost and expense (including reasonable attorney's fees).

3. Effective upon the full execution and recordation of this Agreement, Section 2 of Exhibit "C" to the Deed is hereby amended (i) by deleting the words "this Deed" appearing in the fifth (5th) line thereof and substituting in lieu and in place thereof (this "Agreement") and (ii) by inserting as the last sentence of Section 2 of Exhibit "C" to the Deed the following:

- i. "Developer agrees to give HLB monthly status updates in a detailed report (the "Report") which shall include, but not be limited to, the current

construction status and specific delays in construction as to the Commencement of Construction and Completion of Construction in the manner set forth in Section 11.08 of the Contract (as hereinafter defined), to the address set forth in Section 12.02 of the Contract or such other address as HLB may deliver to Developer pursuant to the Contract. Each Report shall be due on or before the first day of each month thereafter until completion of construction;

- ii. Developer will complete construction of the home on or before six (6) months from the date hereof (the "Completion Deadline");
- iii. Developer will additionally provide to HLB in the manner set forth above a 'Qualified Income Certification' for the homebuyer, as required by the City of Houston, within 20 days before closing to a homebuyer;
- iv. Except as expressly noted in each report delivered pursuant to this Agreement, Developer confirms that it is in compliance with all other terms and conditions of the Contract. "

The remainder of Section 2 of Exhibit "C" to the Deed remains as written.

4. Upon Developer executing a deed of trust to secure a loan during the Financing Period (the "Deed of Trust"), the Lender as beneficiary of such Deed of Trust shall give notice to HLB of the name and identity of such Lender. At any time Lender considers that Developer is in default of the Deed of Trust, Lender shall give thirty (30) day written notice ("Notice") thereof to HLB at the address furnished in the Contract.

In such event and at any time during HLB's oversight of construction where Developer is considered in default under any of HLB's Rights of Reverter, HLB shall give Notice thereof to Lender at the address furnished in the Contract.

5. If Developer has commenced construction but failed to meet the Conditions set forth in Section 3 above, one of the following options shall be exercised to ensure that construction is completed:

- (i) Following the Notice from Lender as defined above, Lender may attempt in good faith to accomplish the completion of construction and sale to a qualified homebuyer. HLB shall not exercise any of HLB's Rights of Reverter within the one hundred twenty (120) day timeframe allowed to cure the default of Developer (the "Cure Period"); provided, however, that if Lender fails to comply with the foregoing obligations during the Cure Period then HLB shall have the option to exercise HLB's Rights of Reverter.
- (ii) If HLB exercises its Rights of Reverter due to Lender's failure to cure the default, HLB, Developer, and Lender agrees that HLB may utilize the remaining financing issued to Developer to complete construction on the Property. Following the completion and sale of the Residence, HLB shall pay Lender from the proceeds of such sale, and only to the extent of such proceeds, the amount theretofore advanced by Lender to HLB as provided in such loan documents on said loan to the extent that such amount has been applied to the cost of improvements in connection with the construction, development, operation, and preservation of the Property as provided in the documents evidencing such loan including unpaid interest and any late fees or expenses incurred by Lender. Said amount advanced by Lender, as

described in the preceding sentence, shall be delivered to Lender within thirty (30) days after the sale of the Residence, and upon receipt thereof, Lender shall release the Deed of Trust and any other instruments securing payment of the loan, and the remainder of the purchase price (if any) shall be paid to Developer .

6. Developer hereby ratifies, confirms and agrees to be bound by the terms and provisions of Exhibit "C" to the Deed as hereby modified, and agrees that any failure of Developer to comply with such provision shall, as applicable, either trigger the Reverter Rights or the Right of First Refusal set forth therein, or both.

7. Developer hereby ratifies, reaffirms and confirms its obligations under the Declaration of Land Use Restrictions ("Restrictive Covenants") executed by HLB as of February 23, 2018, recorded in the Official Public Records of Real Property of Harris County, Texas under County Clerk's File Number 2018-157085.

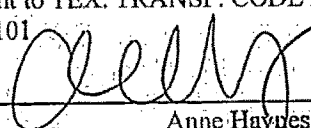
8. This Agreement shall be deemed covenants running with the Land and shall be binding upon and inure to the benefit of HLB, Developer and Lender and their respective legal representatives, heirs, executors, administrators, successors and assigns.

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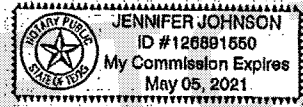
HLB

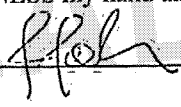
HOUSTON LAND BANK (formerly known as Land Assemblage Redevelopment Authority), a Texas local government corporation created pursuant to TEX. TRANSP. CODE ANN. § 431.101

By:   
Anne Haynes, President

THE STATE OF TEXAS §  
  §  
COUNTY OF HARRIS §

On this 25<sup>th</sup> day of February, 2020, before me, a Notary Public in and for said State, personally appeared Anne Haynes, of the Houston Land Bank, a Texas local government corporation, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the foregoing document and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.



WITNESS my hand and official seal  


RP-2020-105861

UNOFFICIAL COPY

**DEVELOPER**

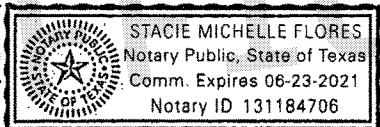
MAYBERRY HOMES, INC.,  
a Texas corporation

By: [Signature]  
Name: Sharon Mayberry  
Title: President CEO

THE STATE OF TEXAS §  
COUNTY OF Harris §

On this 25<sup>th</sup> day of February, 2020, before me, a Notary Public in and for said State, personally appeared Sharon Mayberry, of Mayberry Homes, Inc., a Texas corporation, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the foregoing document and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



[Signature]

RP-2020-105861



**EXHIBIT "A"**

**LEGAL DESCRIPTION OF PROPERTY**

Lots Four (4) and Five (5) in Block Thirty (30) of AUGUSTA ADDITION, an addition in Harris County, Texas according to the map or plat thereof recorded in Volume 56, Page 139 of the Deed Records of Harris County, Texas. (HCAD No. 004-036-000-0004).

RP-2020-105861

UNOFFICIAL COPY

Exhibit A



RP-2020-105861  
# Pages 8  
03/09/2020 10:11 AM  
e-Filed & e-Recorded in the  
Official Public Records of  
HARRIS COUNTY  
DIANE TRAUTMAN  
COUNTY CLERK  
Fees \$40.00

RECORDERS MEMORANDUM

This instrument was received and recorded electronically and any blackouts, additions or changes were present at the time the instrument was filed and recorded.

Any provision herein which restricts the sale, rental, or use of the described real property because of color or race is invalid and unenforceable under federal law.

THE STATE OF TEXAS  
COUNTY OF HARRIS

I hereby certify that this instrument was FILED in File Number Sequence on the date and at the time stamped hereon by me; and was duly RECORDED in the Official Public Records of Real Property of Harris County, Texas.



*Diane Trautman*

COUNTY CLERK  
HARRIS COUNTY, TEXAS

**MEMO**

**DATE:** April 2, 2020

**TO:** Mr. Paul Johnson  
Hancock Whitney Bank

**FROM:** Bob Schlanger

**RE:** Mayberry Homes – “Reverter Lots” in Trinity Gardens, Harris County, Texas

---

Paul:

I have reviewed the “Agreement Regarding Reverter Lots” you forwarded to me yesterday and I have also reviewed the underlying Deed from Houston Land Bank (HLB) to Mayberry Homes, Inc. and would provide the following information:

1. In December, 2017, HLB (or its predecessor) conveyed a number of Lots to Mayberry Homes, Inc. It appears that seven or eight lots were conveyed and apparently five Lots remain.
2. The Deed conveying the Lots contained certain “Use Restrictions” which basically continue until 2057 and restrict the Lots to residential use. I don’t think this restriction is of particular concern, but it is clear that the Lots could not be used for any purposes other than the construction of single-family residences thereon.
3. The Deed also contained a “Reverter” which specifies that the title to the Lot reverts back to the HLB if (a) construction was not commenced within 120 days following the recording of the Deed or (b) construction of a residence on the Lots was not completed as specified in the Sales Contract between the parties. I don’t have access to the Sales Contract, but I think it’s safe to assume that the Lots have reverted to HLB due to the failure to commence and complete construction.
4. The Deed also contains a Right of First Refusal allowing the HLB the option to re-purchase the Lots if Mayberry wanted to sell the Lots prior to construction of a residence on such lots.

**Robert A. Schlanger, P.C.**  
**5325 Katy Freeway, Suite Two**  
**Houston, Texas 77007**  
**(713) 626-2333 (713) 626-3806 (Fax)**

5. Apparently, the Lots have reverted to HLB and the parties have now reached an agreement for HLB to waive the reverter and for Mayberry to again own the Lots and have the right to construct single-family residences on the Lots.

6. The parties have asked the Bank to consent to the Agreement which waives the reverter and the following provisions are of note:

(a) The Agreement waives the reverter and declares any reversion null and void.

(b) The Agreement provides that HLB will execute a Deed without warranty conveying the Lots to Mayberry and confirming that the previous reversion is waived.

(c) The Agreement allows Mayberry to obtain financing for the construction of residences on the Lots and requires the construction lender to give notice of the financing to HLB.

(d) The Agreement requires the construction lender to give notice of default by Mayberry under the construction loan to HLB.

(e) The agreement provides that if Mayberry fails to comply with the provisions regarding commencement and/or completion of construction, HLB must give notice to the construction lender of that default.

(f) Following the Notice from HLB the construction lender may “attempt in good faith to accomplish completion of construction and sale to a qualified homebuyer” with 120 days from the date of Notice. To accomplish this, the Bank would probably have to foreclose its lien, complete construction and sell the residence...which may not be able to be accomplished within 120 days.

(g) If the Bank fails to complete and sell the residence within 120 days, HLB could exercise the reverter option.

(f) The Agreement provides that if HLB exercises its reverter rights, that HLB may utilize the “remaining financing” issued to Developer to complete construction of the Residence”. This would require the Bank to advance funds to HLB for completion of the construction (and not to Mayberry). The term “remaining financing” is not defined so what advances that would be available is open for determination

(g) If HLB thereafter sells the Residence, the proceeds of the sale would be repaid to the Bank to the extent of the funds advanced to HLB. I don't think this works for

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**5325 Katy Freeway, Suite Two**  
**Houston, Texas 77007**  
**(713) 626-2333 (713) 626-3806 (Fax)**

the Bank because (i) repayment would be limited to the sales proceeds, and (ii) funds would only repay the amounts advanced to HLB. Assuming that Mayberry has started construction, made draws and thereafter either can't complete construction or sell the Residences in a timely matter, the only repayment would be from the sales proceeds and would only repay the amounts advanced to HLB (i.e. not the amounts advanced to Mayberry). Assuming, for example, that the Residence is 75% completed when a default occurs, only the remaining amount advanced to HLB would be repaid...that is, of course, assuming that HLB has the capability to complete construction.

(h) I would assume also, that the "qualified homebuyer" referred to in the Agreement may be limited to homebuyers that are qualified to purchase affordable housing or similar residences and that limitation may restrict the potential purchasers and may not be acceptable.

For these reasons, I am concerned with the terms of the Agreement.

---

Please give me a call when you get a chance.

Thanks again.

**Robert A. Schlanger, P.C.**  
**5325 Katy Freeway, Suite Two**  
**Houston, Texas 77007**  
**(713) 626-2333 (713) 626-3806 (Fax)**